

MF082414

INACTIVE
 DATE 12/01/2014
 LEASING MB
 MAPS JK
 GIS MC

Leasing: _____
 Maps: JK
 GIS: MC
 Scanlab: _____

Lease Type
 Free Royalty

Control
 08-030739

Basefile
 151374

County
 REEVES

Survey

T & P Ry Co

Block

56

Block Name

Township

3-S

Section/Tract

28

Land Part

40

40

Acres

Net: ~~320.000000~~ Gross: ~~320.000000~~

Depth Below

Depth Above

Depth Other

3630

Specified
 Depths

Name

CHALFANT MAGEE & CLIFTON

Lease Date

3/1/1979

Primary Term

5 years

Bonus

\$320.00

Lease Royalty

0.06250000

Paid Up

NA



CAUTION

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

Please help keep documents in
 content order and let the
 ScanLab know when new documents
 are added to this file.

Thank you for your assistance.

Archives and Records Staff



UNDIVIDED INTEREST

~~INACTIVE~~

~~DATE 12-17-01~~

~~LEASING CFB~~

~~GLOBASE~~

~~MAPS/GIS * /uk~~

LEASE REINSTATED
3-1-06 JA
CB

~~TERMINATED~~

~~Date 12-17-01~~

~~Accounting~~

~~Legal CFB~~

~~Exploration~~

~~Execution~~

FREE ROYALTY LEASE M-82414 8
195

COUNTY: Reeves
TRACT : E 1/2 of Sec. 28, Blk. 56 T-3
PART : T & P RR Co. Sur.
ACRES : 320
LESSEE : Chalfant, Magee & Clifton, Inc.
DATE : March 1, 1979
TERM : 5 Years
BONUS : \$320.00
RENTAL: 0
FILE : 08-03073-9

Legal BE
Rental NS

C/7 Ucla Ucler Inc. - January 14, 1980

CONTENTS OF		FILE NO. <u>M-82414</u>
1A APPLICATION TO DRILL	7-7-80	
1. Lease	8-9-80 68	34. Assignment 5-19-84
2. Lease	8-9-80 "	35. Assignment 5-19-84
3. Lease	8-9-80 "	36. Ltr from Southern Union 5-18-84
4. Lease	8-9-80 "	37. Ltr to Southern Union 5-24-84
5. Ltr fr. So. Union Explor. Co.	8-9-80 "	38. APPLICATION TO DRILL WELL # <u>1</u> 11-4-85 DB
6. Ltr to "	" 8-15-80 "	39. COMP. REPORT WELL # <u>1</u> 11-4-85 DB
	R. V. PHIPPS	
7. APPLICATION TO DRILL WELL # <u>1</u>	OCT 30 1980	40. APPLICATION TO DRILL WELL # <u>1</u> 4-10-86 DB
8. Lease Status Rpt	" "	41. Division Order 2-7-87
	NOV 17 1980	
9. APPLICATION TO DRILL WELL # <u>2</u>	R. V. PHIPPS	42. Division Order Ltr 7-15-87 DB
10. Lease Status Rpt 1-21-81		42A LTR FROM PRIDE PIPELINE 1-22-1992
11. Ltr. to Southern Union Explor. Co.	4-27-81	43. Division Order from Lantern petro. 1-8-200
12. DIVISION ORDER	5-1-81	44. See Termin Packet 50 MF 40154A-M 8-5-02
	RVP	
13. Ltr from S. Union	6-26-81	45. Billing letter 7-23-04
14. Ltr. to Southern Union	8-10-81	46. Billing letter 7-23-04
15. Ltr. to Southern Union Explor. Co.	8-18-81	47. Letter Write-Off 5-27-09
	Abd hoc	48. ^{MISSING} Review Ltr 7/23/04
16. APPLICATION TO DRILL WELL # <u>3</u>	PHIPPS	Scanned sm 3/11/14
	1982	
17. APPLICATION TO DRILL WELL # <u>4</u>	JUL 7 1982	
	R. V. PHIPPS	
18. Ltr to Southern Union Explor.	10-14-82	
19. DIVISION ORDER	12-2-82	
19A LTR FROM SOUTHERN UNION	12-4-82	
20. Ltr to Southern Union Explor	12-6-82	
21. DIVISION ORDER	12-22-82	
22. DIVISION ORDER	12-22-82	
23. Ltr. fr. Southern Union ex.	1-12-83	
24. Ltr from HNG Oil Co.	1-17-80 MA	
25. Ltr from Southern Union	4-27-84 MA	
26. Ltr from Southern Union	4-27-84 MA	
27. Ltr to Southern Union	5-7-84 MA	
28. Assignment	5-19-84	
29. Assignment	5-19-84	
30. Assignment	5-19-84	
31. Assignment	5-19-84	
32. Assignment	5-19-84	
33. Assignment	5-19-84	

C/7 Arla Butco Co.
July 19, 1985

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

389-21131

RAILROAD COMMISSION OF TEXAS
OIL AND GAS DIVISION

Directional
Amended or
Corrected
Permit

RRC Permit Number, if previously assigned.

7. RRC District

8

8. County

Reeves

9. Well Number

1

10. Number of Acres in Lease

320

11. Distance from Proposed Location to Nearest Property or Lease Line

660

12. Total Depth

3800'

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

Southern Union Exploration Company

2. Address (Including City and Zip Code)

Suite 400, Texas Federal Bldg.
1217 Main Street
Dallas, Texas 75202

3. Is Form P-5 (Organization Report) in Exact Operator Name Filed?

YES ☒ NO ☐ (Instruction (2) on back side.)

4. Lease Name and RRC Lease or ID No. (If Assigned)

Meeker

5. Location (Sec., Blk., Survey)

Sec 28, Lot 56, TWP 3 T&P Survey

6. This well is to be located _____ miles _____

Direction from _____

Nearest Post Office or Town.

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. Proration 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 well in 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?
67609500	3800'	None	467/1200	40	40	No		Regular 1 ☒ Rule 37 2 ☐ Regular 1 ☐ Rule 37 2 ☐ Regular 1 ☐ Rule 37 2 ☐	Oil	0
SE 28, Lot 56, TWP 3, R. 1E, S. 1N, Del. Co., Texas										

24. PERPENDICULAR LOCATION FROM TWO DESIGNATED:

A. Lease Lines 660' FNL & 660' FEL

B. Survey Lines

25. (a) Is this wellbore subject to SWR 36?

(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:

CERTIFICATE

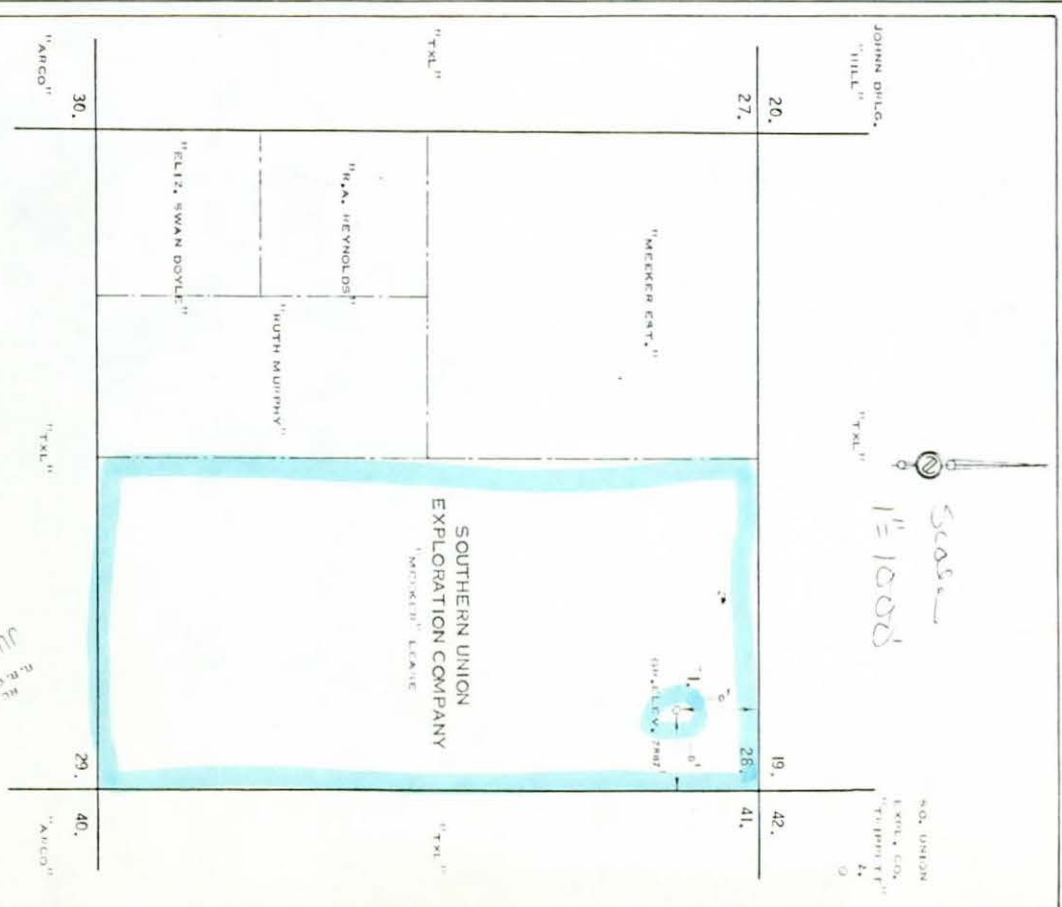
I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this report, that this report was prepared by me or under my supervision and direction, and that data and facts stated therein are true, correct, and complete, to the best of my knowledge.

Signature _____
Title _____
Date _____

Telephone: Area Code _____ 742-6051

READ INSTRUCTIONS ON BACK SIDE AND FURNISH COMPLETE DATA.

SCALE OF MAP



RECEIVED
JUL 07 1980
O.C. TEXAS

Statewide PLAT SERVICE
P.O. DRAWEN, 1987, AUSTIN, TEXAS 78707

7-11-80

7-16-80
RIP

LB
HP

1A MF-82414
Application to Drill
7-7-86

OIL, GAS AND MINERAL LEASE

THIS AGREEMENT made and entered into this 1st day of March, 1979, by and between
L. H. Meeker and First National Bank of Ft. Worth, Co-Trustees of the Charles Roeser

Meeker Trust; 6000 Camp Bowie Blvd., Ft. Worth, Texas

hereinafter called "Lessor", whether one or more, and CHALFANT, MAGEE & CLIFTON, INC., hereinafter called "Lessee".

WITNESSETH: That, for and in consideration of the sum of TEN AND NO/100----- Dollars

10.00), receipt of which is hereby acknowledged, and of the royalties herein provided and the agreements of Lessee herein contained, Lessor does hereby grant, lease and let exclusively unto Lessee, its successors and assigns, all of the land hereinafter described, together with any reversionary rights therein for the purpose of exploring by geological, geophysical and all other methods, and of drilling, producing and operating wells or mines for the recovery of oil, gas and other hydrocarbons, and all other minerals or substances, whether similar or dissimilar, that may be produced from any well or mine on the leased premises, including primary, secondary, tertiary, cycling, pressure maintenance methods of recovery, and all other methods, whether now known or unknown, with all incidental rights thereto, and to establish and utilize facilities for surface and subsurface disposal of salt water, and to construct, maintain and remove roadways, tanks, pipelines, electric power and telephone lines, power stations, machinery and structures thereon, to produce, store, transport, treat and remove all substances described above, and the products therefrom, together with the right of ingress and egress to and from said land across any other land now or hereafter owned by Lessor. The land hereby leased is situated in the County of Reeves, State of Texas, and is described as follows:

East One-half (E½) of Section 28, Block 56, Township 3, T & P RR Co. Survey

(Notwithstanding anything else contained herein to the contrary, it is agreed that wherever royalty is specified in the fractional amount of 1/8th, such fractional amount is hereby increased to 3/16th.)

Lessor recognizes that the State of Texas, is under the provisions of Section 4, Art. 5421-C, of Revised Civil Statutes of the State of Texas, entitled to the royalty stipulated on oil, gas and other minerals that may be produced from the lands herein described and by these presents authorizes Lessee or its assignees to deduct from the royalty recited to be payable or deliverable to Lessor under provisions hereof, any royalty to which the State is entitled.

This lease covers all of the land described above, including any interests therein that any signatory hereto has the right or power to lease, and in addition it covers, and there is hereby granted, leased and let, upon the same terms and conditions as herein set forth, all lands now or hereafter owned or claimed by Lessor, adjacent, contiguous, or a part of the tract or tracts described above, whether such additional lands be owned or claimed by deed, limitation, or otherwise, or are leased or unleased, and whether such lands are inside or outside of the metes and bounds description set forth above, or are in the named survey, or other survey or surveys. The bonus money paid for this lease is in gross, and not by the acre, and shall be effective to cover all such land irrespective of the number of acres contained therein, but the land included within this lease is estimated to comprise 320 acres, whether actually more or less, and such land is hereinafter referred to as the "leased premises".

TO HAVE AND TO HOLD the leased premises for a term of ~~XXXX~~ five years from the date hereof, hereinafter called "primary term", and as long thereafter as oil, gas or other hydrocarbons, or other minerals or leased substances, or either or any of them, are produced from the leased premises or from lands with which the leased premises are pooled or unitized.

In consideration of the premises, it is hereby agreed as follows:

1. Royalty On Oil. Lessee shall deliver to Lessor, at the well or to the credit of Lessor in the pipeline to which the well may be connected, 1/8th of all oil and other liquid hydrocarbons produced and saved from the leased premises, or Lessee, at its option, may buy or sell such 1/8th royalty and pay Lessor the market price for oil or liquid hydrocarbons of like grade and gravity prevailing in the field on the day such oil is run into pipelines or into storage tanks. Lessor's royalty interest in either case shall bear its proportion of any expenses for transporting and treating oil to make it marketable as crude.

2. Royalty On Gas. Lessee shall pay to Lessor as royalty on gas, including casinghead gas or other gaseous substances produced from said land and sold on or off the premises, one-eighth of the net proceeds at the well received from the sale thereof, provided that on gas used off the premises or by Lessee in the manufacture of gasoline or other products therefrom, the royalty shall be the market value at the well of one-eighth of the gas so used; as to all gas sold by Lessee under a written contract, the price received by Lessee for such gas shall be conclusively presumed to be the net proceeds at the well or the market value at the well for the gas so sold.

3. Royalty On Other Substances. Lessee shall pay to Lessor, as royalty on any substances covered by this lease other than oil and gas and the products thereof which Lessee may elect to produce, save and market from the leased premises, 1/8th of the proceeds received by Lessee from the sale thereof after deducting the processing costs, except that the royalty on sulphur shall be One Dollar (\$1.00) per long ton marketed.

4. Shut - In Gas Royalty. If at any time, or from time to time, either before or after the expiration of the primary term of this lease, there is any gas well on the leased premises or on lands with which the leased premises are pooled or unitized and which is capable of producing in paying quantities, but which is shut in before or after production therefrom, such well shall be considered under all provisions of this lease as a well producing gas in paying quantities and this lease shall remain in force in like manner as though gas therefrom was actually being sold or used. In such event, Lessee covenants and agrees to pay Lessor, as royalty,

the sum of Three hundred twenty and NO/100----- Dollars (\$ 320.00) per annum for the period commencing on the date such well is actually shut in, unless this lease is being maintained in force and effect by some other provision hereof, in which event, such period shall commence on the date this lease ceases to be maintained in full force and effect by some other provision hereof. Payment or tender shall be made to Lessor, or deposited to the credit of Lessor in the depository bank named in this lease. The first payment shall be due and payable on or before ninety (90) days after the date such well is shut in, or ninety (90) days from the date this lease ceases to be maintained in force by some other provision hereof. Unless gas from such well is produced and sold or used prior thereto, except temporary sales, or use for lease operations, subsequent payments shall be due annually thereafter on the anniversary date of the period for which such prior payment was made. No additional payments shall be required if there is more than one shut-in gas well on the leased premises or on lands with which the leased premises are pooled or unitized. The term "gas well" shall include wells capable of producing natural gas, condensate, or any gaseous substance, and wells classified as gas wells by any governmental authority having jurisdiction.

5. Delay Rental. If operations for drilling or mining on the leased premises, or on lands with which the leased premises are pooled or unitized, are not commenced on or before one (1) year from the date of this lease, as set forth above, this lease shall terminate as to both parties unless on or before one (1) year from the date of this lease, Lessee shall pay or tender to the Lessor a rental of Three hundred twenty and NO/100-----

Dollars (\$ 320.00), which shall cover the privilege of deferring commencement of such drilling or mining operation for a period of twelve (12) months from the expiration of said one (1) year period. In like manner and upon like payments or tenders annually, the commencement of such operations may be deferred for successive periods of the same number of months, during the primary term. Payments or tenders may be made to the Lessor or to the Lessor's credit in the

The First National Bank at Ft. Worth, Texas, which bank or any successor thereof shall continue to be the agent for the Lessor and the Lessor's successors and assigns. If such bank or any successor thereof shall fail, liquidate, or be succeeded by another bank, or for any reason fail or refuse to accept rental, the rental paying date for any year shall be extended until the expiration of thirty (30) days after Lessor shall have delivered to Lessee a recordable instrument making provision for another method of payment or tender and any depository charge shall be the liability of the Lessor. The payment or tender of rental may be made by check or draft of Lessee, mailed or delivered to said bank or Lessor, or to any Lessor if more than one, on or before the rental paying date. Mailing of rental on or before the rental paying date shall be deemed a timely tender thereof and shall preclude the termination of this lease.

6. Drilling Operations. If Lessee should drill and abandon as a dry hole a well on the leased premises, or if after the discovery of oil, gas or other minerals, the production thereof should cease from any cause, and, in either event, there are no other producing wells on the leased premises or on lands with which they are pooled or unitized, or drilling or reworking operations are not being conducted thereon, this lease shall not terminate if Lessee commences reworking or additional drilling operations on the leased premises within sixty (60) days thereafter or, if it be within the primary term, Lessee commences or resumes the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of ninety (90) days from the date of such abandonment or cessation of production. If such abandonment or cessation of production occurs at any time during the last fifteen (15) months of the primary term, no rental payment or drilling operations are necessary to keep the lease in force during the remainder of the primary term. If, at the expiration of the primary term, oil, gas or other minerals are not being produced from the leased premises or from lands with which the leased premises are pooled or unitized, but Lessee is then engaged in operations for drilling or reworking of any well, this lease shall remain in force so long as such drilling or reworking operations are prosecuted, or reworking operations on any well or additional drilling operations are conducted on the leased premises, or on lands pooled or unitized therewith, with no cessation of more than sixty (60) consecutive days, and if any such operations result in production then as long thereafter as such production continues.

7. Pooling. Lessee is hereby granted the right, at any time and from time to time, whether before or after production, to pool this lease for the production of oil, gas or condensate, or any or either of them, as to the land covered hereby, or any zone or portion thereof, or as to any mineral or royalty interest therein, with any other lease covering the above described land, or lands adjacent, contiguous, adjoining, or in the immediate vicinity thereof, or as to any zone or portion of said lease or any mineral or royalty interest therein. Such pooling shall be into a unit or units not exceeding forty (40) acres plus an acreage tolerance of ten percent (10%) thereof for oil, and units not exceeding six hundred forty (640) acres each plus an acreage tolerance of ten percent (10%) thereof for gas; provided that, should governmental authority having jurisdiction prescribe or permit the creation of any drilling, spacing or proration units larger than those specified above, such units may be created or enlarged to conform in size to the drilling or spacing units so prescribed or permitted or to the proration units as may be authorized for obtaining the maximum allowable production from one well. Lessee may pool the acreage or interests above described, or any portion thereof, as above provided, as to oil, or gas in any one or more zones, and units so formed need not conform in size or area with the unit or units into which the lease is pooled, or combined as to any other zone, and oil units need not conform as to area with gas units. Such pooling shall be effected by the filing by Lessee of a written designation, in the county, or counties, in which the premises are located, identifying and describing the pooled unit. The production of oil, gas or condensate from any zone or portion of the land so pooled and the development and operation on such land, including the commencement, drilling, completion and operation of a well thereon, or the existence thereof of a shut-in gas well, shall be considered and construed and shall have the same effect, except for the payment of royalty, as production, development and operation, or the existence of a shut-in gas well on the leased premises, regardless of the location of the well on the unit. Production from any unit well producing oil, gas or condensate shall be allocated to the leased premises in the proportion that the acreage of the leased premises included within the unit bears to the total acreage in the unit, and the royalty provided for herein shall be calculated on the portion of the production so allocated. The royalty so payable on allocated production shall be in lieu of any other royalty that would accrue to Lessor from the production of oil, gas or condensate from any zone or portion of the leased premises included within the unit. Shut-in gas royalty, with respect to unit shut-in gas wells, shall be payable in accordance with the provisions and in the amount set forth in this lease. In the event any unit well shall fail to produce oil, gas or condensate in paying quantities, or in the event the production from any such well shall cease, Lessee may terminate the unit by filing for record, in the county, or counties where the land is situated, a written declaration of such termination.

8. Use Of Oil, Gas And Water For Operations. Lessee shall have the free use of oil, gas and water from the leased premises, except water from Lessor's wells and tanks, for all operations hereunder, and the royalty on oil and gas shall be computed after deducting the amount so used.

9. Removal Of Equipment. Lessee shall have the right, at any time during or after the expiration of this lease, to remove all property and fixtures placed on the leased premises by Lessee, including the right to withdraw and remove all casing.

10. Assignment Or Change Of Ownership. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors, and assigns, but no change or division in ownership of the land, rentals or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee. No change or division in the ownership of the land, rentals or royalties, however accomplished, shall be binding upon Lessee for any purpose and shall not impair the effectiveness of any payment theretofore made by Lessee (irrespective of whether Lessee has either actual or constructive knowledge thereof) until sixty (60) days after such person acquiring any interest has furnished Lessee with the instrument or instruments, or certified copies thereof, constituting his chain of title from the original Lessor. In the event of an assignment of this lease as to a segregated portion of the land covered by this lease, the rentals payable hereunder shall be apportioned as between the several leasehold owners, ratably, according to the surface area of each, and a default in rental payment by one Lessee shall not affect the rights of other leasehold owners hereunder who make due payments of rentals. An assignment of this lease, in whole or in part, shall, to the extent of such assignment, relieve and discharge Lessee of all obligations hereunder.

11. Force Majeure. Lessee shall not be liable for any delays in its performance of any covenant or condition hereunder, express or implied, or for total or partial nonperformance thereof, due to force majeure. The term "force majeure", as used herein, shall mean any circumstance or any condition beyond the control of Lessee, including but not limited to acts of God and actions of the elements; acts of the public enemy; strikes; lockouts; accidents; laws, acts, rules, regulations and orders of federal, state or municipal governments, or officers or agents thereof; failure of transportation; or the exhaustion, unavailability, or delays in delivery, of any product, labor, service or material. If Lessee is required to cease drilling or reworking or producing operations on the leased premises by force majeure, then until such time as such force majeure is terminated and for a period of ninety (90) days after such termination, each and every provision of this lease that might operate to terminate it shall be suspended and this lease shall continue in full force and effect during such suspension period. If any period of suspension occurs during the primary term, the time thereof shall be added to such term.

12. Force Majeure. Lessee shall not be liable for any delays in its performance of any covenant or condition hereunder, express or implied, or for total or partial nonperformance thereof, due to force majeure. The term "force majeure", as used herein, shall mean any circumstance or any condition beyond the control of Lessee, including but not limited to acts of God and actions of the elements; acts of the public enemy; strikes; lockouts; accidents; laws, acts, rules, regulations and orders of federal, state or municipal governments, or officers or agents thereof; failure of transportation; or the exhaustion, unavailability, or delays in delivery, of any product, labor, service or material. If Lessee is required to cease drilling or reworking or producing operations on the leased premises by force majeure, then until such time as such force majeure is terminated and for a period of ninety (90) days after such termination, each and every provision of this lease that might operate to terminate it shall be suspended and this lease shall continue in full force and effect during such suspension period. If any period of suspension occurs during the primary term, the time thereof shall be added to such term.

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12. Lessee Interest Clause. If Lessor does not own, or have the right to lease, the entire mineral interest in the land described above, then the royalties, rentals, and any other sums payable hereunder, shall be reduced and payable only in the proportion that the interest covered by this lease bears to the entire mineral interest in the above described land. If the mineral interest covered hereby is subject to an outstanding nonparticipating royalty, such royalty shall be deducted from the royalties payable to Lessor hereunder.

13. Warranty. Lessor hereby warrants and agrees to defend the title to the lands herein described and agrees that the Lessee shall have the right, at any time, to redeem for Lessor, by payment, any mortgage, taxes or other liens on the leased premises in the event of default of payment by Lessor, and be subrogated to the rights of the holder thereof, and such payments may be deducted from any rental or royalties that may be payable to Lessor hereunder.

14. Surrender. Lessee, its successors and assigns, shall have the right at any time, to surrender this lease, in whole or in part, by delivering or mailing a release to the Lessor or by placing a release of record in the county, or counties, in which the leased premises are situated, and thereupon, Lessee shall be relieved from all obligations, expressed or implied, of this lease as to the acreage so surrendered.

15. Parties Bound. This lease and all of the rights, obligations and conditions hereof shall be binding upon each party executing this instrument and his heirs, devisees, successors and assigns. Should any party named above as Lessor fail to execute this lease, or should any party execute this lease who is not named above as a Lessor, it shall nevertheless be binding upon the party or parties executing the same.

16. Headings For Convenience. The paragraph headings herein are for convenience only and shall not be considered or construed to limit the subject matter of any paragraph.

17. Shut-in payments, as herein provided, shall not maintain this lease for a cumulative period in excess of three (3) years from and after the end of the primary term hereof.

18. This lease is further subject to a Letter Agreement of even date by and between the named parties hereof.

19. In addition to the royalties provided in the printed portion of this lease, lessors reserve an additional royalty of 7.5% of all oil, gas and other minerals produced and saved from the leased premises, payable in the same manner and at the same time as provided in the printed portion of the lease.

above written.

L. H. MEEKER, Co-Trustee of the
Charles Roeser Meeker Trusts
#2952 & 3084

ATTEST:

First National Bank of Ft. Worth,
Co-Trustee of the Charles Roeser
Meeker Trusts #2952 & 3084

By E. F. Roeser
Vice-President and Trust Officer

TAX I.D. [REDACTED]



person whose name is subscribed to the foregoing instrument, and acknowledged to me
executed the same for the purposes and consideration therein expressed, and in the capacities therein

A 108—Certificate of Record—Class 1

FOR SALE BY STAFFORD-LOWDON CO. FORT WORTH 73037

Texas Standard Form

THE STATE OF TEXAS,

County of REEVES } I, CATHERINE ASHLEY, Clerk of the
County Court in and for said County, do hereby certify that the foregoing Instrument,
dated 1st day of March 1979, with its certificates of authentication, was filed for
Record in my office the 4th day of June 1979, at 9:00 o'clock A. M., and duly
Recorded the 5th day of June 1979, at 4:00 o'clock P. M., in DEED Record
of said County in Vol. 375 on Page 468

WITNESS my hand and the seal of the County Court of said County, at office in Pecos,
Texas, the day and year last above written.

By Billie Jo Freeman Deputy.
(Billie JO Freeman)

CATHERINE ASHLEY Clerk,
County Court, Reeves County.

April 1

Notary Public in and for Tarrant County, Texas.

Typed Name of Notary Public: Delaine Gotcher
My Commission Expires: October 15, 1979

(L.S.)

Filed for Record this the 4th day of June 1979 at 9:00 o'clock A. M.
By Catherine Ashley
Recorded in Record of Book Page By

OIL, GAS AND MINERAL
TEXAS

TO

Chas. J. Al

Assignment of Oil and Gas Lease

163-27

WHEREAS, on the 1st day of March 1979, a certain oil and gas mining lease was made and entered into by and between L. H. Meeker and First National Bank of Ft. Worth, Co-Trustees of the Charles Roeser Meeker Trust, Lessor and Chalfant, Magee & Clifton, Inc., Midland, Texas, Lessee, covering the following described land in the County of Reeves and State of Texas, to-wit:

East One-half (E/2) of Section 28, Block 56, Township 3, T&P RR Co. Survey

Said lease being recorded in the office of the County Clerk in and for said County in book 575, page 468, and

Whereas, The said lease and all rights thereunder or incident thereto are now owned by Chalfant, Magee & Clifton, Inc.

Now, Therefore, for and in consideration of One Dollar (and other good and valuable considerations), the receipt of which is hereby acknowledged, the undersigned, the present owner of the said lease and all rights thereunder or incident thereto, does hereby bargain, sell, transfer, assign and convey all rights, title and interest of the original lessee and present owner in and to said lease and rights thereunder

together with all personal property used or obtained in connection therewith to

HNG Oil Company

and its successors and assigns.

And for the same consideration, the undersigned for itself and its successors and representatives, does covenant with the said assignee its successors, or assigns, the Chalfant, Magee & Clifton, Inc. is the lawful owner of the said lease and rights and interests thereunder and of the personal property thereon or used in connection therewith; that the undersigned has good right and authority to sell and convey the same, and that said rights, interest and property are free and clear from all liens and incumbrances, and that all rentals and royalties due and payable thereunder have been duly paid and that the undersigned will warrant and defend the same against the lawful claims and demands of all persons whomsoever.

In Witness Whereof, The undersigned owner and assignor has signed this instrument as of the 2nd day of May, 1979.

CHALFANT, MAGEE & CLIFTON, INC.

By: Duane J. Magee Vice-President

ATTEST
By: Geneann Rich Secretary
CHALFANT, MAGEE & CLIFTON, INC.

CORPORATION ACKNOWLEDGMENT

THE STATE OF TEXAS, }
COUNTY OF MIDLAND }

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared _____

Duane J. Magee known to me to be the person and officer

whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said Chalfant, Magee & Clifton, Inc., a corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 2nd day of May

A.D. 1979

Janice F. McPherson
Notary Public in and for Midland County, Texas
Janice F. McPherson

5085-

COMPARED

FILED FOR RECORD
AT 10:30 O'CLOCK A.M.

NOV 21 1979

CATHERINE ASHLEY
County Clerk, Reeves County, Texas
By *[Signature]*

P. 3.00 *[Signature]*

THE STATE OF TEXAS,
County of Reeves

CATHERINE ASHLEY Clerk of the County

Court of said County do hereby certify that the foregoing instrument of writing dated the 2nd
day of May 1979 with its certificate of authentication was
filed for record in my office the 21st day of Nov. A.D. 1979
at 10:30 o'clock A.M. and duly re-corded the 21st day of Nov.
1979 at 4:00 o'clock P.M. in the DEED records of said county in
volume 382 on page 334.

WITNESS my hand and the seal of the County Court of said County at office in Pecos,
Texas on the date and year last above written.

CATHERINE ASHLEY
Clerk County Court, Reeves County, Texas

By *Billie JO Freeman* Dep.

(Billie JO Freeman)

RENTAL DIVISION ORDER

WHEREAS, CHALFANT, MAGEE & CLIFTON, INC., Midland, Texas 79701, hereinafter called "lessee", is the owner of that certain oil, gas and mineral lease, dated March 1, 1979, recorded

volume 375, page 468, of the Reel records of Reeves County, Texas, covering the following described land situated in said County, to-wit:

East One-half (E½) of Section 28, Block 56, Township 3, T & P RR Co. Survey

WHEREAS, it is the desire of the undersigned to stipulate with the said lessee as to their proportionate share of the annual rentals in lieu of commencement of drilling operations which may accrue and which said lessee may elect to pay under the terms and provisions of said lease.

NOW, THEREFORE, in consideration of the premises, and ten dollars and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the undersigned stipulate and agree with the said lessee that payment or tender of annual rentals in lieu of commencement of drilling operations (which may accrue and which lessee may elect to pay) to the following in the amounts specified, or to their credit in the depository specified in said lease or below, opposite the name of each of the following, will protect said lease and continue the same in full force and effect as to the interest of each of the undersigned, who certify as to their interest only, to-wit:

PAYEE	INTEREST	AMOUNT	DEPOSITORY
L. H. Meeker & First National Bank of Ft. Worth, Co-Trustees of the Charles Roeser Meeker Trusts #2952 & 3084	1/6	\$53.34	First National Bank of Ft. Worth Ft. Worth, Texas Acct. #2952 & 3084

For the consideration above recited each of the undersigned do hereby ratify, confirm and adopt the above described lease in all of its terms and provisions and do hereby lease and let to lessee the lands covered by said lease, subject to and in accordance with all of the terms and provisions thereof.

This agreement shall be binding upon the undersigned, their respective heirs, successors, personal representatives and assigns and shall inure to the benefit of lessee, its heirs, successors and assigns.

IN WITNESS WHEREOF, this instrument is executed this 1st day of March, 1979.

L. H. Meeker, Co-Trustee of the Charles Roeser Meeker Trusts #2952 & 3084

First National Bank of Ft. Worth, Co-Trustee of the Charles Roeser Meeker Trusts #2952 & 3084

ATTEST:

BY: E. F. Dwyer Jr.

Vice-President and Trust Officer

SINGLE ACKNOWLEDGMENT

THE STATE OF TEXAS)

County of TARRANT)

L. H. MEEKER

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, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, and in the capacities therein stated.

Given under my hand and seal of office on this, the 26th day of March, A.D. 1979.

Glenna M. Brigrance
Notary Public in and for Tarrant County, Texas

My Commission Expires: 6-30-80

THE STATE OF TEXAS)

County of)

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, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office on this, the 1 day of April, A.D. 1979.

(SEAL)

Notary Public in and for _____ County, Texas

2620

COMPARED

FILED FOR RECORD

AT 9:00 O'CLOCK

JUN 4 1979

CATHERINE ASHLEY
County Clerk, Reeves County, Texas

BY *[Signature]* DEPUTY

#500

clerkant, it al

THE STATE OF TEXAS,
County of Reeves

CATHERINE ASHLEY Clerk of the County

Court of said County do hereby certify that the foregoing instrument of writing dated the 1st day of March A.D. 1979 with its certificate of authentication was filed for record in my office the 4th day of June A.D. 1979 at 9:00 o'clock A. M. and duly recorded in the 5th day of June A.D. 19 79 at 4:00 o'clock P. M. in the DEED records of said county in volume 375 on page 471

WITNESS my hand and the seal of the County Court of said County at office in Pecos, Texas on the date and year last above written.

CATHERINE ASHLEY

Clerk County Court, Reeves County, Texas

By *Billie Jo Freeman, Depy*

(Billie JO Freeman)

WESLEY CHALFANT
DUANE MAGEE
THOMAS L. CLIFTON
GENE ANN RICH

682-7941

CHALFANT, MAGEE & CLIFTON, INC.

Oil & Gas Leasing

1201 FIRST NATIONAL BANK BLDG
MIDLAND, TEXAS 79701

March 1, 1979

Mr. L. H. Meeker
6000 Camp Bowie Blvd.
Fort Worth, Texas 76116

Mr. J. J. Meeker
Fort Worth, Texas

First National Bank of Fort Worth
Fort Worth, Texas

Re: East One-half (E $\frac{1}{2}$) of Section 28,
Block 56, Township 3, T & P RR Co.
Survey, Reeves County, Texas

Gentlemen:

Each of the undersigned is this day executing an oil, gas, and mineral lease, as Lessor, in favor of Chalfant, Magee and Clifton, Inc., as Lessee. Each of said leases is dated March 1, 1979, and covers and affects the land described in the caption hereof. Each of said leases provides for a 20% royalty and \$1.00 per acre annual delay rental and is for a primary term of five years.

As additional consideration to Lessors for the execution of said leases, the parties hereto do further agree as follows:

1. Chalfant, Magee and Clifton, Inc., and its successors and assigns shall be entitled to all of the gross production of oil and gas which may be produced, saved, and marketed from each well on the leased premises or on land pooled therewith, subject only to the payment of royalty reserved to Lessors (out of which 1/16th of production shall be paid to the State of Texas as a free royalty) until such time as it has received therefrom a sum of money equal to:
 - a. The cash bonus initially paid for said leases; and
 - b. All delay rentals which may be paid under the terms of said leases; and
 - c. All shut-in gas well royalty which may be paid under the terms of said leases with respect to such well; and

Mr. L. H. Meeker et al
March 1, 1979
Page 2

- d. The costs incurred by Lessee in the drilling, testing, equipping, and completion of such well and for production facilities utilized in connection therewith; and
- e. Direct operating costs, including workovers but excluding overhead and interest, incurred by Lessee with respect to such well during the payout period as hereinafter defined; and
- f. Severance, property, and production taxes incurred by Lessee with respect to the well and production therefrom during the payout period.

The amounts specified in a and b above (bonus and delay rental payments) shall be recovered by Lessee from the first production of oil or gas from any well or wells on the leased premises or on land pooled therewith; and once recovered, such amounts shall be excluded from the amounts recoverable from any other well or wells. Similarly, costs of production facilities and equipment shall be recoverable only once.

- 2. Lessee shall furnish lessors, at semi-annual intervals, statements as to the money expended on and revenue from each well on the leased premises, or on land pooled therewith, and Lessors shall have access to the records of Lessee for purposes of verification and audit of such expenses and revenue.
- 3. Effective as of 7:00 A.M. on the first day of the month following the month in which such sums of money have been recovered (payout), each Lessor shall have the right at his or its option to convert his or its excess royalty under such lease (i.e., royalty in excess of 1/8th) to his or its prorata part of a 25% working interest in and to the leased premises (insofar as the lease covers the land assigned to such well for proration purposes under the rules of the Railroad Commission of Texas), together with a like interest in all casing, tubing, and equipment in or on said well and all production facilities used in connection therewith. Such option shall be exercised by giving written notice thereof to Lessee within 30 days after the receipt by such Lessor of notice from Lessee that all of such sums of money have been recovered; but when the option is exercised the conversion shall be effective as of the day such option became effective as provided above. If such well is located on a pooled unit created under the authority of such leases and including land other than the leased premises, then such working interest shall be subject to the pooling but shall include a proportionate part (determined on an acreage basis) of the working interest in the entire unit, whether or not such well is on the leased premises.
- 4. "Payout period" is defined as that period of time until Lessee has recovered the sums of money from production as set forth in paragraph 1 above.

Mr. L. H. Meeker et al
March 1, 1979
Page 3

5. In the event such option is exercised by any Lessor, then Lessee shall execute and deliver to such Lessor an appropriate assignment to vest in him or it the working interest to which he or it is entitled hereunder, and such Lessor agrees to execute and deliver to Lessee an appropriate lease amendment reducing the royalty to 1/8th. Promptly following the assignment to such Lessor, he or it and Lessee will enter into an operating agreement covering the well and acreage assigned thereto for proration purposes with Chalfant, Magee and Clifton, Inc., its successors and assigns named as operator therein and the electing Lessor or Lessors named as non-operator. The operating agreement shall be an AAPL Form 610 Model Form Agreement dated 1956 for non-federal lands with preferential right of purchase deleted and with a 300% non-consent reworking clause. The Accounting Procedure attached hereto as Schedule A shall be attached to said operating agreement as Schedule C.
6. The conversion option herein granted to each Lessor shall apply to each producing well individually, with the effect that all drilling, testing, and completion operations on the leased premises or on land pooled therewith shall be at the sole cost, risk, and expense of Chalfant, Magee and Clifton, Inc.; and in no event shall any cost or expense attributable to the drilling, testing, completion, operation or abandonment of any such well be recoverable from the production from any other such well.
7. At the expiration of the primary term of the leases, each lease shall terminate as to (a) all land covered thereby which is not included within a proration unit under applicable rules of the Railroad Commission of Texas, and (b) all formations other than those from which oil or gas is then being produced in paying quantities and those in which a well then capable of producing oil or gas in paying quantities has been completed by Lessee. The additional limitations imposed by this paragraph shall be subject to the drilling and reworking provisions of paragraph 6 of the leases but shall apply upon the cessation of such drilling or reworking operations after the expiration of the primary term of the leases.
8. Upon abandonment by Lessee of any hole drilled on the leased premises, Lessee, at the request of Lessors, shall plug back to the surface casing as required by the Railroad Commission of Texas or other regulatory body and put a cast iron bridging plug in the bottom of the surface casing and place at least 50 feet of cement on top of the plug; and, after pressure testing same to assure no leakage, Lessee shall put a bull-plug in the top of the surface casing and assign said hole and all casing therein to Lessors at no cost to them. Lessors shall assume responsibility for said hole thereafter.
9. Lessee shall run one log or combination of logs to the surface so as to identify all fresh water sands.

Mr. L. H. Meeker et al
March 1, 1979
Page 4

10. Lessee shall have no right to execute any contract relating to the sale of gas attributable to the interests of Lessors, either as royalty or as working interest.
11. Each of the leases is modified by the provisions of this letter agreement, and in case of conflict the provisions of this letter agreement shall control.
12. The terms and provisions of this letter agreement shall be binding on the respective heirs, successors and assigns of the parties hereto.

Sincerely,

CHALFANT, MAGEE & CLIFTON, INC.

Geneann Rich
Geneann Rich

GR/jfm
Attachment

AGREED TO and ACCEPTED this 26th day of March, 1979.

L. H. Meeker
L. H. MEEKER, INDIVIDUALLY

Dated: March 26, 1979

L. H. Meeker
L. H. MEEKER, CO-TRUSTEE OF THE
CHARLES ROESER MEEKER TRUST

Dated: March 26, 1979

ATTEST:

M. Ingram
Trust Officer

ATTEST:

M. Ingram
Trust Officer

J. J. Meeker
J. J. MEEKER

Dated: April 13, 1979

FIRST NATIONAL BANK OF FORT WORTH, CO-
TRUSTEE OF THE CHARLES ROESER MEEKER TRUST

By: *E. F. Hewson*
Vice President & Trust Officer

Dated: March 28, 1979

FIRST NATIONAL BANK OF FORT WORTH, TRUSTEE
OF THE ANNE W. MEEKER, IInd TRUST and
GUARDIAN FOR ANNE WINDFOHR MEEKER, IInd

By: *E. F. Hewson*
Vice President & Trust Officer

Dated: March 28, 1979

COMPS

EXHIBIT " "

Attached to and made a part of _____

ACCOUNTING PROCEDURE JOINT OPERATIONS

I. GENERAL PROVISIONS

1. Definitions

"Joint Property" shall mean the real and personal property subject to the agreement to which this Accounting Procedure is attached.

"Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and maintenance of the Joint Property.

"Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Operations and which are to be shared by the Parties.

"Operator" shall mean the party designated to conduct the Joint Operations.

"Non-Operators" shall mean the parties to this agreement other than the Operator.

"Parties" shall mean Operator and Non-Operators.

"First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct supervision of other employees and/or contract labor directly employed on the Joint Property in a field operating capacity.

"Technical Employees" shall mean those employees having special and specific engineering, geological or other professional skills, and whose primary function in Joint Operations is the handling of specific operating conditions and problems for the benefit of the Joint Property.

"Personal Expenses" shall mean travel and other reasonable reimbursable expenses of Operator's employees.

"Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.

"Controllable Material" shall mean Material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies of North America.

2. Statement and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of the Joint Account for the preceding month. Such bills will be accompanied by statements which identify the authority for expenditure, lease or facility, and all charges and credits, summarized by appropriate classifications of investment and expense except that items of Controllable Material and unusual charges and credits shall be separately identified and fully described in detail.

3. Advances and Payments by Non-Operators

Unless otherwise provided for in the agreement, the Operator may require the Non-Operators to advance their share of estimated cash outlay for the succeeding month's operation. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators.

Each Non-Operator shall pay its proportion of all bills within fifteen (15) days after receipt. If payment is not made within such time, the unpaid balance shall bear interest monthly at the rate of twelve percent (12%) per annum or the maximum contract rate permitted by the applicable usury laws in the state in which the Joint Property is located, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts.

4. Adjustments

Payment of any such bills shall not prejudice the right of any Non-Operator to protest or question the correctness thereof; provided, however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of Controllable Material as provided for in Section V.

5. Audits

A. Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the Joint Account for any calendar year within the twenty-four (24) month period following the end of such calendar year; provided, however, the making of an audit shall not extend the time for the taking of written exception to and the adjustments of accounts as provided for in Paragraph 4 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct joint or simultaneous audits in a manner which will result in a minimum of inconvenience to the Operator. Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph unless agreed to by the Operator.

6. Approval by Non-Operators

Where an approval or other agreement of the Parties or Non-Operators is expressly required under other sections of this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, Operator shall notify all Non-Operators of the Operator's proposal, and the agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

1. Rentals and Royalties

Lease rentals and royalties paid by Operator for the Joint Operations.

2. Labor

- A. (1) Salaries and wages of Operator's field employees directly employed on the Joint Property in the conduct of Joint Operations.
- (2) Salaries of First Level Supervisors in the field.
- (3) Salaries and wages of Technical Employees directly employed on the Joint Property if such charges are excluded from the Overhead rates.
- B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II. Such costs under this Paragraph 2B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 2A of this Section II. If percentage assessment is used, the rate shall be based on the Operator's cost experience.
- C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's costs chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II.
- D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II.

3. Employee Benefits

Operator's current costs of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II shall be Operator's actual cost not to exceed twenty per cent (20%).

4. Material

Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. Only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use and is reasonably practical and consistent with efficient and economical operations. The accumulation of surplus stocks shall be avoided.

5. Transportation

Transportation of employees and Material necessary for the Joint Operations but subject to the following limitations:

- A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store, recognized barge terminal, or railway receiving point where like material is normally available, unless agreed to by the Parties.
- B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store, recognized barge terminal, or railway receiving point unless agreed to by the Parties. No charge shall be made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to by the Parties.
- C. In the application of Subparagraphs A and B above, there shall be no equalization of actual gross trucking cost of \$200 or less excluding accessorial charges.

6. Services

The cost of contract services, equipment and utilities provided by outside sources, except services excluded by Paragraph 9 of Section II and Paragraph 1. ii of Section III. The cost of professional consultant services and contract services of technical personnel directly engaged on the Joint Property if such charges are excluded from the Overhead rates. The cost of professional consultant services or contract services of technical personnel not directly engaged on the Joint Property shall not be charged to the Joint Account unless previously agreed to by the Parties.

7. Equipment and Facilities Furnished by Operator

- A. Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates commensurate with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on investment not to exceed eight per cent (8%) per annum. Such rates shall not exceed average commercial rates currently prevailing in the immediate area of the Joint Property.
- B. In lieu of charges in Paragraph 7A above, Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property less 20%. For automotive equipment, Operator may elect to use rates published by the Petroleum Motor Transport Association.

8. Damages and Losses to Joint Property

All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or other cause, except those resulting from Operator's gross negligence or willful misconduct. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

9. Legal Expense

Expense of handling, investigating and settling litigation or claims, discharging of liens, payment of judgments and amounts paid for settlement of claims incurred in or resulting from operations under the agreement or necessary to protect or recover the Joint Property, except that no charge for services of Operator's legal staff or fees or expense of outside attorneys shall be made unless previously agreed to by the Parties. All other legal expense is considered to be covered by the overhead provisions of Section III unless otherwise agreed to by the Parties, except as provided in Section I, Paragraph 3.

10. Taxes

All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties.

11. Insurance

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Workmen's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.

12. Other Expenditures

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III, and which is incurred by the Operator in the necessary and proper conduct of the Joint Operations.

III. OVERHEAD

1. Overhead - Drilling and Producing Operations

- i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:

- (X) Fixed Rate Basis, Paragraph 1A, or
() Percentage Basis, Paragraph 1B.

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 2A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the Overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

- ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property shall () shall not (X) be covered by the Overhead rates.

A. Overhead - Fixed Rate Basis

- (1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate \$ ~~XXXXXX~~
Producing Well Rate \$ ~~XXXXXX~~ \$250.00

- (2) Application of Overhead - Fixed Rate Basis shall be as follows:

(a) Drilling Well Rate

- [1] Charges for onshore drilling wells shall begin on the date the well is spudded and terminate on the date the drilling or completion rig is released, whichever is later, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.
- [2] Charges for offshore drilling wells shall begin on the date when drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location or rig is released, whichever occurs first, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.
- [3] Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig, commence through date of rig release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive days.

(b) Producing Well Rates

- [1] An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.
- [2] Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.
- [3] An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.
- [4] A one-well charge may be made for the month in which plugging and abandonment operations are completed on any well.
- [5] All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.

- (3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Fields Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

B. Overhead - Percentage Basis

(1) Operator shall charge the Joint Account at the following rates:

(a) Development

_____ Percent (%) of the cost of Development of the Joint Property exclusive of costs provided under Paragraph 9 of Section II and all salvage credits.

(b) Operating

_____ Percent (%) of the cost of Operating the Joint Property exclusive of costs provided under Paragraphs 1 and 9 of Section II, all salvage credits, the value of injected substances purchased for secondary recovery and all taxes and assessments which are levied, assessed and paid upon the mineral interest in and to the Joint Property.

(2) Application of Overhead - Percentage Basis shall be as follows:

For the purpose of determining charges on a percentage basis under Paragraph 1B of this Section III, development shall include all costs in connection with drilling, re-drilling, deepening or any remedial operations on any or all wells involving the use of drilling crew and equipment; also, preliminary expenditures necessary in preparation for drilling and expenditures incurred in abandoning when the well is not completed as a producer, and original cost of construction or installation of fixed assets, the expansion of fixed assets and any other project clearly discernible as a fixed asset, except Major Construction as defined in Paragraph 2 of this Section III. All other costs shall be considered as Operating.

2. Overhead - Major Construction

To compensate Operator for overhead costs incurred in the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint Account for Overhead based on the following rates for any Major Construction project in excess of \$ _____: *TO BE NEGOTIATED

A. _____ % of total costs if such costs are more than \$ _____ but less than \$ _____; plus

B. _____ % of total costs in excess of \$ _____ but less than \$1,000,000; plus

C. _____ % of total costs in excess of \$1,000,000.

Total cost shall mean the gross cost of any one project. For the purpose of this paragraph, the component parts of a single project shall not be treated separately and the cost of drilling and workover wells shall be excluded.

3. Amendment of Rates

The Overhead rates provided for in this Section III may be amended from time to time only by mutual agreement between the Parties hereto if, in practice, the rates are found to be insufficient or excessive.

IV. PRICING OF JOINT ACCOUNT MATERIAL PURCHASES, TRANSFERS AND DISPOSITIONS

Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for all material movements affecting the Joint Property. Operator shall provide all Material for use on the Joint Property; however, at Operator's option, such Material may be supplied by the Non-Operator. Operator shall make timely disposition of idle and/or surplus Material, such disposal being made either through sale to Operator or Non-Operator, division in kind, or sale to outsiders. Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus condition A or B Material. The disposal of surplus Controllable Material not purchased by the Operator shall be agreed to by the Parties.

1. Purchases

Material purchased shall be charged at the price paid by Operator after deduction of all discounts received. In case of Material found to be defective or returned to vendor for any other reason, credit shall be passed to the Joint Account when adjustment has been received by the Operator.

2. Transfers and Dispositions

Material furnished to the Joint Property and Material transferred from the Joint Property or disposed of by the Operator, unless otherwise agreed to by the Parties, shall be priced on the following bases exclusive of cash discounts:

A. New Material (Condition A)

(1) Tubular goods, except line pipe, shall be priced at the current new price in effect on date of movement on a maximum carload or barge load weight basis, regardless of quantity transferred, equalized to the lowest published price f.o.b. railway receiving point or recognized barge terminal nearest the Joint Property where such Material is normally available.

(2) Line Pipe

(a) Movement of less than 30,000 pounds shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store nearest the Joint Property where such Material is normally available.

(b) Movement of 30,000 pounds or more shall be priced under provisions of tubular goods pricing in Paragraph 2A (1) of this Section IV.

(3) Other Material shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store or f.o.b. railway receiving point nearest the Joint Property where such Material is normally available.

B. Good Used Material (Condition B)

Material in sound and serviceable condition and suitable for reuse without reconditioning:

(1) Material moved to the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV.

(2) Material moved from the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as new Material, or

- (b) at sixty-five percent (65%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as good used Material at seventy-five percent (75%) of current new price.

The cost of reconditioning, if any, shall be absorbed by the transferring property.

C. Other Used Material (Condition C and D)

(1) Condition C

Material which is not in sound and serviceable condition and not suitable for its original function until after reconditioning shall be priced at fifty percent (50%) of current new price as determined by Paragraph 2A of this Section IV. The cost of reconditioning shall be charged to the receiving property, provided Condition C value plus cost of reconditioning does not exceed Condition B value.

(2) Condition D

All other Material, including junk, shall be priced at a value commensurate with its use or at prevailing prices. Material no longer suitable for its original purpose but usable for some other purpose, shall be priced on a basis comparable with that of items normally used for such other purpose. Operator may dispose of Condition D Material under procedures normally utilized by the Operator without prior approval of Non-Operators.

D. Obsolete Material

Material which is serviceable and usable for its original function but condition and/or value of such Material is not equivalent to that which would justify a price as provided above may be specially priced as agreed to by the Parties. Such price should result in the Joint Account being charged with the value of the service rendered by such Material.

E. Pricing Conditions

- (1) Loading and unloading costs may be charged to the Joint Account at the rate of fifteen cents (15¢) per hundred weight on all tubular goods movements, in lieu of loading and unloading costs sustained, when actual hauling cost of such tubular goods are equalized under provisions of Paragraph 5 of Section II.
- (2) Material involving erection costs shall be charged at applicable percentage of the current knocked-down price of new Material.

3. Premium Prices

Whenever Material is not readily obtainable at published or listed prices because of national emergencies, strikes or other unusual causes over which the Operator has no control, the Operator may charge the Joint Account for the required Material at the Operator's actual cost incurred in providing such Material, in making it suitable for use, and in moving it to the Joint Property; provided notice in writing is furnished to Non-Operators of the proposed charge prior to billing Non-Operators for such Material. Each Non-Operator shall have the right, by so electing and notifying Operator within ten days after receiving notice from Operator, to furnish in kind all or part of his share of such Material suitable for use and acceptable to Operator.

4. Warranty of Material Furnished by Operator

Operator does not warrant the Material furnished. In case of defective Material, credit shall not be passed to the Joint Account until adjustment has been received by Operator from the manufacturers or their agents.

V. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

1. Periodic Inventories, Notice and Representation

At reasonable intervals, Inventories shall be taken by Operator of the Joint Account Controllable Material. Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at an inventory shall bind Non-Operators to accept the inventory taken by Operator.

2. Reconciliation and Adjustment of Inventories

Reconciliation of a physical inventory with the Joint Account shall be made, and a list of overages and shortages shall be furnished to the Non-Operators within six months following the taking of the inventory. Inventory adjustments shall be made by Operator with the Joint Account for overages and shortages, but Operator shall be held accountable only for shortages due to lack of reasonable diligence.

3. Special Inventories

Special Inventories may be taken whenever there is any sale or change of interest in the Joint Property. It shall be the duty of the party selling to notify all other Parties as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be governed by such inventory.

4. Expense of Conducting Periodic Inventories

The expense of conducting periodic Inventories shall not be charged to the Joint Account unless agreed to by the Parties.

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MF- 82414

Lease

8-9-80



THIS AGREEMENT made and entered into this 1st day of March, 1979, by and betweenJ. J. Meeker, dealing in his sole and separate property6000 Camp Bowie Blvd., Ft. Worth, Texashereinafter called "Lessor", whether one or more, and CHALFANT, MAGEE & CLIFTON, INC.

hereinafter called "Lessee".

WITNESSETH: That, for and in consideration of the sum of TEN AND NO/100-----

Dollars

10.00

receipt of which is hereby acknowledged, and of the royalties herein provided and the agreements of Lessee herein contained, Lessor does hereby grant, lease and let exclusively unto Lessee, its successors and assigns, all of the land hereinafter described, together with any reversionary rights therein for the purpose of exploring by geological, geophysical and all other methods, and of drilling, producing and operating wells or mines for the recovery of oil, gas and other hydrocarbons, and all other minerals or substances, whether similar or dissimilar, that may be produced from any well or mine on the leased premises, including primary, secondary, tertiary, cycling, pressure maintenance methods of recovery, and all other methods, whether now known or unknown, with all incidental rights thereto, and to establish and utilize facilities for surface and subsurface disposal of salt water, and to construct, maintain and remove roadways, tanks, pipelines, electric power and telephone lines, power stations, machinery and structures thereon, to produce, store, transport, treat and remove all substances described above, and the products therefrom, together with the right of ingress and egress to and from said land across any other land now or hereafter owned by Lessor. The land hereby

leased is situated in the County of Reeves, State of Texas, and is described as follows:

East One-half (E½) of Section 28, Block 56, Township 3, T & P RR Co. Survey

(Notwithstanding anything else contained herein to the contrary, it is agreed that wherever royalty is specified in the fractional amount of 1/8th, such fractional amount is hereby increased to 3/16th.)

Lessor recognizes that the State of Texas, is under the provisions of Section 4, Art. 5421-C, of Revised Civil Statutes of the State of Texas, entitled to the royalty stipulated on oil, gas and other minerals that may be produced from the lands herein described and by these presents authorizes Lessee or its assignees to deduct from the royalty recited to be payable or deliverable to Lessor under provisions hereof, any royalty to which the State is entitled.

This lease covers all of the land described above, including any interests therein that any signatory hereto has the right, power to lease, and in addition it provides that there is hereby granted, leased and let unto Lessee, its successors and assigns, a leasehold interest in all lands now or hereafter owned, owned, leased, or otherwise, or any part of the land or lands described above, whether such lands be owned or claimed by deed, limitation, or otherwise, or be leased or otherwise, and whether such lands be inside or outside of the state and bounds hereinafter set forth above, or are in the same name, or otherwise. The lease money paid for this lease is in gross, and not by the acre, and shall be effective to cover all such land irrespective of the number of acres contained therein, but the land included within this lease is estimated to comprise 320 acres, whether actually more or less, and such land is hereinafter referred to as the "leased premises".

TO HAVE AND TO HOLD the leased premises for a term of ten (10) years from the date hereof, hereinafter called "primary term", and as long thereafter as oil, gas or other hydrocarbons, or other minerals or leased substances, or either or any of them, are produced from the leased premises or from lands with which the leased premises are pooled or unitized.

In consideration of the premises, it is hereby agreed as follows:

1. Royalty On Oil. Lessee shall deliver to Lessor, at the well or to the credit of Lessor in the pipeline to which the well may be connected, 1/8th of all oil and other liquid hydrocarbons produced and saved from the leased premises, or Lessee, at its option, may buy or sell such 1/8th royalty and pay Lessor the market price for oil or liquid hydrocarbons of like grade and gravity prevailing in the field on the day such oil is run into pipelines or into storage tanks. Lessor's royalty interest in either case shall bear its proportion of any expenses for transporting and treating oil to make it marketable as crude.

2. Royalty On Gas. Lessee shall pay to Lessor as royalty on gas, including casinghead gas or other gaseous substances produced from said land and sold on or off the premises, one-eighth of the net proceeds at the well received from the sale thereof, provided that on gas used off the premises or by Lessee in the manufacture of gasoline or other products therefrom, the royalty shall be the market value at the well of one-eighth of the gas so used; as to all gas sold by Lessee under a written contract, the price received by Lessee for such gas shall be conclusively presumed to be the net proceeds at the well or the market value at the well for the gas so sold.

3. Royalty On Other Substances. Lessee shall pay to Lessor, as royalty on any substances covered by this lease other than oil and gas and the products thereof which Lessee may elect to produce, save and market from the leased premises, 1/8th of the proceeds received by Lessee from the sale thereof after deducting the processing costs, except that the royalty on sulphur shall be One Dollar (\$1.00) per long ton marketed.

4. Shut-In Gas Royalty. If at any time, or from time to time, either before or after the expiration of the primary term of this lease, there is any gas well on the leased premises or on lands with which the leased premises are pooled or unitized and which is capable of producing in paying quantities, but which is shut in before or after production therefrom, such well shall be considered under all provisions of this lease as a well producing gas in paying quantities and this lease shall remain in force in like manner as though gas therefrom was actually being sold or used. In such event, Lessee covenants and agrees to pay Lessor, as royalty, the sum of Three hundred twenty and NO/100----- Dollars (\$ 320.00) per annum for the period commencing on the date such well is actually shut in, unless this lease is being maintained in force and effect by some other provision hereof, in which event, such period shall commence on the date this lease ceases to be maintained in full force and effect by some other provision hereof. Payment or tender shall be made to Lessor, or deposited to the credit of Lessor in the depository bank named in this lease. The first payment shall be due and payable on or before ninety (90) days after the date such well is shut in, or ninety (90) days from the date this lease ceases to be maintained in force by some other provision hereof. Unless gas from such well is produced and sold or used prior thereto, except temporary sales, or use for lease operations, subsequent payments shall be due annually thereafter on the anniversary date of the period for which such prior payment was made. No additional payments shall be required if there is more than one shut-in gas well on the leased premises or on lands with which the leased premises are pooled or unitized. The term "gas well" shall include wells capable of producing natural gas, condensate, or any gaseous substance, and wells classified as gas wells by any governmental authority having jurisdiction.

5. Delay Rental. If operations for drilling or mining on the leased premises, or on lands with which the leased premises are pooled or unitized, are not commenced on or before one (1) year from the date of this lease, as set forth above, this lease shall terminate as to both parties unless on or before one (1) year from the date of this lease, Lessee shall pay or tender to the Lessor a rental of Three hundred twenty and NO/100----- Dollars (\$ 320.00), which shall cover the privilege of deferring commencement of such drilling or mining operation for a period of twelve (12) months from the expiration of said one (1) year period. In like manner and upon like payments or tenders annually, the commencement of such operations may be deferred for successive periods of the same number of months, during the primary term. Payments or tenders may be made to the Lessor or to the Lessor's credit in the

Ridglea Bank at Ft. Worth, Tx, which bank or any successor thereof shall continue to be the agent for the Lessor and the Lessor's successors and assigns. If such bank or any successor thereof shall fail, liquidate, or be succeeded by another bank, or for any reason fail or refuse to accept rental, the rental paying date for any year shall be extended until the expiration of thirty (30) days after Lessor shall have delivered to Lessee a recordable instrument making provision for another method of payment or tender and any depository charge shall be the liability of the Lessor. The payment or tender of rental may be made by check or draft of Lessee, mailed or delivered to said bank or Lessor, or to any Lessor if more than one, on or before the rental paying date. Mailing of rental on or before the rental paying date shall be deemed a timely tender thereof and shall preclude the termination of this lease.

6. Drilling Operations. If Lessee should drill and abandon a dry hole a well on the leased premises, or if after the discovery of oil, gas or other minerals, the production thereof should cease from any cause, and, in either event, there are no other producing wells on the leased premises or on lands with which they are pooled or unitized, or drilling or reworking operations are not being conducted thereon, this lease shall not terminate if Lessee commences reworking or additional drilling operations on the leased premises within sixty (60) days thereafter or, if it be within the primary term, Lessee commences reworking or additional drilling operations on the leased premises or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of ninety (90) days from the date of such abandonment or cessation of production. If such abandonment or cessation of production occurs at any time during the last fifteen (15) months of the primary term, no rental payment or drilling operations are necessary to keep the lease in force during the remainder of the primary term. If, at the expiration of the primary term, oil, gas or other minerals are not being produced from the leased premises or from lands with which the leased premises are pooled or unitized, but Lessee is then engaged in operations for drilling or reworking of any well, this lease shall remain in force so long as such drilling or reworking operations are prosecuted, or reworking operations on any well or additional drilling operations are conducted on the leased premises, or on lands pooled or unitized therewith, with no cessation of more than sixty (60) consecutive days, and if any such operations result in production then as long thereafter as such production continues.

7. Pooling. Lessee is hereby granted the right, at any time and from time to time, whether before or after production, to pool this lease for the production of oil, gas or condensate, or any or either of them, as to the land covered hereby, or any zone or portion thereof, or as to any mineral or royalty interest therein, with any other lease covering the above described land, or lands adjacent, contiguous, adjoining, or in the immediate vicinity thereof, or as to any zone or portion of said lease or any mineral or royalty interest therein. Such pooling shall be into a unit or units not exceeding forty (40) acres plus an acreage tolerance of ten percent (10%) thereof for oil, and units not exceeding six hundred forty (640) acres plus an acreage tolerance of ten percent (10%) thereof for gas, provided that, should governmental authority having jurisdiction prescribe or permit the creation of any drilling, spacing or proration units larger than those specified above, such units may be created or enlarged to conform in size to the drilling or spacing units so prescribed or permitted or to the proration units as may be authorized for obtaining the maximum allowable production from one well. Lessee may pool the acreage or interests above described, or any portion thereof, as above provided, as to oil, or gas in any one or more zones, and units so formed need not conform in size or area with the unit or units into which the lease is pooled, or combined as to any other zone, and oil units need not conform as to area with gas units. Such pooling shall be effected by the filing by Lessee of a written designation, in the county, or counties, in which the premises are located, identifying and describing the commencement, drilling, completion and operation of a well thereon, or the existence thereof of a shut-in gas well, shall be considered and construed and shall have the same effect, except for the payment of royalty, as production, development and operation, or the existence of a shut-in gas well on the leased premises, regardless of the location of the well on the unit. Production from any unit well producing oil, gas or condensate shall be allocated to the leased premises in the proportion that the acreage of the leased premises included within the unit bears to the total acreage in the unit, and the royalty provided for herein shall be calculated on the portion of the production so allocated. The royalty so payable on allocated production shall be in lieu of any other royalty that would accrue to Lessor from the production of oil, gas or condensate from any zone or portion of the leased premises included within the unit. Shut-in gas royalty, with respect to unit shut-in gas wells, shall be payable in accordance with the provisions and in the amount set forth in this lease. In the event any unit well shall fail to produce oil, gas or condensate in paying quantities, or in the event the production from any such well shall cease, Lessee may terminate the unit by filing for record, in the county, or counties where the land is situated, a written declaration of such termination.

8. Use Of Oil, Gas And Water For Operations. Lessee shall have the free use of oil, gas and water from the leased premises, except water from Lessor's wells and tanks, for all operations hereunder, and the royalty on oil and gas shall be computed after deducting the amount so used.

9. Removal Of Equipment. Lessee shall have the right, at any time during or after the expiration of this lease, to remove all property and fixtures placed on the leased premises by Lessee, including the right to withdraw and remove all casing.

10. Assignment Or Change Of Ownership. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors, and assigns, but no change or division in ownership of the land, rentals or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee. No change or division in the ownership of the land, rentals or royalties, however accomplished, shall be binding upon Lessee for any purpose and shall not impair the effectiveness of any payment theretofore made by Lessee (irrespective of whether Lessee has either actual or constructive knowledge thereof) until sixty (60) days after such person acquiring any interest has furnished Lessee with the instrument or instruments, or certified copies thereof, constituting his chain of title from the original Lessor. In the event of an assignment of this lease as to a segregated portion of the land covered by this lease, the rentals payable hereunder shall be apportioned as between the several leasehold owners, ratably, according to the surface area of each, and a default in rental payment by one Lessee shall not affect the rights of other leasehold owners hereunder who make due payments of rentals. An assignment of this lease, in whole or in part, shall, to the extent of such assignment, relieve and discharge Lessee of all obligations hereunder.

11. Force Majeure. Lessee shall not be liable for any delays in its performance of any covenant or condition hereunder, express or implied, or for total or partial nonperformance thereof, due to force majeure. The term "force majeure", as used herein, shall mean any circumstance or any condition beyond the control of Lessee, including but not limited to acts of God and actions of the elements; acts of the public enemy; strikes; lockouts; accidents; laws, acts, rules, regulations and orders of federal, state or municipal governments, or officers or agents thereof; failure of transportation; or the exhaustion, unavailability, or delays in delivery, of any product, labor, service or material. If Lessee is required to cease drilling or reworking or producing operations on the leased premises by force majeure, then until such time as such force majeure is terminated and for a period of ninety (90) days after such termination, each and every provision of this lease that might operate to terminate it shall be suspended and this lease shall continue in full force and effect during such suspension period. If any period of suspension occurs during the primary term, the time thereof shall be added to such term.

But not more than 320 Ac. above a depth of 6500' for Gas.

12. Lessor Interest Clause. If Lessor does not own, or have the right to lease, the entire mineral interest in the land described above, then the royalties, rentals, and any other sums payable hereunder, shall be reduced and payable only in the proportion that the interest covered by this lease bears to the entire mineral interest in the above described land. If the mineral interest covered hereby is subject to an outstanding nonparticipating royalty, such royalty shall be deducted from the royalties payable to Lessor hereunder.

13. Warranty. Lessor hereby warrants and agrees to defend the title to the lands herein described and agrees that the Lessee shall have the right, at any time, to redeem for Lessor, by payment, any mortgage, taxes or other liens on the leased premises in the event of default of payment by Lessor, and be subrogated to the rights of the holder thereof, and such payments may be deducted from any rental or royalties that may be payable to Lessor hereunder.

14. Surrender. Lessee, its successors and assigns, shall have the right at any time, to surrender this lease, in whole or in part, by delivering or mailing a release to the Lessor or by placing a release of record in the county, or counties, in which the leased premises are situated, and thereupon, Lessee shall be relieved from all obligations, expressed or implied, of this lease as to the acreage so surrendered.

15. Parties Bound. This lease and all of the rights, obligations and conditions hereof shall be binding upon each party executing this instrument and his heirs, devisees, successors and assigns. Should any party named above as Lessor fail to execute this lease, or should any party execute this lease who is not named above as a Lessor, it shall nevertheless be binding upon the party or parties executing the same.

16. Headings For Convenience. The paragraph headings herein are for convenience only and shall not be considered or construed to limit the subject matter of any paragraph.

17. Shut-in payments, as herein provided, shall not maintain this lease for a cumulative period in excess of three (3) years from and after the end of the primary term hereof.

18. This lease is further subject to a Letter Agreement of even date by and between the named parties hereof.

IN WITNESS WHEREOF, this instrument is executed the day and year first above written.

Ed B. Beva

J. J. Meeker
SS#

19. In addition to the royalties provided in the printed portion of this lease, lessors reserve an additional royalty of 7.5% of all oil, gas and other minerals produced and saved from the leased premises, payable in the same manner and at the same time as provided in the printed portion of the lease.

Fannie S. Brower

Notary Public in and for Tarrant County, Texas

THE STATE OF TEXAS

County of Tarrant

Before me, the undersigned authority, on this day personally appeared

J. J. Meeker

known to me to be the identical person whose name xxx is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

A 108—Certificate of Record—Class 1

FOR SALE BY STAFFORD-LOWDON CO. FORT WORTH 79004

Texas Standard Form

THE STATE OF TEXAS,

County of Reeves

I, Catherine Ashley, Clerk of the
County Court in and for said County, do hereby certify that the foregoing instrument

dated 1st day of March 1979, with its certificates of authentication, was filed for
Record in my office the 8th day of May 1979, at 10:30 o'clock A. M., and duly
Recorded the 9th day of May 1979, at 1:00 o'clock P. M., in DEED Record
of said County in Vol. 374 on Page 340

WITNESS my hand and the seal of the County Court of said County, at office in Pecos,

Texas, the day and year last above written.

CATHERINE ASHLEY Clerk,

By Alga Fuentes Deputy.

County Court, REEVES County.

No. 2157

OIL, GAS AND MINERAL LEASE
TEXAS

TO

Filed for Record this the 8th
day of May A. D. 19 79
at 10:30 o'clock A. M.
Catherine Ashley County Clerk.
Jeanenne Jones Deputy.

Recorded A. D. 19
in County
Record of
Book Page
By County Clerk.
 Deputy.

\$5.00 Ad.

Chaffant, et al

WILEY CHALFANT
DUANE MAGEE
THOMAS CLIFTON
GENE ANN RICH

682-7941

CHALFANT, MAGEE & CLIFTON, INC.

Oil & Gas Leasing

1201 FIRST NATIONAL BANK BLDG.
MIDLAND, TEXAS 79701

March 1, 1979

Mr. L. H. Meeker
6000 Camp Bowie Blvd.
Fort Worth, Texas 76116

Mr. J. J. Meeker
Fort Worth, Texas

First National Bank of Fort Worth
Fort Worth, Texas

Re: West One-half ($W\frac{1}{2}$) of Section 26,
Block 56, Township 3, T & P RR Co.
Survey, Reeves County, Texas

Gentlemen:

Each of the undersigned is this day executing an oil, gas, and mineral lease, as Lessor, in favor of Chalfant, Magee and Clifton, Inc., as Lessee. Each of said leases is dated March 1, 1979, and covers and affects the land described in the caption hereof. Each of said leases provides for a 20% royalty and \$1.00 per acre annual delay rental and is for a primary term of five years.

As additional consideration to Lessors for the execution of said leases, the parties hereto do further agree as follows:

1. Chalfant, Magee and Clifton, Inc., and its successors and assigns shall be entitled to all of the gross production of oil and gas which may be produced, saved, and marketed from each well on the leased premises or on land pooled therewith, subject only to the payment of royalty reserved to Lessors (out of which 1/16th of production shall be paid to the State of Texas as a free royalty) until such time as it has received therefrom a sum of money equal to:
 - a. The cash bonus initially paid for said leases; and
 - b. All delay rentals which may be paid under the terms of said leases; and
 - c. All shut-in gas well royalty which may be paid under the terms of said leases with respect to such well; and

Mr. L. H. Meeker et al
March 1, 1979
Page 2

- d. The costs incurred by Lessee in the drilling, testing, equipping, and completion of such well and for production facilities utilized in connection therewith; and
- e. Direct operating costs, including workovers but excluding overhead and interest, incurred by Lessee with respect to such well during the payout period as hereinafter defined; and
- f. Severance, property, and production taxes incurred by Lessee with respect to the well and production therefrom during the payout period.

The amounts specified in a and b above (bonus and delay rental payments) shall be recovered by Lessee from the first production of oil or gas from any well or wells on the leased premises or on land pooled therewith; and once recovered, such amounts shall be excluded from the amounts recoverable from any other well or wells. Similarly, costs of production facilities and equipment shall be recoverable only once.

- 2. Lessee shall furnish lessors, at semi-annual intervals, statements as to the money expended on and revenue from each well on the leased premises, or on land pooled therewith, and Lessors shall have access to the records of Lessee for purposes of verification and audit of such expenses and revenue.
- 3. Effective as of 7:00 A.M. on the first day of the month following the month in which such sums of money have been recovered (payout), each Lessor shall have the right at his or its option to convert his or its excess royalty under such lease (i.e., royalty in excess of 1/8th) to his or its prorata part of a 25% working interest in and to the leased premises (insofar as the lease covers the land assigned to such well for proration purposes under the rules of the Railroad Commission of Texas), together with a like interest in all casing, tubing, and equipment in or on said well and all production facilities used in connection therewith. Such option shall be exercised by giving written notice thereof to Lessee within 30 days after the receipt by such Lessor of notice from Lessee that all of such sums of money have been recovered; but when the option is exercised the conversion shall be effective as of the day such option became effective as provided above. If such well is located on a pooled unit created under the authority of such leases and including land other than the leased premises, then such working interest shall be subject to the pooling but shall include a proportionate part (determined on an acreage basis) of the working interest in the entire unit, whether or not such well is on the leased premises.
- 4. "Payout period" is defined as that period of time until Lessee has recovered the sums of money from production as set forth in paragraph 1 above.

Mr. L. H. Meeker et al
March 1, 1979
Page 3

5. In the event such option is exercised by any Lessor, then Lessee shall execute and deliver to such Lessor an appropriate assignment to vest in him or it the working interest to which he or it is entitled hereunder, and such Lessor agrees to execute and deliver to Lessee an appropriate lease amendment reducing the royalty to 1/8th. Promptly following the assignment to such Lessor, he or it and Lessee will enter into an operating agreement covering the well and acreage assigned thereto for proration purposes with Chalfant, Magee and Clifton, Inc., its successors and assigns named as operator therein and the electing Lessor or Lessors named as non-operator. The operating agreement shall be an AAPL Form 610 Model Form Agreement dated 1956 for non-federal lands with preferential right of purchase deleted and with a 300% non-consent reworking clause. The Accounting Procedure attached hereto as Schedule A shall be attached to said operating agreement as Schedule C.
6. The conversion option herein granted to each Lessor shall apply to each producing well individually, with the effect that all drilling, testing, and completion operations on the leased premises or on land pooled therewith shall be at the sole cost, risk, and expense of Chalfant, Magee and Clifton, Inc.; and in no event shall any cost or expense attributable to the drilling, testing, completion, operation or abandonment of any such well be recoverable from the production from any other such well.
7. At the expiration of the primary term of the leases, each lease shall terminate as to (a) all land covered thereby which is not included within a proration unit under applicable rules of the Railroad Commission of Texas, and (b) all formations other than those from which oil or gas is then being produced in paying quantities and those in which a well then capable of producing oil or gas in paying quantities has been completed by Lessee. The additional limitations imposed by this paragraph shall be subject to the drilling and reworking provisions of paragraph 6 of the leases but shall apply upon the cessation of such drilling or reworking operations after the expiration of the primary term of the leases.
8. Upon abandonment by Lessee of any hole drilled on the leased premises, Lessee, at the request of Lessors, shall plug back to the surface casing as required by the Railroad Commission of Texas or other regulatory body and put a cast iron bridging plug in the bottom of the surface casing and place at least 50 feet of cement on top of the plug; and, after pressure testing same to assure no leakage, Lessee shall put a bull-plug in the top of the surface casing and assign said hole and all casing therein to Lessors at no cost to them. Lessors shall assume responsibility for said hole thereafter.
9. Lessee shall run one log or combination of logs to the surface so as to identify all fresh water sands.

Mr. L. H. Meeker et al
March 1, 1979
Page 4

10. Lessee shall have no right to execute any contract relating to the sale of gas attributable to the interests of Lessors, either as royalty or as working interest.
11. Each of the leases is modified by the provisions of this letter agreement, and in case of conflict the provisions of this letter agreement shall control.
12. The terms and provisions of this letter agreement shall be binding on the respective heirs, successors and assigns of the parties hereto.

Sincerely,

CHALFANT, MAGEE & CLIFTON, INC.

Geneann Rich
Geneann Rich

GR/jfm
Attachment

AGREED TO and ACCEPTED this 26th day of March, 1979.

L. H. Meeker
L. H. MEEKER, INDIVIDUALLY

Dated: March 26, 1979

L. H. Meeker
L. H. MEEKER, CO-TRUSTEE OF THE
CHARLES ROESER MEEKER TRUST

Dated: March 26, 1979

ATTEST:

Al Angstrom
Trust Officer

ATTEST:

Al Angstrom
Trust Officer

J. J. Meeker
J. J. MEEKER

Dated: April 13, 1979

FIRST NATIONAL BANK OF FORT WORTH, CO-
TRUSTEE OF THE CHARLES ROESER MEEKER TRUST

By: *C. F. Houston*
Vice President & Trust Officer

Dated: March 28, 1979

FIRST NATIONAL BANK OF FORT WORTH, TRUSTEE
OF THE ANNE W. MEEKER, IInd TRUST and
GUARDIAN FOR ANNE WINDFOHR MEEKER, IInd

By: *C. F. Houston*
Vice President & Trust Officer

Dated: March 28, 1979

EXHIBIT " "

Attached to and made a part of _____

ACCOUNTING PROCEDURE JOINT OPERATIONS

I. GENERAL PROVISIONS

1. Definitions

"Joint Property" shall mean the real and personal property subject to the agreement to which this Accounting Procedure is attached.

"Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and maintenance of the Joint Property.

"Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Operations and which are to be shared by the Parties.

"Operator" shall mean the party designated to conduct the Joint Operations.

"Non-Operators" shall mean the parties to this agreement other than the Operator.

"Parties" shall mean Operator and Non-Operators.

"First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct supervision of other employees and/or contract labor directly employed on the Joint Property in a field operating capacity.

"Technical Employees" shall mean those employees having special and specific engineering, geological or other professional skills, and whose primary function in Joint Operations is the handling of specific operating conditions and problems for the benefit of the Joint Property.

"Personal Expenses" shall mean travel and other reasonable reimbursable expenses of Operator's employees.

"Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.

"Controllable Material" shall mean Material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies of North America.

2. Statement and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of the Joint Account for the preceding month. Such bills will be accompanied by statements which identify the authority for expenditure, lease or facility, and all charges and credits, summarized by appropriate classifications of investment and expense except that items of Controllable Material and unusual charges and credits shall be separately identified and fully described in detail.

3. Advances and Payments by Non-Operators

Unless otherwise provided for in the agreement, the Operator may require the Non-Operators to advance their share of estimated cash outlay for the succeeding month's operation. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators.

Each Non-Operator shall pay its proportion of all bills within fifteen (15) days after receipt. If payment is not made within such time, the unpaid balance shall bear interest monthly at the rate of twelve percent (12%) per annum or the maximum contract rate permitted by the applicable usury laws in the state in which the Joint Property is located, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts.

4. Adjustments

Payment of any such bills shall not prejudice the right of any Non-Operator to protest or question the correctness thereof; provided, however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of Controllable Material as provided for in Section V.

5. Audits

A. Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the Joint Account for any calendar year within the twenty-four (24) month period following the end of such calendar year; provided, however, the making of an audit shall not extend the time for the taking of written exception to and the adjustments of accounts as provided for in Paragraph 4 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct joint or simultaneous audits in a manner which will result in a minimum of inconvenience to the Operator. Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph unless agreed to by the Operator.

6. Approval by Non-Operators

Where an approval or other agreement of the Parties or Non-Operators is expressly required under other sections of this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, Operator shall notify all Non-Operators of the Operator's proposal, and the agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

1. Rentals and Royalties

Lease rentals and royalties paid by Operator for the Joint Operations.

2. Labor

A. (1) Salaries and wages of Operator's field employees directly employed on the Joint Property in the conduct of Joint Operations.

(2) Salaries of First Level Supervisors in the field.

(3) Salaries and wages of Technical Employees directly employed on the Joint Property if such charges are excluded from the Overhead rates.

B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II. Such costs under this Paragraph 2B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 2A of this Section II. If percentage assessment is used, the rate shall be based on the Operator's cost experience.

C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's costs chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II.

D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II.

3. Employee Benefits

Operator's current costs of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II shall be Operator's actual cost not to exceed twenty per cent (20%).

4. Material

Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. Only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use and is reasonably practical and consistent with efficient and economical operations. The accumulation of surplus stocks shall be avoided.

5. Transportation

Transportation of employees and Material necessary for the Joint Operations but subject to the following limitations:

A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store, recognized barge terminal, or railway receiving point where like material is normally available, unless agreed to by the Parties.

If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store, recognized barge terminal, or railway receiving point unless agreed to by the Parties. No charge shall be made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to by the Parties.

In the application of Subparagraphs A and B above, there shall be no equalization of actual gross trucking cost of \$200 or less excluding accessorial charges.

6. Services

The cost of contract services, equipment and utilities provided by outside sources, except services excluded by Paragraph 9 of Section II and Paragraph 1. ii of Section III. The cost of professional consultant services and contract services of technical personnel directly engaged on the Joint Property if such charges are excluded from the Overhead rates. The cost of professional consultant services or contract services of technical personnel not directly engaged on the Joint Property shall not be charged to the Joint Account unless previously agreed to by the Parties.

7. Equipment and Facilities Furnished by Operator

A. Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates commensurate with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on investment not to exceed eight per cent (8%) per annum. Such rates shall not exceed average commercial rates currently prevailing in the immediate area of the Joint Property.

B. In lieu of charges in Paragraph 7A above, Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property less 20%. For automotive equipment, Operator may elect to use rates published by the Petroleum Motor Transport Association.

8. Damages and Losses to Joint Property

All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or other cause, except those resulting from Operator's gross negligence or willful misconduct. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

9. Legal Expense

Expense of handling, investigating and settling litigation or claims, discharging of liens, payment of judgments and amounts paid for settlement of claims incurred in or resulting from operations under the agreement or necessary to protect or recover the Joint Property, except that no charge for services of Operator's legal staff or fees or expense of outside attorneys shall be made unless previously agreed to by the Parties. All other legal expense is considered to be covered by the overhead provisions of Section III unless otherwise agreed to by the Parties, except as provided in Section I, Paragraph 3.

10. Taxes

All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties.

11. Insurance

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Workmen's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.

12. Other Expenditures

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III, and which is incurred by the Operator in the necessary and proper conduct of the Joint Operations.

III. OVERHEAD

1. Overhead - Drilling and Producing Operations

i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:

- (☒) Fixed Rate Basis, Paragraph 1A, or
() Percentage Basis, Paragraph 1B.

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 2A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the Overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property shall () shall not (☒) be covered by the Overhead rates.

A. Overhead - Fixed Rate Basis

(1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate \$ ~~2000.00~~
Producing Well Rate \$ ~~318.00~~ \$250.00

(2) Application of Overhead - Fixed Rate Basis shall be as follows:

(a) Drilling Well Rate

- [1] Charges for onshore drilling wells shall begin on the date the well is spudded and terminate on the date the drilling or completion rig is released, whichever is later, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.
- [2] Charges for offshore drilling wells shall begin on the date when drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location or rig is released, whichever occurs first, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.
- [3] Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig, commence through date of rig release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive days.

(b) Producing Well Rates

- [1] An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.
 - [2] Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.
 - [3] An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.
 - [4] A one-well charge may be made for the month in which plugging and abandonment operations are completed on any well.
 - [5] All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.
- (3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Fields Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

B. Overhead - Percentage Basis

(1) Operator shall charge the Joint Account at the following rates:

(a) Development

_____ Percent (%) of the cost of Development of the Joint Property exclusive of costs provided under Paragraph 9 of Section II and all salvage credits.

(b) Operating

_____ Percent (%) of the cost of Operating the Joint Property exclusive of costs provided under Paragraphs 1 and 9 of Section II, all salvage credits, the value of injected substances purchased for secondary recovery and all taxes and assessments which are levied, assessed and paid upon the mineral interest in and to the Joint Property.

(2) Application of Overhead - Percentage Basis shall be as follows:

For the purpose of determining charges on a percentage basis under Paragraph 1B of this Section III, development shall include all costs in connection with drilling, re-drilling, deepening or any remedial operations on any or all wells involving the use of drilling crew and equipment; also, preliminary expenditures necessary in preparation for drilling and expenditures incurred in abandoning when the well is not completed as a producer, and original cost of construction or installation of fixed assets, the expansion of fixed assets and any other project clearly discernible as a fixed asset, except Major Construction as defined in Paragraph 2 of this Section III. All other costs shall be considered as Operating.

2. Overhead - Major Construction

To compensate Operator for overhead costs incurred in the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint Account for Overhead based on the following rates for any Major Construction project in excess of \$ _____: *TO BE NEGOTIATED

- A. _____ % of total costs if such costs are more than \$ _____ but less than \$ _____; plus
- B. _____ % of total costs in excess of \$ _____ but less than \$1,000,000; plus
- C. _____ % of total costs in excess of \$1,000,000.

Total cost shall mean the gross cost of any one project. For the purpose of this paragraph, the component parts of a single project shall not be treated separately and the cost of drilling and workover wells shall be excluded.

3. Amendment of Rates

The Overhead rates provided for in this Section III may be amended from time to time only by mutual agreement between the Parties hereto if, in practice, the rates are found to be insufficient or excessive.

IV. PRICING OF JOINT ACCOUNT MATERIAL PURCHASES, TRANSFERS AND DISPOSITIONS

Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for all material movements affecting the Joint Property. Operator shall provide all Material for use on the Joint Property; however, at Operator's option, such Material may be supplied by the Non-Operator. Operator shall make timely disposition of idle and/or surplus Material, such disposal being made either through sale to Operator or Non-Operator, division in kind, or sale to outsiders. Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus condition A or B Material. The disposal of surplus Controllable Material not purchased by the Operator shall be agreed to by the Parties.

1. Purchases

Material purchased shall be charged at the price paid by Operator after deduction of all discounts received. In case of Material found to be defective or returned to vendor for any other reason, credit shall be passed to the Joint Account when adjustment has been received by the Operator.

2. Transfers and Dispositions

Material furnished to the Joint Property and Material transferred from the Joint Property or disposed of by the Operator, unless otherwise agreed to by the Parties, shall be priced on the following bases exclusive of cash discounts:

A. New Material (Condition A)

- (1) Tubular goods, except line pipe, shall be priced at the current new price in effect on date of movement on a maximum carload or barge load weight basis, regardless of quantity transferred, equalized to the lowest published price f.o.b. railway receiving point or recognized barge terminal nearest the Joint Property where such Material is normally available.
- (2) Line Pipe
 - (a) Movement of less than 30,000 pounds shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store nearest the Joint Property where such Material is normally available.
 - (b) Movement of 30,000 pounds or more shall be priced under provisions of tubular goods pricing in Paragraph 2A (1) of this Section IV.
- (3) Other Material shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store or f.o.b. railway receiving point nearest the Joint Property where such Material is normally available.

B. Good Used Material (Condition B)

Material in sound and serviceable condition and suitable for reuse without reconditioning:

(1) Material moved to the Joint Property

- (a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV.

(2) Material moved from the Joint Property

- (a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as new Material, or

- (b) at sixty-five percent (65%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as good used Material at seventy-five percent (75%) of current new price.

The cost of reconditioning, if any, shall be absorbed by the transferring property.

C. Other Used Material (Condition C and D)

(1) Condition C

Material which is not in sound and serviceable condition and not suitable for its original function until after reconditioning shall be priced at fifty percent (50%) of current new price as determined by Paragraph 2A of this Section IV. The cost of reconditioning shall be charged to the receiving property, provided Condition C value plus cost of reconditioning does not exceed Condition B value.

(2) Condition D

Other Material, including junk, shall be priced at a value commensurate with its use or at prevailing prices. Material no longer suitable for its original purpose but usable for some other purpose, shall be priced on a basis comparable with that of items normally used for such other purpose. Operator may dispose of Condition D Material under procedures normally utilized by the Operator without prior approval Non-Operators.

D. Material

Material which is serviceable and usable for its original function but condition and/or value of such Material is not equivalent to that which would justify a price as provided above may be specially priced as agreed to by the Parties. Such price should result in the Joint Account being charged with the value of the service rendered by such Material.

E. Pricing Conditions

- (1) Loading and unloading costs may be charged to the Joint Account at the rate of fifteen cents (15¢) per hundred weight on all tubular goods movements, in lieu of loading and unloading costs sustained, when actual hauling cost of such tubular goods are equalized under provisions of Paragraph 5 of Section II.

Material involving erection costs shall be charged at applicable percentage of the current knocked-down price of new Material.

F. Prices

Whenever Material is not readily obtainable at published or listed prices because of national emergencies, strikes or other unusual causes over which the Operator has no control, the Operator may charge the Joint Account for the required Material at the Operator's actual cost incurred in providing such Material, in making it suitable for use, and in moving it to the Joint Property; provided notice in writing is furnished to Non-Operators of the proposed charge prior to billing Non-Operators for such Material. Each Non-Operator shall have the right, by so electing and notifying Operator within ten days after receiving notice from Operator, to furnish in kind all or part of his share of such Material suitable for use and acceptable to Operator.

4. Warranty of Material Furnished by Operator

Operator does not warrant the Material furnished. In case of defective Material, credit shall not be passed to the Joint Account until adjustment has been received by Operator from the manufacturers or their agents.

V. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

1. Periodic Inventories, Notice and Representation

At reasonable intervals, Inventories shall be taken by Operator of the Joint Account Controllable Material. Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at an inventory shall bind Non-Operators to accept the inventory taken by Operator.

2. Reconciliation and Adjustment of Inventories

Reconciliation of a physical inventory with the Joint Account shall be made, and a list of overages and shortages shall be furnished to the Non-Operators within six months following the taking of the inventory. Inventory adjustments shall be made by Operator with the Joint Account for overages and shortages, but Operator shall be held accountable only for shortages due to lack of reasonable diligence.

3. Special Inventories

Special Inventories may be taken whenever there is any sale or change of interest in the Joint Property. It shall be the duty of the party selling to notify all other Parties as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be governed by such inventory.

4. Expense of Conducting Periodic Inventories

The expense of conducting periodic Inventories shall not be charged to the Joint Account unless agreed to by the Parties.

Assignment of Oil and Gas Lease

163-31

WHEREAS, on the 1st day of March 1979, a certain oil and gas mining lease was made and entered into by and between J. J. Meeker, dealing in his sole and separate property, Lessor and Chalfant, Magee & Clifton, Inc., Midland, Texas, Lessee, covering the following described land in the County of Reeves and State of Texas, to-wit:

East One-half (E½) of Section 28, Block 56, Township 3, T & P RR Co. Survey

Said lease being recorded in the office of the County Clerk in and for said County in book 374, page 340, and

Whereas, The said lease and all rights thereunder or incident thereto are now owned by Chalfant, Magee & Clifton, Inc.

Now, Therefore, for and in consideration of One Dollar (and other good and valuable considerations), the receipt of which is hereby acknowledged, the undersigned, the present owner of the said lease and all rights thereunder or incident thereto, does hereby bargain, sell, transfer, assign and convey all rights, title and interest of the original lessee and present owner in and to said lease and rights thereunder

together with all personal property used or obtained in connection therewith to HNG Oil Company

and its successors and assigns.

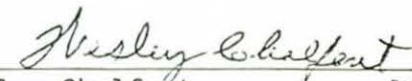
And for the same consideration, the undersigned for itself and its successors and representatives, does covenant with the said assignee its successors, or assigns, the Chalfant, Magee & Clifton, Inc. is the lawful owner of the said lease and rights and interests thereunder and of the personal property thereon or used in connection therewith; that the undersigned has good right and authority to sell and convey the same, and that said rights, interest and property are free and clear from all liens and incumbrances, and that all rentals and royalties due and payable thereunder have been duly paid and that the undersigned will warrant and defend the same against the lawful claims and demands of all persons whomsoever.

In Witness Whereof, The undersigned owner and assignor has signed this instrument as of the 4th day of April, 1979.

ATTEST


Genevieve Rich, Assistant-Secretary

CHALFANT, MAGEE & CLIFTON, INC.

By: 
Wesley Chalfant, President

CORPORATION ACKNOWLEDGMENT

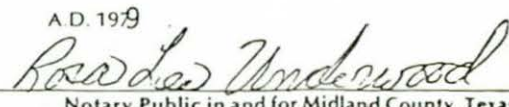
THE STATE OF TEXAS, }
COUNTY OF MIDLAND }

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared _____

Wesley Chalfant, known to me to be the person and officer

whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said Chalfant, Magee & Clifton, Inc. a corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 4th day of April A.D. 1979


Notary Public in and for Midland County, Texas

Rosa Lee Underwood

My Commission Expires: 11-18-79

507.9

COMPARED

FILED FOR RECORD

AT 10:30 O'CLOCK 9. M

NOV 21 1979

CATHERINE ASHLEY
County Clerk, Reeves County, Texas
BY *[Signature]* DEPUTY

\$3.00

THE STATE OF TEXAS,
County of Reeves

CATHERINE ASHLEY Clerk of the County

Court of said County do hereby certify that the foregoing instrument of writing dated the 4th day of April A.D. 1979 with its certificate of authentication was filed for record in my office the 21st day of Nov. A.D. 1979 10:30 o'clock A.M. and duly recorded the 21st day of Nov. A.D. 1979 at 4:00 o'clock P.M. in the DEED records of said county in volume 382 on page 328

WITNESS my hand and the seal of the County Court of said County at office in Pecos, Texas on the date and year last above written.

CATHERINE ASHLEY

Clerk County Court, Reeves County, Texas

By *[Signature]*

(Billie JO Freeman)

RENTAL DIVISION ORDER

WHEREAS, CHALFANT, MAGEE & CLIFTON, INC., Midland, Texas 79701, hereinafter called "lessee", is the owner of that certain oil, gas and mineral lease, dated March 1, 1979, recorded volume 374, page 342, of the DEED records of Reeves County, Texas, covering the following described land situated in said County, to-wit:

East One-half (E $\frac{1}{2}$) of Section 28, Block 56, Township 3, T & P RR Co. Survey

WHEREAS, it is the desire of the undersigned to stipulate with the said lessee as to their proportionate share of the annual rentals in lieu of commencement of drilling operations which may accrue and which said lessee may elect to pay under the terms and provisions of said lease.

NOW, THEREFORE, in consideration of the premises, and ten dollars and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the undersigned stipulate and agree with the said lessee that payment or tender of annual rentals in lieu of commencement of drilling operations (which may accrue and which lessee may elect to pay) to the following in the amounts specified, or to their credit in the depository specified in said lease or below, opposite the name of each of the following, will protect said lease and continue the same in full force and effect as to the interest of each of the undersigned, who certify as to their interest only, to-wit:

PAYEE

INTEREST

AMOUNT

DEPOSITORY

J. J. Meeker

1/3

\$106.67

Ridglea Bank
Box 9170
Ft. Worth, Tx.
Acct. # [REDACTED]

For the consideration above recited each of the undersigned do hereby ratify, confirm and adopt the above described lease in all of its terms and provisions and do hereby lease and let to lessee the lands covered by said lease, subject to and in accordance with all of the terms and provisions thereof.

This agreement shall be binding upon the undersigned, their respective heirs, successors, personal representatives and assigns and shall inure to the benefit of lessee, its heirs, successors and assigns.

IN WITNESS WHEREOF, this instrument is executed this 1st day of March, 1979.

J. J. Meeker

SINGLE ACKNOWLEDGMENT

THE STATE OF TEXAS)

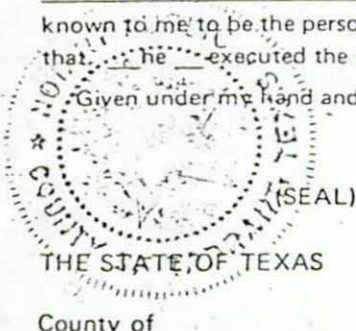
County of Tarrant)

J. J. Meeker)

Before me, the undersigned authority, on this day personally appeared

known to me to be the person whose name J. J. Meeker is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office on this, the 29th day of March, A.D. 1979.



Notary Public in and for Tarrant County, Texas

My Commission Expires: 1-24-81

County of)

Before me, the undersigned authority, on this day personally appeared

known to me to be the person whose name J. J. Meeker is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office on this, the 29th day of March, A.D. 1979.

(SEAL)

Notary Public in and for Tarrant County, Texas

2158

FILED FOR RECORD
AT 10:30 O'CLOCK

MAY 8 - 1979

CATHERINE ASHLEY
County Clerk, Reeves County, Texas
BY *[Signature]* DEPUTY

#3.00 PA

Challant. t. 11.

THE STATE OF TEXAS,
County of Reeves

CATHERINE ASHLEY Clerk of the County

Court of said County do hereby certify that the foregoing instrument of writing dated the 1st day of March A.D. 19 79 with its certificate of authentication was filed for record in my office the 8th day of May A.D. 19 79 at 10:30 o'clock A. M. and duly recorded on the 9th day of May A.D. 19 79 at 1:00 o'clock P. M. in the DEED records of said county in volume 374 on page 342

WITNESS my hand and the seal of the County Court of said County at office in Pecos, Texas on the date and year last above written.

CATHERINE ASHLEY
Clerk County Court, Reeves County, Texas

By *[Signature]*
Olga Fuentes, Deputy

②

MF- 82414

Lease

8-9-80

THIS AGREEMENT made and entered into this 1st day of March, 1979, by and between
 Lawrence H. Meeker, also known as L. H. Meeker, dealing in his sole and separate property
 6000 Camp Bowie Blvd., Ft. Worth, Texas

hereinafter called "Lessor", whether one or more, and CHALFANT, MAGEE & CLIFTON, INC., hereinafter called "Lessee".

WITNESSETH: That, for and in consideration of the sum of TEN AND NO/100----- Dollars

10.00), receipt of which is hereby acknowledged, and of the royalties herein provided and the agreements of Lessee herein contained, Lessor does hereby grant, lease and let exclusively unto Lessee, its successors and assigns, all of the land hereinafter described, together with any reversionary rights therein for the purpose of exploring by geological, geophysical and all other methods, and of drilling, producing and operating wells or mines for the recovery of oil, gas and other hydrocarbons, and all other minerals or substances, whether similar or dissimilar, that may be produced from any well or mine on the leased premises, including primary, secondary, tertiary, cycling, pressure maintenance methods of recovery, and all other methods, whether now known or unknown, with all incidental rights thereto, and to establish and utilize facilities for surface and subsurface disposal of salt water, and to construct, maintain and remove roadways, tanks, pipelines, electric power and telephone lines, power stations, machinery and structures thereon, to produce, store, transport, treat and remove all substances described above, and the products therefrom, together with the right of ingress and egress to and from said land across any other land now or hereafter owned by Lessor. The land hereby leased is situated in the County of Reeves, State of Texas, and is described as follows:

East One-half (E½) of Section 28, Block 56, Township 3, T & P RR Co. Survey

~~Notwithstanding anything else contained herein to the contrary, it is agreed that wherever royalty is specified in the fractional amount of 1/8th, such fractional amount is hereby increased to 3/16th.~~

Lessor recognizes that the State of Texas, is under the provisions of Section 4, Art. 5421-C, of Revised Civil Statutes of the State of Texas, entitled to the royalty stipulated on oil, gas and other minerals that may be produced from the lands herein described and by these presents authorizes Lessee or its assignees to deduct from the royalty recited to be payable or deliverable to Lessor under provisions hereof, any royalty to which the State is entitled.

~~This lease covers all of the land described above, including any interests therein that any signatory hereto has the right or power to lease, and in addition it covers, and there is hereby granted, leased and let, upon the same terms and conditions as herein set forth, all lands now or hereafter owned or claimed by Lessor, adjacent, contiguous, or a part of the tract or tracts described above, whether such additional lands be owned or claimed by deed, limitation, or otherwise, or are leased or unleased, and whether such lands are inside or outside of the metes and bounds description set forth above, or are in the named survey, or other survey or surveys. The bonus money paid for this lease is in gross, and not by the acre, and shall be effective to cover all such land irrespective of the number of acres contained therein, but the land included within this lease is estimated to comprise 320 acres, whether actually more or less, and such land is hereinafter referred to as the "leased premises".~~

TO HAVE AND TO HOLD the leased premises for a term of ~~XXXX~~ five years from the date hereof, hereinafter called "primary term", and as long thereafter as oil, gas or other hydrocarbons, or other minerals or leased substances, or either or any of them, are produced from the leased premises or from lands with which the leased premises are pooled or unitized.

In consideration of the premises, it is hereby agreed as follows:

1. **Royalty On Oil.** Lessee shall deliver to Lessor, at the well or to the credit of Lessor in the pipeline to which the well may be connected, 1/8th of all oil and other liquid hydrocarbons produced and saved from the leased premises, or Lessee, at its option, may buy or sell such 1/8th royalty and pay Lessor the market price for oil or liquid hydrocarbons of like grade and gravity prevailing in the field on the day such oil is run into pipelines or into storage tanks. Lessor's royalty interest in either case shall bear its proportion of any expenses for transporting and treating oil to make it marketable as crude.

2. **Royalty On Gas.** Lessee shall pay to Lessor as royalty on gas, including casinghead gas or other gaseous substances produced from said land and sold on or off the premises, one-eighth of the net proceeds at the well received from the sale thereof, provided that on gas used off the premises or by Lessee in the manufacture of gasoline or other products therefrom, the royalty shall be the market value at the well of one-eighth of the gas so used; as to all gas sold by Lessee under a written contract, the price received by Lessee for such gas shall be conclusively presumed to be the net proceeds at the well or the market value at the well for the gas so sold.

3. **Royalty On Other Substances.** Lessee shall pay to Lessor, as royalty on any substances covered by this lease other than oil and gas and the products thereof which Lessee may elect to produce, save and market from the leased premises, 1/8th of the proceeds received by Lessee from the sale thereof after deducting the processing costs, except that the royalty on sulphur shall be One Dollar (\$1.00) per long ton marketed.

4. **Shut - In Gas Royalty.** If at any time, or from time to time, either before or after the expiration of the primary term of this lease, there is any gas well on the leased premises or on lands with which the leased premises are pooled or unitized and which is capable of producing in paying quantities, but which is shut in before or after production therefrom, such well shall be considered under all provisions of this lease as a well producing gas in paying quantities and this lease shall remain in force in like manner as though gas therefrom was actually being sold or used. In such event, Lessee covenants and agrees to pay Lessor, as royalty,

the sum of Three hundred twenty and NO/100----- Dollars (\$ 320.00) per annum for the period commencing on the date such well is actually shut in, unless this lease is being maintained in force and effect by some other provision hereof, in which event, such period shall commence on the date this lease ceases to be maintained in full force and effect by some other provision hereof. Payment or tender shall be made to Lessor, or deposited to the credit of Lessor in the depository bank named in this lease. The first payment shall be due and payable on or before ninety (90) days after the date such well is shut in, or ninety (90) days from the date this lease ceases to be maintained in force by some other provision hereof. Unless gas from such well is produced and sold or used prior thereto, except temporary sales, or use for lease operations, subsequent payments shall be due annually thereafter on the anniversary date of the period for which such prior payment was made. No additional payments shall be required if there is more than one shut-in gas well on the leased premises or on lands with which the leased premises are pooled or unitized. The term "gas well" shall include wells capable of producing natural gas, condensate, or any gaseous substance, and wells classified as gas wells by any governmental authority having jurisdiction.

5. **Delay Rental.** If operations for drilling or mining on the leased premises, or on lands with which the leased premises are pooled or unitized, are not commenced on or before one (1) year from the date of this lease, as set forth above, this lease shall terminate as to both parties unless on or before one (1) year from

the date of this lease, Lessee shall pay or tender to the Lessor a rental of Three hundred twenty and NO/100-----

Dollars (\$ 320.00), which shall cover the privilege of deferring commencement of such drilling or mining operation for a period of twelve (12) months from the expiration of said one (1) year period. In like manner and upon like payments or tenders annually, the commencement of such operations may be deferred for successive periods of the same number of months, during the primary term. Payments or tenders may be made to the Lessor or to the Lessor's credit in the

Continental National Bank at Ft. Worth, Texas, which bank or any successor thereof shall continue to be the agent for the Lessor and the Lessor's successors and assigns. If such bank or any successor thereof shall fail, liquidate, or be succeeded by another bank, or for any reason fail or refuse to accept rental, the rental paying date for any year shall be extended until the expiration of thirty (30) days after Lessor shall have delivered to Lessee a recordable instrument making provision for another method of payment or tender and any depository charge shall be the liability of the Lessor. The payment or tender of rental may be made by check or draft of Lessee, mailed or delivered to said bank or Lessor, or to any Lessor if more than one, on or before the rental paying date. Mailing of rental on or before the rental paying date shall be deemed a timely tender thereof and shall preclude the termination of this lease.

6. **Drilling Operations.** If Lessee should drill and abandon as a dry hole a well on the leased premises, or if after the discovery of oil, gas or other minerals, the production thereof should cease from any cause, and, in either event, there are no other producing wells on the leased premises or on lands with which they are pooled or unitized, or drilling or reworking operations are not being conducted thereon, this lease shall not terminate if Lessee commences reworking or additional drilling operations on the leased premises within sixty (60) days thereafter or, if it be within the primary term, Lessee commences or resumes the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of ninety (90) days from the date of such abandonment or cessation of production. If such abandonment or cessation of production occurs at any time during the last fifteen (15) months of the primary term, no rental payment or drilling operations are necessary to keep the lease in force during the remainder of the primary term. If, at the expiration of the primary term, oil, gas or other minerals are not being produced from the leased premises or from lands with which the leased premises are pooled or unitized, but Lessee is then engaged in operations for drilling or reworking of any well, this lease shall remain in force so long as such drilling or reworking operations are prosecuted, or reworking operations on any well or additional drilling operations are conducted on the leased premises, or on lands pooled or unitized therewith, with no cessation of more than sixty (60) consecutive days, and if any such operations result in production then as long thereafter as such production continues.

7. **Pooling.** Lessee is hereby granted the right, at any time and from time to time, whether before or after production, to pool this lease for the production of oil, gas or condensate, or any or either of them, as to the land covered hereby, or any zone or portion thereof, or as to any mineral or royalty interest therein, with any other lease covering the above described land, or lands adjacent, contiguous, adjoining, or in the immediate vicinity thereof, or as to any zone or portion of said lease or any mineral or royalty interest therein. Such pooling shall be into a unit or units not exceeding forty (40) acres plus an acreage tolerance of ten percent (10%) thereof for oil, and units not exceeding six hundred forty (640) acres each plus an acreage tolerance of ten percent (10%) thereof for gas, provided that, should governmental authority having jurisdiction prescribe or permit the creation of any drilling, spacing or proration units larger than those specified above, such units may be created or enlarged to conform in size to the drilling or spacing units so prescribed or permitted or to the proration units as may be authorized for obtaining the maximum allowable production from one well. Lessee may pool the acreage or interests above described, or any portion thereof, as above provided, as to oil, or gas in any one or more zones, and units so formed need not conform in size or area with the unit or units into which the lease is pooled, or combined as to any other zone, and oil units need not conform as to area with gas units. Such pooling shall be effected by the filing by Lessee of a written designation, in the county, or counties, in which the premises are located, identifying and describing the pooled unit. The production of oil, gas or condensate from any zone or portion of the land so pooled and the development and operation on such land, including the commencement, drilling, completion and operation of a well thereon, or the existence thereof of a shut-in gas well, shall be considered and construed and shall have the same effect, except for the payment of royalty, as production, development and operation, or the existence of a shut-in gas well on the leased premises, regardless of the location of the well on the unit. Production from any unit well producing oil, gas or condensate shall be allocated to the leased premises in the proportion that the acreage of the leased premises included within the unit bears to the total acreage in the unit, and the royalty provided for herein shall be calculated on the portion of the production so allocated. The royalty so payable on allocated production shall be in lieu of any other royalty that would accrue to Lessor from the production of oil, gas or condensate from any zone or portion of the leased premises included within the unit. Shut-in gas royalty, with respect to unit shut-in gas wells, shall be payable in accordance with the provisions and in the amount set forth in this lease. In the event any unit well shall fail to produce oil, gas or condensate in paying quantities, or in the event the production from any such well shall cease, Lessee may terminate the unit by filing for record, in the county, or counties where the land is situated, a written declaration of such termination.

8. **Use Of Oil, Gas And Water For Operations.** Lessee shall have the free use of oil, gas and water from the leased premises, except water from Lessor's wells and tanks, for all operations hereunder, and the royalty on oil and gas shall be computed after deducting the amount so used.

9. **Removal Of Equipment.** Lessee shall have the right, at any time during or after the expiration of this lease, to remove all property and fixtures placed on the leased premises by Lessee, including the right to withdraw and remove all casing.

10. **Assignment Or Change Of Ownership.** The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors, and assigns, but no change or division in ownership of the land, rentals or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee. No change or division in the ownership of the land, rentals or royalties, however accomplished, shall be binding upon Lessee for any purpose and shall not impair the effectiveness of any payment theretofore made by Lessee (irrespective of whether Lessee has either actual or constructive knowledge thereof) until sixty (60) days after such person acquiring any interest has furnished Lessee with the instrument or instruments, or certified copies thereof, constituting his chain of title from the original Lessor. In the event of an assignment of this lease as to a segregated portion of the land covered by this lease, the rentals payable hereunder shall be apportioned as between the several leasehold owners, ratably, according to the surface area of each, and a default in rental payment by one Lessee shall not affect the rights of other leasehold owners hereunder who make due payments of rentals. An assignment of this lease, in whole or in part, shall, to the extent of such assignment, relieve and discharge Lessee of all obligations hereunder.

11. **Force Majeure.** Lessee shall not be liable for any delays in its performance of any covenant or condition hereunder, express or implied, or for total or partial nonperformance thereof, due to force majeure. The term "force majeure", as used herein, shall mean any circumstance or any condition beyond the control of Lessee, including but not limited to acts of God and actions of the elements; acts of the public enemy; strikes; lockouts; accidents; laws, acts, rules, regulations and orders of federal, state or municipal governments, or officers or agents thereof; failure of transportation; or the exhaustion, unavailability, or delays in delivery, of any product, labor, service or material. If Lessee is required to cease drilling or reworking or producing operations on the leased premises by force majeure, then until such time as such force majeure is terminated and for a period of ninety (90) days after such termination, each and every provision of this lease that might operate to terminate it shall be suspended and this lease shall continue in full force and effect during such suspension period. If any period of suspension occurs during the primary term, the time thereof shall be added to such term.

But not more than 320 Acres above a depth of

12. Lesser Interest Clause. If Lessor does not own, or have the right to lease, the entire mineral interest in the land described above, then the royalties, rentals, and any other sums payable hereunder, shall be reduced and payable only in the proportion that the interest covered by this lease bears to the entire mineral interest in the above described land. If the mineral interest covered hereby is subject to an outstanding nonparticipating royalty, such royalty shall be deducted from the royalties payable to Lessor hereunder.

13. Warranty. Lessor hereby warrants and agrees to defend the title to the lands herein described and agrees that the Lessee shall have the right, at any time, to redeem for Lessor, by payment, any mortgage, taxes or other liens on the leased premises in the event of default of payment by Lessor, and be subrogated to the rights of the holder thereof, and such payments may be deducted from any rental or royalties that may be payable to Lessor hereunder.

14. Surrender. Lessee, its successors and assigns, shall have the right at any time, to surrender this lease, in whole or in part, by delivering or mailing a release to the Lessor or by placing a release of record in the county, or counties, in which the leased premises are situated, and thereupon, Lessee shall be relieved from all obligations, expressed or implied, of this lease as to the acreage so surrendered.

15. Parties Bound. This lease and all of the rights, obligations and conditions hereof shall be binding upon each party executing this instrument and heirs, devisees, successors and assigns. Should any party named above as Lessor fail to execute this lease, or should any party execute this lease who is not named above as a Lessor, it shall nevertheless be binding upon the party or parties executing the same.

16. Headings For Convenience. The paragraph headings herein are for convenience only and shall not be considered or construed to limit the subject matter of any paragraph.

17. Shut-in payments, as herein provided, shall not maintain this lease for a cumulative period in excess of three (3) years from and after the end of the primary term hereof.

18. This lease is further subject to a Letter Agreement of even date by and between the named parties hereof.

19. In addition to the royalties provided in the printed portion of this lease, lessors reserve an additional royalty of 7.5% of all oil, gas and other minerals produced and saved from the leased premises, payable in the same manner and at the same time as provided in the printed portion of the lease.

IN WITNESS WHEREOF, this instrument is executed the day and year first above written.

Lawrence H. Meeker
LAWRENCE H. MEEKER
Tax I.D. [REDACTED]

Notary Public in and for _____ County, Texas

THE STATE OF TEXAS

County of Tarrant

Before me, the undersigned authority, on this day personally appeared _____

Lawrence H. Meeker (aka L. H. Meeker)

known to me to be the identical person whose name ~~xxx~~ is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

A 108—Certificate of Record—Class 1

FOR SALE BY STAFFORD-LONDON CO. FORT WORTH 73037

Texas Standard Form

THE STATE OF TEXAS,

County of REEVES

I, CATHERINE ASHLEY, Clerk of the

County Court in and for said County, do hereby certify that the foregoing Instrument,

dated 1st day of March 1979, with its certificates of authentication, was filed for

Record in my office the 27th day of April 1979, at 10:30 o'clock A. M., and duly

Recorded the 30th day of April 1979, at 3:00 o'clock P. M., in DEED Record

of said County in Vol. 373 on Page 611

WITNESS my hand and the seal of the County Court of said County, at office in Pecos,

Texas, the day and year last above written.

CATHERINE ASHLEY Clerk,

By Billie Jo Freeman Deputy.

County Court, Reeves County.

(Billie JO Freeman)

"CONFIDENTIAL"

No. 1949

OIL, GAS AND MINERAL LEASE
TEXAS

TO

Filed for Record this the 27th

day of April A. D. 1979

at 10:30 o'clock A. M.

Catherine Ashley
County Clerk.

By Jeannette James
Deputy.

Recorded A. D. 19

in _____ County

Record of _____

Book _____ Page _____

County Clerk.

By 45.11 Pd. Deputy.

Chalant, Mayer + Clifton, Inc.
1204 S. N. Blvd. S.W.

Assignment of Oil and Gas Lease

163-21

WHEREAS, on the 1st day of March 1979, a certain oil and gas mining lease was made and entered into by and between Lawrence H. Meeker (also known as L. H. Meeker), dealing in his sole and separate property, Lessor and Chalfant, Magee & Clifton, Inc., Midland, Texas, Lessee, covering the following described land in the County of Reeves and State of Texas, to-wit:

East One-half (E $\frac{1}{2}$) of Section 28, Block 56, Township 3, T & P RR Co. Survey

Said lease being recorded in the office of the County Clerk in and for said County in book 273, page 613, and

Whereas, The said lease and all rights thereunder or incident thereto are now owned by Chalfant, Magee & Clifton, Inc.

Now, Therefore, for and in consideration of One Dollar (and other good and valuable considerations), the receipt of which is hereby acknowledged, the undersigned, the present owner of the said lease and all rights thereunder or incident thereto, does hereby bargain, sell, transfer, assign and convey all rights, title and interest of the original lessee and present owner in and to said lease and rights thereunder

together with all personal property used or obtained in connection therewith to

HNG Oil Company

and its successors and assigns.

And for the same consideration, the undersigned for itself and its successors and representatives, does covenant with the said assignee its successors, or assigns, the Chalfant, Magee & Clifton, Inc. is the lawful owner of the said lease and rights and interests thereunder and of the personal property thereon or used in connection therewith; that the undersigned has good right and authority to sell and convey the same, and that said rights, interest and property are free and clear from all liens and incumbrances, and that all rentals and royalties due and payable thereunder have been duly paid and that the undersigned will warrant and defend the same against the lawful claims and demands of all persons whomsoever.

In Witness Whereof, The undersigned owner and assignor has signed this instrument as of the 30th day of March, 1979.



Geneann Rich Assistant-Secretary

CHALFANT, MAGEE & CLIFTON, INC.

By: Duane J. Magee Vice-President

CORPORATION ACKNOWLEDGMENT

THE STATE OF TEXAS, }
COUNTY OF MIDLAND }

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared

Duane J. Magee known to me to be the person and officer

whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said Chalfant, Magee & Clifton, Inc., a corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 30th day of

March

A.D. 1979.



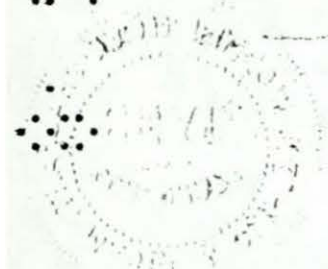
Janice F. McPherson
Notary Public in and for Midland County, Texas

JANICE F. MCPHERSON

My Commission Expires: 6-28-80

5075

9.00



COMPARED

FILED FOR RECORD
AT 10:30 O'CLOCK 9 M

NOV 21 1979

CATHERINE ASHLEY
County Clerk, Reeves County, Texas
By [Signature] DEPUTY

#3.00 [Signature]

272

THE STATE OF TEXAS, } CATHERINE ASHLEY Clerk of the County
 County of Reeves

Court of said County do hereby certify that the foregoing instrument of writing dated the 30th day of March A.D. 1979 and its certificate of authentication was filed for record in my office the 21st Nov. A.D. 1979 at 10:30 o'clock A. M. and duly recorded the 21st day of Nov. A.D. 1979 at 4:00 o'clock P. M. in the DEED records of said county in volume 382 on page 324

WITNESS my hand and the seal of the County Court of said County at office in Pecos, Texas on the date and year last above written.

CATHERINE ASHLEY
 Clerk County Court, Reeves County, Texas
 By Billie Jo Freeman, Dep.
 (Billie JO Freeman)

RENTAL DIVISION ORDER

WHEREAS, CHALFANT, MAGEE & CLIFTON, INC., Midland, Texas 79701, hereinafter called "lessee", is the owner of that certain oil, gas and mineral lease, dated March 1, 1979, recorded volume 373, page 611, of the Reeves records of Reeves County, Texas, covering the following described land situated in said County, to-wit:

East One-half (E $\frac{1}{2}$) of Section 28, Block 56, Township 3, T & P RR Co. Survey

WHEREAS, it is the desire of the undersigned to stipulate with the said lessee as to their proportionate share of the annual rentals in lieu of commencement of drilling operations which may accrue and which said lessee may elect to pay under the terms and provisions of said lease.

NOW, THEREFORE, in consideration of the premises, and ten dollars and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the undersigned stipulate and agree with the said lessee that payment or tender of annual rentals in lieu of commencement of drilling operations (which may accrue and which lessee may elect to pay) to the following in the amounts specified, or to their credit in the depository specified in said lease or below, opposite the name of each of the following, will protect said lease and continue the same in full force and effect as to the interest of each of the undersigned, who certify as to their interest only, to-wit:

PAYEE	INTEREST	AMOUNT	DEPOSITORY
Lawrence H. Meeker	1/3	\$106.67	Continental National Bank Box 910 Ft. Worth, Tx. Account [REDACTED] (Meeker and Company)

For the consideration above recited each of the undersigned do hereby ratify, confirm and adopt the above described lease in all of its terms and provisions and do hereby lease and let to lessee the lands covered by said lease, subject to and in accordance with all of the terms and provisions thereof.

This agreement shall be binding upon the undersigned, their respective heirs, successors, personal representatives and assigns and shall inure to the benefit of lessee, its heirs, successors and assigns.

IN WITNESS WHEREOF, this instrument is executed this 1st day of March, 1979.

Lawrence H. Meeker
Lawrence H. Meeker

SINGLE ACKNOWLEDGMENT

THE STATE OF TEXAS)
County of Tarrant) Before me, the undersigned authority, on this day personally appeared
Lawrence H. Meeker (aka L. H. Meeker)

Known to me to be the person Lawrence H. Meeker whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office on this, the 26th day of March, A.D. 1979.
My Commission Expires: 6-30-80
(SEAL) *Glenna M. Brigance*
Notary Public in and for Tarrant County, Texas
Glenna M. Brigance

THE STATE OF TEXAS)
County of) Before me, the undersigned authority, on this day personally appeared

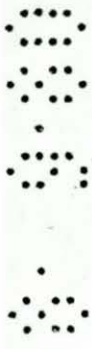
known to me to be the person Lawrence H. Meeker whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office on this, the 26th day of March, A.D. 1979.

(SEAL)

Notary Public in and for Tarrant County, Texas

1950



COMPALED

FILED FOR RECORD
AT 10:30 O'CLOCK A.M.

APR 27 1979

CATHERINE ASHLEY
County Clerk, Reeves County, Texas
BY *Billie Jo Freeman* DEPUTY

A3.00 Ad.

Chalfant, it al

THE STATE OF TEXAS, }
County of Reeves } CATHERINE ASHLEY Clerk of the County

Court of said County do hereby certify that the foregoing instrument of writing dated the 1st day of March A.D. 1979, its certificate of authentication was filed for record in my office the 27th April A.D. 1979 at 10:30 o'clock A.M. and duly recorded on the 30th day of April A.D. 1979 at 3:00 o'clock P.M. in the DEED records of said county in volume 373 on page 613.

WITNESS my hand and the seal of the County Court of said County at office in Pecos, Texas on the date and year last above written.

CATHERINE ASHLEY
Clerk County Court, Reeves County, Texas
By *Billie Jo Freeman* Deputy
(Billie JO Freeman)

WESLEY CHALFANT
DUANE MAGEE
THOMAS L. CLIFTON
GENEANN RICH

682-7941

CHALFANT, MAGEE & CLIFTON, INC.

Oil & Gas Leasing

1201 FIRST NATIONAL BANK BLDG.

MIDLAND, TEXAS 79701

March 1, 1979

Mr. L. H. Meeker
6000 Camp Bowie Blvd.
Fort Worth, Texas 76116

Mr. J. J. Meeker
Fort Worth, Texas

First National Bank of Fort Worth
Fort Worth, Texas

Re: East One-half ($E\frac{1}{2}$) of Section 28,
Block 56, Township 3, T & P RR Co.
Survey, Reeves County, Texas

Gentlemen:

Each of the undersigned is this day executing an oil, gas, and mineral lease, as Lessor, in favor of Chalfant, Magee and Clifton, Inc., as Lessee. Each of said leases is dated March 1, 1979, and covers and affects the land described in the caption hereof. Each of said leases provides for a 20% royalty and \$1.00 per acre annual delay rental and is for a primary term of five years.

As additional consideration to Lessors for the execution of said leases, the parties hereto do further agree as follows:

1. Chalfant, Magee and Clifton, Inc., and its successors and assigns shall be entitled to all of the gross production of oil and gas which may be produced, saved, and marketed from each well on the leased premises or on land pooled therewith, subject only to the payment of royalty reserved to Lessors (out of which 1/16th of production shall be paid to the State of Texas as a free royalty) until such time as it has received therefrom a sum of money equal to:
 - a. The cash bonus initially paid for said leases; and
 - b. All delay rentals which may be paid under the terms of said leases; and
 - c. All shut-in gas well royalty which may be paid under the terms of said leases with respect to such well; and

Mr. L. H. Meeker et al
March 1, 1979
Page 2

- d. The costs incurred by Lessee in the drilling, testing, equipping, and completion of such well and for production facilities utilized in connection therewith; and
- e. Direct operating costs, including workovers but excluding overhead and interest, incurred by Lessee with respect to such well during the payout period as hereinafter defined; and
- f. Severance, property, and production taxes incurred by Lessee with respect to the well and production therefrom during the payout period.

The amounts specified in a and b above (bonus and delay rental payments) shall be recovered by Lessee from the first production of oil or gas from any well or wells on the leased premises or on land pooled therewith; and once recovered, such amounts shall be excluded from the amounts recoverable from any other well or wells. Similarly, costs of production facilities and equipment shall be recoverable only once.

- 2. Lessee shall furnish lessors, at semi-annual intervals, statements as to the money expended on and revenue from each well on the leased premises, or on land pooled therewith, and Lessors shall have access to the records of Lessee for purposes of verification and audit of such expenses and revenue.
- 3. Effective as of 7:00 A.M. on the first day of the month following the month in which such sums of money have been recovered (payout), each Lessor shall have the right at his or its option to convert his or its excess royalty under such lease (i.e., royalty in excess of 1/8th) to his or its prorata part of a 25% working interest in and to the leased premises (insofar as the lease covers the land assigned to such well for proration purposes under the rules of the Railroad Commission of Texas), together with a like interest in all casing, tubing, and equipment in or on said well and all production facilities used in connection therewith. Such option shall be exercised by giving written notice thereof to Lessee within 30 days after the receipt by such Lessor of notice from Lessee that all of such sums of money have been recovered; but when the option is exercised the conversion shall be effective as of the day such option became effective as provided above. If such well is located on a pooled unit created under the authority of such leases and including land other than the leased premises, then such working interest shall be subject to the pooling but shall include a proportionate part (determined on an acreage basis) of the working interest in the entire unit, whether or not such well is on the leased premises.
- 4. "Payout period" is defined as that period of time until Lessee has recovered the sums of money from production as set forth in paragraph 1 above.

5. In the event such option is exercised by any Lessor, then Lessee shall execute and deliver to such Lessor an appropriate assignment to vest in him or it the working interest to which he or it is entitled hereunder, and such Lessor agrees to execute and deliver to Lessee an appropriate lease amendment reducing the royalty to 1/8th. Promptly following the assignment to such Lessor, he or it and Lessee will enter into an operating agreement covering the well and acreage assigned thereto for proration purposes with Chalfant, Magee and Clifton, Inc., its successors and assigns named as operator therein and the electing Lessor or Lessors named as non-operator. The operating agreement shall be an AAPL Form 610 Model Form Agreement dated 1956 for non-federal lands with preferential right of purchase deleted and with a 300% non-consent reworking clause. The Accounting Procedure attached hereto as Schedule A shall be attached to said operating agreement as Schedule C.
 6. The conversion option herein granted to each Lessor shall apply to each producing well individually, with the effect that all drilling, testing, and completion operations on the leased premises or on land pooled therewith shall be at the sole cost, risk, and expense of Chalfant, Magee and Clifton, Inc.; and in no event shall any cost or expense attributable to the drilling, testing, completion, operation or abandonment of any such well be recoverable from the production from any other such well.
 7. At the expiration of the primary term of the leases, each lease shall terminate as to (a) all land covered thereby which is not included within a proration unit under applicable rules of the Railroad Commission of Texas, and (b) all formations other than those from which oil or gas is then being produced in paying quantities and those in which a well then capable of producing oil or gas in paying quantities has been completed by Lessee. The additional limitations imposed by this paragraph shall be subject to the drilling and reworking provisions of paragraph 6 of the leases but shall apply upon the cessation of such drilling or reworking operations after the expiration of the primary term of the leases.
- Upon abandonment by Lessee of any hole drilled on the leased premises, Lessee, at the request of Lessors, shall plug back to the surface casing as required by the Railroad Commission of Texas or other regulatory body and put a cast iron bridging plug in the bottom of the surface casing and place at least 50 feet of cement on top of the plug; and, after pressure testing same to assure no leakage, Lessee shall put a bull-plug in the top of the surface casing and assign said hole and all casing therein to Lessors at no cost to them. Lessors shall assume responsibility for said hole thereafter.

Lessee shall run one log or combination of logs to the surface so as to identify all fresh water sands.

Mr. L. H. Meeker et al
March 1, 1979
Page 4

10. Lessee shall have no right to execute any contract relating to the sale of gas attributable to the interests of Lessors, either as royalty or as working interest.
11. Each of the leases is modified by the provisions of this letter agreement, and in case of conflict the provisions of this letter agreement shall control.
12. The terms and provisions of this letter agreement shall be binding on the respective heirs, successors and assigns of the parties hereto.

Sincerely,

CHALFANT, MAGEE & CLIFTON, INC.

Geneann Rich
Geneann Rich

GR/jfm
Attachment

AGREED TO and ACCEPTED this 26th day of March, 1979.

L. H. Meeker
L. H. MEEKER, INDIVIDUALLY
Dated: March 26, 1979

L. H. Meeker
L. H. MEEKER, CO-TRUSTEE OF THE
CHARLES ROESER MEEKER TRUST
Dated: March 26, 1979

ATTEST:
H. Ingram
Trust Officer

ATTEST:
H. Ingram
Trust Officer

J. J. Meeker
J. J. MEEKER
Dated: April 13, 1979

FIRST NATIONAL BANK OF FORT WORTH, CO-
TRUSTEE OF THE CHARLES ROESER MEEKER TRUST
By: *E. F. Sworn*
Vice President & Trust Officer
Dated: March 28, 1979

FIRST NATIONAL BANK OF FORT WORTH, TRUSTEE
OF THE ANNE W. MEEKER, IInd TRUST and
GUARDIAN FOR ANNE WINDFOHR MEEKER, IInd
By: *E. F. Sworn*
Vice President & Trust Officer
Dated: March 28, 1979

EXHIBIT " "

Attached to and made a part of _____

ACCOUNTING PROCEDURE JOINT OPERATIONS

I. GENERAL PROVISIONS

1. Definitions

"Joint Property" shall mean the real and personal property subject to the agreement to which this Accounting Procedure is attached.

"Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and maintenance of the Joint Property.

"Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Operations and which are to be shared by the Parties.

"Operator" shall mean the party designated to conduct the Joint Operations.

"Non-Operators" shall mean the parties to this agreement other than the Operator.

"Parties" shall mean Operator and Non-Operators.

"First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct supervision of other employees and/or contract labor directly employed on the Joint Property in a field operating capacity.

"Technical Employees" shall mean those employees having special and specific engineering, geological or other professional skills, and whose primary function in Joint Operations is the handling of specific operating conditions and problems for the benefit of the Joint Property.

"Personal Expenses" shall mean travel and other reasonable reimbursable expenses of Operator's employees.

"Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.

"Controllable Material" shall mean Material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies of North America.

2. Statement and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of the Joint Account for the preceding month. Such bills will be accompanied by statements which identify the authority for expenditure, lease or facility, and all charges and credits, summarized by appropriate classifications of investment and expense except that items of Controllable Material and unusual charges and credits shall be separately identified and fully described in detail.

3. Advances and Payments by Non-Operators

Unless otherwise provided for in the agreement, the Operator may require the Non-Operators to advance their share of estimated cash outlay for the succeeding month's operation. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators.

Each Non-Operator shall pay its proportion of all bills within fifteen (15) days after receipt. If payment is not made within such time, the unpaid balance shall bear interest monthly at the rate of twelve percent (12%) per annum or the maximum contract rate permitted by the applicable usury laws in the state in which the Joint Property is located, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts.

4. Adjustments

Payment of any such bills shall not prejudice the right of any Non-Operator to protest or question the correctness thereof; provided, however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of Controllable Material as provided for in Section V.

5. Audits

A. Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the Joint Account for any calendar year within the twenty-four (24) month period following the end of such calendar year; provided, however, the making of an audit shall not extend the time for the taking of written exception to and the adjustments of accounts as provided for in Paragraph 4 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct joint or simultaneous audits in a manner which will result in a minimum of inconvenience to the Operator. Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph unless agreed to by the Operator.

6. Approval by Non-Operators

Where an approval or other agreement of the Parties or Non-Operators is expressly required under other sections of this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, Operator shall notify all Non-Operators of the Operator's proposal, and the agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

1. Rentals and Royalties

Lease rentals and royalties paid by Operator for the Joint Operations.

2. Labor

- A. (1) Salaries and wages of Operator's field employees directly employed on the Joint Property in the conduct of Joint Operations.
- (2) Salaries of First Level Supervisors in the field.
- (3) Salaries and wages of Technical Employees directly employed on the Joint Property if such charges are excluded from the Overhead rates.
- B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II. Such costs under this Paragraph 2B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 2A of this Section II. If percentage assessment is used, the rate shall be based on the Operator's cost experience.
- C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's costs chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II.
- D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II.

3. Employee Benefits

Operator's current costs of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II shall be Operator's actual cost not to exceed twenty per cent (20%).

4. Material

Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. Only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use and is reasonably practical and consistent with efficient and economical operations. The accumulation of surplus stocks shall be avoided.

5. Transportation

Transportation of employees and Material necessary for the Joint Operations but subject to the following limitations:

- A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store, recognized barge terminal, or railway receiving point where like material is normally available, unless agreed to by the Parties.
- B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store, recognized barge terminal, or railway receiving point unless agreed to by the Parties. No charge shall be made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to by the Parties.
- C. In the application of Subparagraphs A and B above, there shall be no equalization of actual gross trucking cost of \$200 or less excluding accessorial charges.

6. Services

The cost of contract services, equipment and utilities provided by outside sources, except services excluded by Paragraph 9 of Section II and Paragraph 1. ii of Section III. The cost of professional consultant services and contract services of technical personnel directly engaged on the Joint Property if such charges are excluded from the Overhead rates. The cost of professional consultant services or contract services of technical personnel not directly engaged on the Joint Property shall not be charged to the Joint Account unless previously agreed to by the Parties.

7. Equipment and Facilities Furnished by Operator

- A. Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates commensurate with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on investment not to exceed eight per cent (8%) per annum. Such rates shall not exceed average commercial rates currently prevailing in the immediate area of the Joint Property.
- B. In lieu of charges in Paragraph 7A above, Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property less 20%. For automotive equipment, Operator may elect to use rates published by the Petroleum Motor Transport Association.

8. Damages and Losses to Joint Property

All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or other cause, except those resulting from Operator's gross negligence or willful misconduct. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

9. Legal Expense

Expense of handling, investigating and settling litigation or claims, discharging of liens, payment of judgments and amounts paid for settlement of claims incurred in or resulting from operations under the agreement or necessary to protect or recover the Joint Property, except that no charge for services of Operator's legal staff or fees or expense of outside attorneys shall be made unless previously agreed to by the Parties. All other legal expense is considered to be covered by the overhead provisions of Section III unless otherwise agreed to by the Parties, except as provided in Section I, Paragraph 3.

10. Taxes

All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties.

11. Insurance

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Workmen's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.

12. Other Expenditures

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III, and which is incurred by the Operator in the necessary and proper conduct of the Joint Operations.

III. OVERHEAD**1. Overhead - Drilling and Producing Operations**

- i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:

- (☒) Fixed Rate Basis, Paragraph 1A, or
() Percentage Basis, Paragraph 1B.

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 2A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the Overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

- ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property shall () shall not (☒) be covered by the Overhead rates.

A. Overhead - Fixed Rate Basis

- (1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate \$ XXXXXXXXXX
Producing Well Rate \$ XXXXXX \$250.00

- (2) Application of Overhead - Fixed Rate Basis shall be as follows:

(a) Drilling Well Rate

- [1] Charges for onshore drilling wells shall begin on the date the well is spudded and terminate on the date the drilling or completion rig is released, whichever is later, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.
- [2] Charges for offshore drilling wells shall begin on the date when drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location or rig is released, whichever occurs first, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.
- [3] Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig, commence through date of rig release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive days.

(b) Producing Well Rates

- [1] An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.
 - [2] Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.
 - [3] An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.
 - [4] A one-well charge may be made for the month in which plugging and abandonment operations are completed on any well.
 - [5] All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.
- (3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Fields Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

B. Overhead - Percentage Basis

(1) Operator shall charge the Joint Account at the following rates:

(a) Development

_____ Percent (%) of the cost of Development of the Joint Property exclusive of costs provided under Paragraph 9 of Section II and all salvage credits.

(b) Operating

_____ Percent (%) of the cost of Operating the Joint Property exclusive of costs provided under Paragraphs 1 and 9 of Section II, all salvage credits, the value of injected substances purchased for secondary recovery and all taxes and assessments which are levied, assessed and paid upon the mineral interest in and to the Joint Property.

(2) Application of Overhead - Percentage Basis shall be as follows:

For the purpose of determining charges on a percentage basis under Paragraph 1B of this Section III, development shall include all costs in connection with drilling, redrilling, deepening or any remedial operations on any or all wells involving the use of drilling crew and equipment; also, preliminary expenditures necessary in preparation for drilling and expenditures incurred in abandoning when the well is not completed as a producer, and original cost of construction or installation of fixed assets, the expansion of fixed assets and any other project clearly discernible as a fixed asset, except Major Construction as defined in Paragraph 2 of this Section III. All other costs shall be considered as Operating.

2. Overhead - Major Construction

To compensate Operator for overhead costs incurred in the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint Account for Overhead based on the following rates for any Major Construction project in excess of \$ ____* : *TO BE NEGOTIATED

A. _____ % of total costs if such costs are more than \$ _____ but less than \$ _____; plus

B. _____ % of total costs in excess of \$ _____ but less than \$1,000,000; plus

C. _____ % of total costs in excess of \$1,000,000.

Total cost shall mean the gross cost of any one project. For the purpose of this paragraph, the component parts of a single project shall not be treated separately and the cost of drilling and workover wells shall be excluded.

3. Amendment of Rates

The Overhead rates provided for in this Section III may be amended from time to time only by mutual agreement between the Parties hereto if, in practice, the rates are found to be insufficient or excessive.

IV. PRICING OF JOINT ACCOUNT MATERIAL PURCHASES, TRANSFERS AND DISPOSITIONS

Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for all material movements affecting the Joint Property. Operator shall provide all Material for use on the Joint Property; however, at Operator's option, such Material may be supplied by the Non-Operator. Operator shall make timely disposition of idle and/or surplus Material, such disposal being made either through sale to Operator or Non-Operator, division in kind, or sale to outsiders. Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus condition A or B Material. The disposal of surplus Controllable Material not purchased by the Operator shall be agreed to by the Parties.

1. Purchases

Material purchased shall be charged at the price paid by Operator after deduction of all discounts received. In case of Material found to be defective or returned to vendor for any other reason, credit shall be passed to the Joint Account when adjustment has been received by the Operator.

2. Transfers and Dispositions

Material furnished to the Joint Property and Material transferred from the Joint Property or disposed of by the Operator, unless otherwise agreed to by the Parties, shall be priced on the following bases exclusive of cash discounts:

A. New Material (Condition A)

(1) Tubular goods, except line pipe, shall be priced at the current new price in effect on date of movement on a maximum carload or barge load weight basis, regardless of quantity transferred, equalized to the lowest published price f.o.b. railway receiving point or recognized barge terminal nearest the Joint Property where such Material is normally available.

(2) Line Pipe

(a) Movement of less than 30,000 pounds shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store nearest the Joint Property where such Material is normally available.

(b) Movement of 30,000 pounds or more shall be priced under provisions of tubular goods pricing in Paragraph 2A (1) of this Section IV.

(3) Other Material shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store or f.o.b. railway receiving point nearest the Joint Property where such Material is normally available.

B. Good Used Material (Condition B)

Material in sound and serviceable condition and suitable for reuse without reconditioning:

(1) Material moved to the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV.

(2) Material moved from the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as new Material, or

- (b) at sixty-five percent (65%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as good used Material at seventy-five percent (75%) of current new price.

The cost of reconditioning, if any, shall be absorbed by the transferring property.

C. Other Used Material (Condition C and D)

(1) Condition C

Material which is not in sound and serviceable condition and not suitable for its original function until after reconditioning shall be priced at fifty percent (50%) of current new price as determined by Paragraph 2A of this Section IV. The cost of reconditioning shall be charged to the receiving property, provided Condition C value plus cost of reconditioning does not exceed Condition B value.

(2) Condition D

All other Material, including junk, shall be priced at a value commensurate with its use or at prevailing prices. Material no longer suitable for its original purpose but usable for some other purpose, shall be priced on a basis comparable with that of items normally used for such other purpose. Operator may dispose of Condition D Material under procedures normally utilized by the Operator without prior approval of Non-Operators.

D. Obsolete Material

Material which is serviceable and usable for its original function but condition and/or value of such Material is not equivalent to that which would justify a price as provided above may be specially priced as agreed to by the Parties. Such price should result in the Joint Account being charged with the value of the service rendered by such Material.

E. Pricing Conditions

- (1) Loading and unloading costs may be charged to the Joint Account at the rate of fifteen cents (15¢) per hundred weight on all tubular goods movements, in lieu of loading and unloading costs sustained, when actual hauling cost of such tubular goods are equalized under provisions of Paragraph 5 of Section II.
- (2) Material involving erection costs shall be charged at applicable percentage of the current knocked-down price of new Material.

3. Premium Prices

Whenever Material is not readily obtainable at published or listed prices because of national emergencies, strikes or other unusual causes over which the Operator has no control, the Operator may charge the Joint Account for the required Material at the Operator's actual cost incurred in providing such Material, in making it suitable for use, and in moving it to the Joint Property; provided notice in writing is furnished to Non-Operators of the proposed charge prior to billing Non-Operators for such Material. Each Non-Operator shall have the right, by so electing and notifying Operator within ten days after receiving notice from Operator, to furnish in kind all or part of his share of such Material suitable for use and acceptable to Operator.

4. Warranty of Material Furnished by Operator

Operator does not warrant the Material furnished. In case of defective Material, credit shall not be passed to the Joint Account until adjustment has been received by Operator from the manufacturers or their agents.

V. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

1. Periodic Inventories, Notice and Representation

At reasonable intervals, Inventories shall be taken by Operator of the Joint Account Controllable Material. Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at an inventory shall bind Non-Operators to accept the inventory taken by Operator.

2. Reconciliation and Adjustment of Inventories

Reconciliation of a physical inventory with the Joint Account shall be made, and a list of overages and shortages shall be furnished to the Non-Operators within six months following the taking of the inventory. Inventory adjustments shall be made by Operator with the Joint Account for overages and shortages, but Operator shall be held accountable only for shortages due to lack of reasonable diligence.

3. Special Inventories

Special Inventories may be taken whenever there is any sale or change of interest in the Joint Property. It shall be the duty of the party selling to notify all other Parties as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be governed by such inventory.

4. Expense of Conducting Periodic Inventories

The expense of conducting periodic Inventories shall not be charged to the Joint Account unless agreed to by the Parties.

③ MF- 82414
Lease
8-9-80

THIS AGREEMENT made and entered into this 1st day of March, 1979, by and between

First National Bank of Ft. Worth, Trustee of the Anne W. Meeker, IInd Trust and First National Bank of Ft. Worth, Guardian for Anne Windfohr Meeker, IInd; c/o L. H. Meeker, 6000 Camp Bowie Blvd., Ft. Worth, Texas

hereinafter called "Lessor", whether one or more, and CHALFANT, MAGEE & CLIFTON, INC., hereinafter called "Lessee".WITNESSETH: That, for and in consideration of the sum of TEN AND NO/100----- Dollars

(10.00), receipt of which is hereby acknowledged, and of the royalties herein provided and the agreements of Lessee herein contained, Lessor does hereby grant, lease and let exclusively unto Lessee, its successors and assigns, all of the land hereinafter described, together with any reversionary rights therein for the purpose of exploring by geological, geophysical and all other methods, and of drilling, producing and operating wells or mines for the recovery of oil, gas and other hydrocarbons, and all other minerals or substances, whether similar or dissimilar, that may be produced from any well or mine on the leased premises, including primary, secondary, tertiary, cycling, pressure maintenance methods of recovery, and all other methods, whether now known or unknown, with all incidental rights thereto, and to establish and utilize facilities for surface and subsurface disposal of salt water, and to construct, maintain and remove roadways, tanks, pipelines, electric power and telephone lines, power stations, machinery and structures thereon, to produce, store, transport, treat and remove all substances described above, and the products therefrom, together with the right of ingress and egress to and from said land across any other land now or hereafter owned by Lessor. The land hereby

leased is situated in the County of Reeves, State of Texas, and is described as follows:

East One-half (E½) of Section 28, Block 56, Township 3, T & P RR Co. Survey

~~Notwithstanding anything else contained herein to the contrary, it is agreed that wherever royalty is specified in the fractional amount of 1/8th, such fractional amount is hereby increased to 3/16th.)~~

Lessor recognizes that the State of Texas, is under the provisions of Section 4, Art. 5421-C, of Revised Civil Statutes of the State of Texas, entitled to the royalty stipulated on oil, gas and other minerals that may be produced from the lands herein described and by these presents authorizes Lessee or its assignees to deduct from the royalty recited to be payable deliverable to Lessor under provisions hereof, any royalty to which the State is entitled.

~~This lease covers all of the land described above, including any interests therein that any signatory hereto has the right or power to lease, and in addition it covers, and there is hereby granted, leased and let, upon the same terms and conditions as herein set forth, all lands now or hereafter owned or claimed by Lessor, adjacent, contiguous, or a part of the tract or tracts described above, whether such additional lands be owned or claimed by deed, limitation, or otherwise, or are leased or unleased, and whether such lands are inside or outside of the meter and bounds description set forth above, or are in the named survey, or other survey or surveys. The bonus money paid for this lease is in gross, and not by the acre, and shall be effective to cover all such land irrespective of the number of acres contained therein, but the land included within this lease is estimated to comprise 320 acres, whether actually more or less, and such land is hereinafter referred to as the "leased premises".~~

TO HAVE AND TO HOLD the leased premises for a term of ~~XXXXX~~ five years from the date hereof, hereinafter called "primary term", and as long thereafter as oil, gas or other hydrocarbons, or other minerals or leased substances, or either or any of them, are produced from the leased premises or from lands with which the leased premises are pooled or unitized.

In consideration of the premises, it is hereby agreed as follows:

1. Royalty On Oil. Lessee shall deliver to Lessor, at the well or to the credit of Lessor in the pipeline to which the well may be connected, 1/5 of all oil and other liquid hydrocarbons produced and saved from the leased premises, or Lessee, at its option, may buy or sell such ~~XXXXX~~ 1/5 royalty and pay Lessor the market price for oil or liquid hydrocarbons of like grade and gravity prevailing in the field on the day such oil is run into pipelines or into storage tanks. Lessor's royalty interest in either case shall bear its proportion of any expenses for transporting and treating oil to make it marketable as crude.

2. Royalty On Gas. Lessee shall pay to Lessor as royalty on gas, including casinghead gas or other gaseous substances produced from said land and sold on or off the premises, ~~XXXXX~~ of the net proceeds at the well received from the sale thereof, provided that on gas used off the premises or by Lessee in the manufacture of gasoline or other products therefrom, the royalty shall be the market value at the well of ~~XXXXX~~ of the gas so used; as to all gas sold by Lessee under a written contract, the price received by Lessee for such gas shall be conclusively presumed to be the net proceeds at the well or the market value at the well for the gas so sold.

3. Royalty On Other Substances. Lessee shall pay to Lessor, as royalty on any substances covered by this lease other than oil and gas and the products thereof which Lessee may elect to produce, save and market from the leased premises, ~~XXXXX~~ of the proceeds received by Lessee from the sale thereof after deducting the processing costs, except that the royalty on sulphur shall be One Dollar (\$1.00) per long ton marketed.

4. Shut - In Gas Royalty. If at any time, or from time to time, either before or after the expiration of the primary term of this lease, there is any gas well on the leased premises or on lands with which the leased premises are pooled or unitized and which is capable of producing in paying quantities, but which is shut in before or after production therefrom, such well shall be considered under all provisions of this lease as a well producing gas in paying quantities and this lease shall remain in force in like manner as though gas therefrom was actually being sold or used. In such event, Lessee covenants and agrees to pay Lessor, as royalty,

the sum of Three hundred twenty and NO/100----- Dollars (\$ 320.00) per annum for the period commencing on the date such well is actually shut in, unless this lease is being maintained in force and effect by some other provision hereof, in which event, such period shall commence on the date this lease ceases to be maintained in full force and effect by some other provision hereof. Payment or tender shall be made to Lessor, or deposited to the credit of Lessor in the depository bank named in this lease. The first payment shall be due and payable on or before ninety (90) days after the date such well is shut in, or ninety (90) days from the date this lease ceases to be maintained in force by some other provision hereof. Unless gas from such well is produced and sold or used prior thereto, except temporary sales, or use for lease operations, subsequent payments shall be due annually thereafter on the anniversary date of the period for which such prior payment was made. No additional payments shall be required if there is more than one shut-in gas well on the leased premises or on lands with which the leased premises are pooled or unitized. The term "gas well" shall include wells capable of producing natural gas, condensate, or any gaseous substance, and wells classified as gas wells by any governmental authority having jurisdiction.

5. Delay Rental. If operations for drilling or mining on the leased premises, or on lands with which the leased premises are pooled or unitized, are not commenced on or before one (1) year from the date of this lease, as set forth above, this lease shall terminate as to both parties unless on or before one (1) year from

the date of this lease, Lessee shall pay or tender to the Lessor a rental of Three hundred twenty and NO/100----- Dollars (\$ 320.00), which shall cover the privilege of deferring commencement of such drilling or mining operation for a period of twelve (12) months from the expiration of said one (1) year period. In like manner and upon like payments or tenders annually, the commencement of such operations may be deferred for successive periods of the same number of months, during the primary term. Payments or tenders may be made to the Lessor or to the Lessor's credit in the

First National Bank at Ft. Worth, Texas, which bank or any successor thereof shall continue to be the agent for the Lessor and the Lessor's successors and assigns. If such bank or any successor thereof shall fail, liquidate, or be succeeded by another bank, or for any reason fail or refuse to accept rental, the rental paying date for any year shall be extended until the expiration of thirty (30) days after Lessor shall have delivered to Lessee a recordable instrument making provision for another method of payment or tender, and any depository charge shall be the liability of the Lessor. The payment or tender of rental may be made by check or draft of Lessee, mailed or delivered to said bank or Lessor, or to any Lessor if more than one, on or before the rental paying date. Mailing of rental on or before the rental paying date shall be deemed a timely tender thereof and shall preclude the termination of this lease.

6. Drilling Operations. If Lessee should drill and abandon as a dry hole a well on the leased premises, or if after the discovery of oil, gas or other minerals, the production thereof should cease from any cause, and, in either event, there are no other producing wells on the leased premises or on lands with which they are pooled or unitized, or drilling or reworking operations are not being conducted thereon, this lease shall not terminate if Lessee commences reworking or additional drilling operations on the leased premises within sixty (60) days thereafter or, if it be within the primary term, Lessee commences or resumes the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of ninety (90) days from the date of such abandonment or cessation of production. If such abandonment or cessation of production occurs at any time during the last fifteen (15) months of the primary term, no rental payment or drilling operations are necessary to keep the lease in force during the remainder of the primary term. If, at the expiration of the primary term, oil, gas or other minerals are not being produced from the leased premises or from lands with which the leased premises are pooled or unitized, but Lessee is then engaged in operations for drilling or reworking of any well, this lease shall remain in force so long as such drilling or reworking operations are prosecuted, or reworking operations on any well or additional drilling operations are conducted on the leased premises, or on lands pooled or unitized therewith, with no cessation of more than sixty (60) consecutive days, and if any such operations result in production then as long thereafter as such production continues.

7. Pooling. Lessee is hereby granted the right, at any time and from time to time, whether before or after production, to pool this lease for the production of oil, gas or condensate, or any or either of them, as to the land covered hereby, or any zone or portion thereof, or as to any mineral or royalty interest therein, with any other lease covering the above described land, or lands adjacent, contiguous, adjoining, or in the immediate vicinity thereof, or as to any zone or portion of said lease or any mineral or royalty interest therein. Such pooling shall be into a unit or units not exceeding forty (40) acres plus an acreage tolerance of ten percent (10%) thereof for oil, and units not exceeding six hundred forty (640) acres each plus an acreage tolerance of ten percent (10%) thereof for gas; provided that, should governmental authority having jurisdiction prescribe or permit the creation of any drilling, spacing or proration units larger than those specified above, such units may be created or enlarged to conform in size to the drilling or spacing units so prescribed or permitted or to the proration units as may be authorized for obtaining the maximum allowable production from one well. Lessee may pool the acreage or interests above described, or any portion thereof, as above provided, as to oil, or gas in any one or more zones, and units so formed need not conform in size or area with the unit or units into which the lease is pooled, or combined as to any other zone, and oil units need not conform as to area with gas units. Such pooling shall be effected by the filing by Lessee of a written designation, in the county, or counties, in which the premises are located, identifying and describing the pooled unit. The production of oil, gas or condensate from any zone or portion of the land so pooled and the development and operation on such land, including the commencement, drilling, completion and operation of a well thereon, or the existence thereof of a shut-in gas well, shall be considered and construed and shall have the same effect, except for the payment of royalty, as production, development and operation, or the existence of a shut-in gas well on the leased premises, regardless of the location of the well on the unit. Production from any unit well producing oil, gas or condensate shall be allocated to the leased premises in the proportion that the acreage of the leased premises included within the units bears to the total acreage in the unit, and the royalty provided for herein shall be calculated on the portion of the production so allocated. The royalty so payable on allocated production shall be in lieu of any other royalty that would accrue to Lessor from the production of oil, gas or condensate from any zone or portion of the leased premises included within the unit. Shut-in gas royalty, with respect to unit shut-in gas wells, shall be payable in accordance with the provisions and in the amount set forth in this lease. In the event any unit well shall fail to produce oil, gas or condensate in paying quantities, or in the event the production from any such well shall cease, Lessee may terminate the unit by filing for record, in the county, or counties where the land is situated, a written declaration of such termination.

8. Use Of Oil, Gas And Water For Operations. Lessee shall have the free use of oil, gas and water from the leased premises, except water from Lessor's wells and tanks, for all operations hereunder, and the royalty on oil and gas shall be computed after deducting the amount so used.

9. Removal Of Equipment. Lessee shall have the right, at any time during or after the expiration of this lease, to remove all property and fixtures placed on the leased premises by Lessee, including the right to withdraw and remove all casing.

10. Assignment Or Change Of Ownership. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors, and assigns, but no change or division in ownership of the land, rentals or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee. No change or division in the ownership of the land, rentals or royalties, however accomplished, shall be binding upon Lessee for any purpose and shall not impair the effectiveness of any payment theretofore made by Lessee (irrespective of whether Lessee has either actual or constructive knowledge thereof) until sixty (60) days after such person acquiring any interest has furnished Lessee with the instrument or instruments, or certified copies thereof, constituting his chain of title from the original Lessor. In the event of an assignment of this lease as to a segregated portion of the land covered by this lease, the rentals payable hereunder shall be apportioned as between the several leasehold owners, ratably, according to the surface area of each, and a default in rental payment by one Lessee shall not affect the rights of other leasehold owners hereunder who make due payments of rentals. An assignment of this lease, in whole or in part, shall, to the extent of such assignment, relieve and discharge Lessee of all obligations hereunder.

11. Force Majeure. Lessee shall not be liable for any delays in its performance of any covenant or condition hereunder, express or implied, or for total or partial nonperformance thereof, due to force majeure. The term "force majeure", as used herein, shall mean any circumstance or any condition beyond the control of Lessee, including but not limited to acts of God and actions of the elements; acts of the public enemy; strikes; lockouts; accidents; laws, acts, rules, regulations and orders of federal, state or municipal governments, or officers or agents thereof; failure of transportation; or the exhaustion, unavailability, or delays in delivery, of any product, labor, service or material. If Lessee is required to cease drilling or reworking or producing operations on the leased premises by force majeure, then until such time as such force majeure is terminated and for a period of ninety (90) days after such termination, each and every provision of this lease that might operate to terminate it shall be suspended and this lease shall continue in full force and effect during such suspension period. If any period of suspension occurs during the primary term, the time thereof shall be added to such term.

12. Force Majeure. Lessee shall not be liable for any delays in its performance of any covenant or condition hereunder, express or implied, or for total or partial nonperformance thereof, due to force majeure. The term "force majeure", as used herein, shall mean any circumstance or any condition beyond the control of Lessee, including but not limited to acts of God and actions of the elements; acts of the public enemy; strikes; lockouts; accidents; laws, acts, rules, regulations and orders of federal, state or municipal governments, or officers or agents thereof; failure of transportation; or the exhaustion, unavailability, or delays in delivery, of any product, labor, service or material. If Lessee is required to cease drilling or reworking or producing operations on the leased premises by force majeure, then until such time as such force majeure is terminated and for a period of ninety (90) days after such termination, each and every provision of this lease that might operate to terminate it shall be suspended and this lease shall continue in full force and effect during such suspension period. If any period of suspension occurs during the primary term, the time thereof shall be added to such term.

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38

12. Lesser Interest Clause. If Lessor does not own, or have the right to lease, the entire mineral interest in the land described above, then the royalties, rentals, and any other sums payable hereunder, shall be reduced and payable only in the proportion that the interest covered by this lease bears to the entire mineral interest in the above described land. If the mineral interest covered hereby is subject to an outstanding nonparticipating royalty, such royalty shall be deducted from the royalties payable to Lessor hereunder.

13. Warranty. Lessor hereby warrants and agrees to defend the title to the lands herein described and agrees that the Lessee shall have the right, at any time, to redeem from Lessor, by payment, any mortgage, taxes or other liens on the leased premises in the event of default of payment by Lessor, and be subrogated to the rights of the holder thereof, and such payments may be deducted from any rental or royalties that may be payable to Lessor hereunder.

14. Surrender. Lessee, its successors and assigns, shall have the right at any time, to surrender this lease, in whole or in part, by delivering or mailing a release to the Lessor or by placing a release of record in the county, or counties, in which the leased premises are situated, and thereupon, Lessee shall be relieved from all obligations, expressed or implied, of this lease as to the acreage so surrendered.

15. Parties Bound. This lease and all of the rights, obligations and conditions hereof shall be binding upon each party executing this instrument and his heirs, devisees, successors and assigns. Should any party named above as Lessor fail to execute this lease, or should any party execute this lease who is not named above as a Lessor, it shall nevertheless be binding upon the party or parties executing the same.

16. Headings For Convenience. The paragraph headings herein are for convenience only and shall not be considered or construed to limit the subject matter of any paragraph.

17. Shut-in payments, as herein provided, shall not maintain this lease for a cumulative period in excess of three (3) years from and after the end of the primary term hereof.

18. This lease is further subject to a Letter Agreement of even date by and between the named parties hereof.

IN WITNESS WHEREOF, this instrument is executed the day and year first above written.

ATTEST:  Claudette Fieseler
Trust Officer-Trust Administrative Officer

First National Bank of Ft. Worth, Trustee of
the Anne W. Meeker, IInd Trust and as
Guardian for Anne Windfohr Meeker, IInd,
A/C 2951 & 1876

BY: E. F. Lawson Jr
Vice-President and Trust Officer

TAX I. D. # (A/C #2951
SS (A/C #1876)

CORPORATION ACKNOWLEDGMENT

THE STATE OF TEXAS,
COUNTY OF TARRANT

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared

E. F. LAWSON, JR., Vice President & Trust Officer, known to me to be the person and officer
whose name is subscribed to the foregoing instrument.

THE STATE OF TEXAS,
County of REEVES } I, CATHERINE ASHLEY, Clerk of the
County Court in and for said County, do hereby certify that the foregoing Instrument,
dated 1st day of March 19 79, with its certificates of authentication, was filed for
Record in my office the 29th day of May 19 79, at 9:00 o'clock A. M., and duly
Recorded the 30th day of May 19 79, at 10:06 o'clock A. M., in DEED Record
of said County in Vol. 375 on Page 163.

WITNESS my hand and the seal of the County Court of said County, at office in Pecos,
Texas, the day and year last above written.

By Billie Jo Freeman Deputy. CATHERINE ASHLEY Clerk,
(Billie Jo Freeman) County Court, Reeves County.

No. 2466
OIL, GAS AND MINERAL LEASE
TEXAS

TO

Filed for Record this the 29th
day of May A. D. 19 79
at 9:00 o'clock A. M.
Catherine Ashley County Clerk.
By Jeanne Jones Deputy.

Recorded A. D. 19 County
in County
Record of
Book Page
By County Clerk.
By Deputy.

Chalfant, Kate #5.11 Ad

Assignment of Oil and Gas Lease

WHEREAS, on the 1st day of March 1979, a certain oil and gas mining lease was made and entered into by and between First National Bank of Ft. Worth, Trustee of the Anne W. Meeker, IInd Trust and First National Bank of Ft. Worth, Guardian for Anne, Lessor Windfohr Meeker, IInd. and Chalfant, Magee & Clifton, Inc., Midland, Texas, Lessee, covering the following described land in the County of Reeves and State of Texas, to-wit:

East One-half (E/2) of Section 28, Block 56, Township 3, T&P RR Co. Survey

Said lease being recorded in the office of the County Clerk in and for said County in book 375, page 163, and

Whereas, The said lease and all rights thereunder or incident thereto are now owned by Chalfant, Magee & Clifton, Inc.

Now, Therefore, for and in consideration of One Dollar (and other good and valuable considerations), the receipt of which is hereby acknowledged, the undersigned, the present owner of the said lease and all rights thereunder or incident thereto, does hereby bargain, sell, transfer, assign and convey all rights, title and interest of the original lessee and present owner in and to said lease and rights thereunder

together with all personal property used or obtained in connection therewith to

HNG Oil Company

and its successors and assigns.

And for the same consideration, the undersigned for itself and its successors and representatives, does covenant with the said assignee its successors, or assigns, the Chalfant, Magee & Clifton, Inc. is the lawful owner of the said lease and rights and interests thereunder and of the personal property thereon or used in connection therewith; that the undersigned has good right and authority to sell and convey the same, and that said rights, interest and property are free and clear from all liens and incumbrances, and that all rentals and royalties due and payable thereunder have been duly paid and that the undersigned will warrant and defend the same against the lawful claims and demands of all persons whomsoever.

In Witness Whereof, The undersigned owner and assignor has signed this instrument as of the 2nd day of May, 1979.

ATTEST

Geneann Rich, Secretary

CHALFANT, MAGEE & CLIFTON, INC.
By: 
Duane J. Magee, Vice-President

CORPORATION ACKNOWLEDGMENT

THE STATE OF TEXAS, }
COUNTY OF MIDLAND }

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared _____

Duane J. Magee, known to me to be the person and officer

whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said Chalfant, Magee & Clifton, Inc., a corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 2nd day of May

A.D. 1979


Notary Public in and for Midland County, Texas
Janice F. McPherson

My Commission Expires:

6-28-80

COMPARED

FILED FOR RECORD

NOV 21 1979

NOV 21 1979

CATHERINE ASHLEY
County Clerk, Reeves County, Texas

By *[Signature]* DEPUTY

\$3.00

2178

THE STATE OF TEXAS,
County of Reeves

CATHERINE ASHLEY Clerk of the County

Court of said County do hereby certify that the foregoing instrument of writing dated the 2nd
day of May A.D. 19 79 and its certificate of authentication was
filed for record in my office the 21st day of Nov. A.D. 19 79.
at 10:30 o'clock A.M. and I thereat
A.D. 19 79 at 4:00 o'clock P.M. in the DEED book of said county in
volume 382 page 331.

WITNESS my hand and the seal of the County Court of Reeves County at office in Pecos,
Texas on the date and year last above written.

CATHERINE ASHLEY
Clerk County Court, Reeves County, Texas

By *Billie Jo Freeman*, Dep.

(Billie JO Freeman)

RENTAL DIVISION ORDER

WHEREAS, CHALFANT, MAGEE & CLIFTON, INC., Midland, Texas 79701, hereinafter called "lessee", is the owner of that certain oil, gas and mineral lease, dated March 1, 1979, recorded volume 375, page 163, of the Deed records of Reeves County, Texas, covering the following described land situated in said County, to-wit:

East One-half (E½) of Section 28, Block 56, Township 3, T & P RR Co. Survey

WHEREAS, it is the desire of the undersigned to stipulate with the said lessee as to their proportionate share of the annual rentals in lieu of commencement of drilling operations which may accrue and which said lessee may elect to pay under the terms and provisions of said lease.

NOW, THEREFORE, in consideration of the premises, and ten dollars and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the undersigned stipulate and agree with the said lessee that payment or tender of annual rentals in lieu of commencement of drilling operations (which may accrue and which lessee may elect to pay) to the following in the amounts specified, or to their credit in the depository specified in said lease or below, opposite the name of each of the following, will protect said lease and continue the same in full force and effect as to the interest of each of the undersigned, who certify as to their interest only, to-wit:

PAYEE	INTEREST	AMOUNT	DEPOSITORY
First National Bank of Ft. Worth, Trustee of the Anne W. Meeker, IInd Trust and as Guardian for Anne Windfohr Meeker, IInd	1/6	\$53.34	First National Bank of Ft. Worth Ft. Worth, Texas Acct. [REDACTED]

For the consideration above recited each of the undersigned do hereby ratify, confirm and adopt the above described lease in all of its terms and provisions and do hereby lease and let to lessee the lands covered by said lease, subject to and in accordance with all of the terms and provisions thereof.

This agreement shall be binding upon the undersigned, their respective heirs, successors, personal representatives and assigns and shall inure to the benefit of lessee, its heirs, successors and assigns.

IN WITNESS WHEREOF, this instrument is executed this 1st day of March, 1979.



First National Bank of Ft. Worth, Trustee of
the Anne W. Meeker, IInd Trust and as Guardian
for Anne Windfohr Meeker, IInd

By: E. F. Lawson, Jr.
Vice-President and Trust Officer

CORPORATION ACKNOWLEDGMENT

THE STATE OF TEXAS,

COUNTY OF TARRANT

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared
E. F. LAWSON, JR., Vice President & Trust Officer

, known to me to be the person and officer
whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said
FIRST NATIONAL BANK OF Ft. Worth

a corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein
expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 25th day of March, A. D. 19 79

MY COMMISSION EXPIRES OCTOBER 15, 1979

Delaine Gotcher
Notary Public in and for Tarrant
My Commission Expires: October 15, 1979

known to me to be the person _____ whose name _____ subscribed to the foregoing instrument, and acknowledged to me
that _____ he _____ executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office on this, the _____ day of _____, A. D. 197 ____.

(SEAL)

Notary Public in and for _____ County, Texas

2467
COMM. INSTR.

FILED FOR RECORD

AT 9:00 O'CLOCK P.M.

MAY 29 1979

CATHERINE ASHLEY
County Clerk, Reeves County, Texas

BY *Heather* DEPUTY

03.00 PM

Chalfant, et al

THE STATE OF TEXAS,
County of Reeves

CATHERINE ASHLEY Clerk of the County

Court of said County do hereby certify that the foregoing instrument of writing dated the 1st day of March A.D. 1979, with its certificate of authentication was filed for record in my office the 29th day of May A.D. 1979 at 9:00 o'clock A.M. and duly recorded the 30th day of May A.D. 1979 at 10:00 o'clock A.M. in the DEED records of said county in volume 375 on page 165.

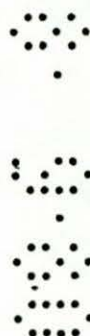
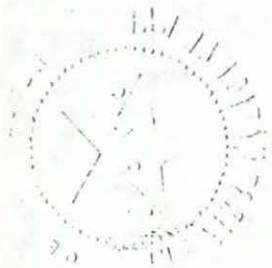
WITNESS my hand and the seal of the County Court of said County at office in Pecos, Texas on the date and year last above written.

CATHERINE ASHLEY

Clerk County Court, Reeves County, Texas

By *Billie Jo Freeman, Dep.*

(Billie JO Freeman)



④ mf-82414
Lease
8-9-80



Southern Union Exploration Company
Suite 400
Texas Federal Building
1217 Main Street
Dallas, Texas 75202
214/742-6051

171

July 22, 1980

General Land Office
Oil and Gas Division
Austin, Texas 78701

Attn: V. C. Morelle, Attorney
Legal Department

Re: E/2 of Section 28, Block 56,
Tsp. 3, Cert. 5165, A-5696
T&P Ry. Co., 320 Acres
Reeves County, Texas (file 151374)

Dear Mr. Morelle:

Thank you for your letter of July 21, 1980, covering the captioned; in accordance with your request, please find enclosed copies of oil & gas leases covering the Meeker Lands.

If you need further assistance, please advise.

Yours very truly,

R. Craig Nielsen
Land Manager

RCN/dh

Enclosures

5

M. F. 82414

CORRESPONDENCE FILE

Fr. Southern Union Supply Co.

Dated 8-9-80

• • • • •
• • • • •
• • • • •
• • • • •
• • • • •

August 15, 1980

Southern Union Exploration
Suite 400
Texas Federal Bldg.
1217 Main Street
Dallas, Texas 75202

Attn: R. Craig Nielsen

Re: (4) Undivided Interest Free Royalty
Oil and Gas Leases
M-82414; E/2 of Sec. 28, Blk. 56,
T-3, A-5696, T&P RR Co. Survey (file 151374)
Reeves County, Texas

Gentlemen:

The copies of Free Royalty Oil and Gas Leases, affecting the above captioned tract, have been approved and filed in our records under M-82414, to which mineral file number you should refer to in all future correspondence concerning these leases.

Sincerely yours,

Bob Armstrong

By: V. C. Morelle, Attorney
Oil and Gas Division
Legal Department
512 475-4246

VM/d1

(6)

M. F. 82414

CORRESPONDENCE FILE

To Southern Union Supply Co.

Dated 8-15-80

M. F. 82414
CORRESPONDENCE FILE
To Southern Union Supply Co.
Dated 8-15-80

WELL STATUS REPORT

OPERATOR Southern Union Exploration

STATE LEASE NO. 8 FEE R.A.L. FREE ROYALTY ✓

OFFSET, APPROX. FT. FROM STATE LEASE

LEASE Meeker WELL NO. 1

FIELD NAME Orla, Southeast/Delaware WILDCAT COUNTY Reeves

REPORT NO. 1 SPUD DATE 8/9/80 DRILLING DEPTH 1624

COMPLETION DATE TOTAL DEPTH

PERFS 1ST COMPLETION: YES NO

POTENTIAL/TEST: OIL GAS D&A

REMARKS: getting Ready to Run 1600 feet of Surface
Casing

BA/jmh/gs

2-25-75

W. A. White
INSPECTOR

DATE August 12, 1980

2

M. F.

82-44

APPLICATION TO DRILL

WELL # 1

FILED OCT 30 1980 19

BOB ARMSTRONG, COMMISSIONER

R. V. PHIPPS

BY:

Exploration and Development

Lease Status Report

DO NOT DESTROY

DATE

NAME

O: Mineral Acctg. 10-30-80

R. V. PHIPPS

L.F. No. 82414

Lease E/2, Sec 28, T-3, Rkh 56, T&P

County Reeves

Operator Southern Union Expl Co.

Effective Date

☐ P & A (Last Well on Lease) _____

☒ First Producing Well on Lease 10-22-80

☐ Commingle Production _____

☐ Unit & Pooling Agreements _____

☐ Amendments to Units _____

☐ Other: Note Below _____

374
10/30/80

⑧

mf-82414
Lease status Report
10-30-80

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

RAILROAD COMMISSION OF TEXAS
OIL AND GAS DIVISION

Directional Well ☐ Sidetrack ☐ Amended Permit (Explain in Remarks) ☒

RRC Permit Number, if previously assigned. 095516

7. RRC District 8

8. County Reeves (N)

9. Well Number 2

10. Number of Contiguous Acres in Lease or Unitized Tract 320

11. Distance from Proposed Location to Nearest Lease or Unit Line (ft.) 1980'

12. Total Depth 3800'

1. Operator Southern Union Expl. Co. of TX 805450

2. Address (Including City and Zip Code) Suite 400, Texas Federal Bldg. 1217 Main Street Dallas, Texas 75202 020320

3. Is Form P-5 (Organization Report) in Exact Operator Name Filed? YES ☐ NO ☐ (Instruction (2) on back side.)

4a. Lease Name (32 Spaces Maximum) Meeker

4b. RRC Lease or ID No. (if assigned) 26148

5. Location (Sec., Blk., Survey) Sec 28, Blk 56, T3, T&P RR Co.

6. This well is to be located 10 miles Southeast Direction from Orla

Nearest Post Office or Town. OCT 30 1981

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. Poration Schedule including Reservoir if applicable.) If Wildcat, so state below. One zone per line. List all zones for which a permit is sought.	Completion Depth	All Prior Rule 37 Exec. 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 res. on same lease? 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 Exec. Location? Check the appropriate box.	Oil, Gas, or other Type Well (Specify)	Number of completed, permitted or applied for, locations on this lease in same reservoir for which this permit is sought?
Southeast Orla (Delaware)	3800'	None	467/1200	40	40	NO	1867'	Regular 1 ☒ Rule 37 2 ☐	oil	1
67609 500								Regular 1 ☐ Rule 37 2 ☐		0
C: 7-27-8' (Delaware)								Regular 1 ☐ Rule 37 2 ☐		
IPP: 13 88 + 21 80								Regular 1 ☐ Rule 37 2 ☐		
24. PERPENDICULAR LOCATION FROM TWO DESIGNATED: A. Lease Lines 1980' FNL & 1980' FEL B. Survey Lines	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.	26. Do you anticipate future use of this wellbore to complete in any penetrated zone not listed in Column 13, for which a Rule 37 or Rule 38 exception is presently required? If yes, attach a list of such zones and see instruction #8. Yes ☐ No ☒	27. Is this a pooled unit? YES ☐ NO ☒ (Attach P-12, certified plat, & list of pooled zones)	28. Substandard Acreage YES ☐ NO ☒ (Attach W-1A)	REMARKS: Changing operator name from the Southern Union Exploration Company to the Southern Union Expl. Co. of TX Well is completed					

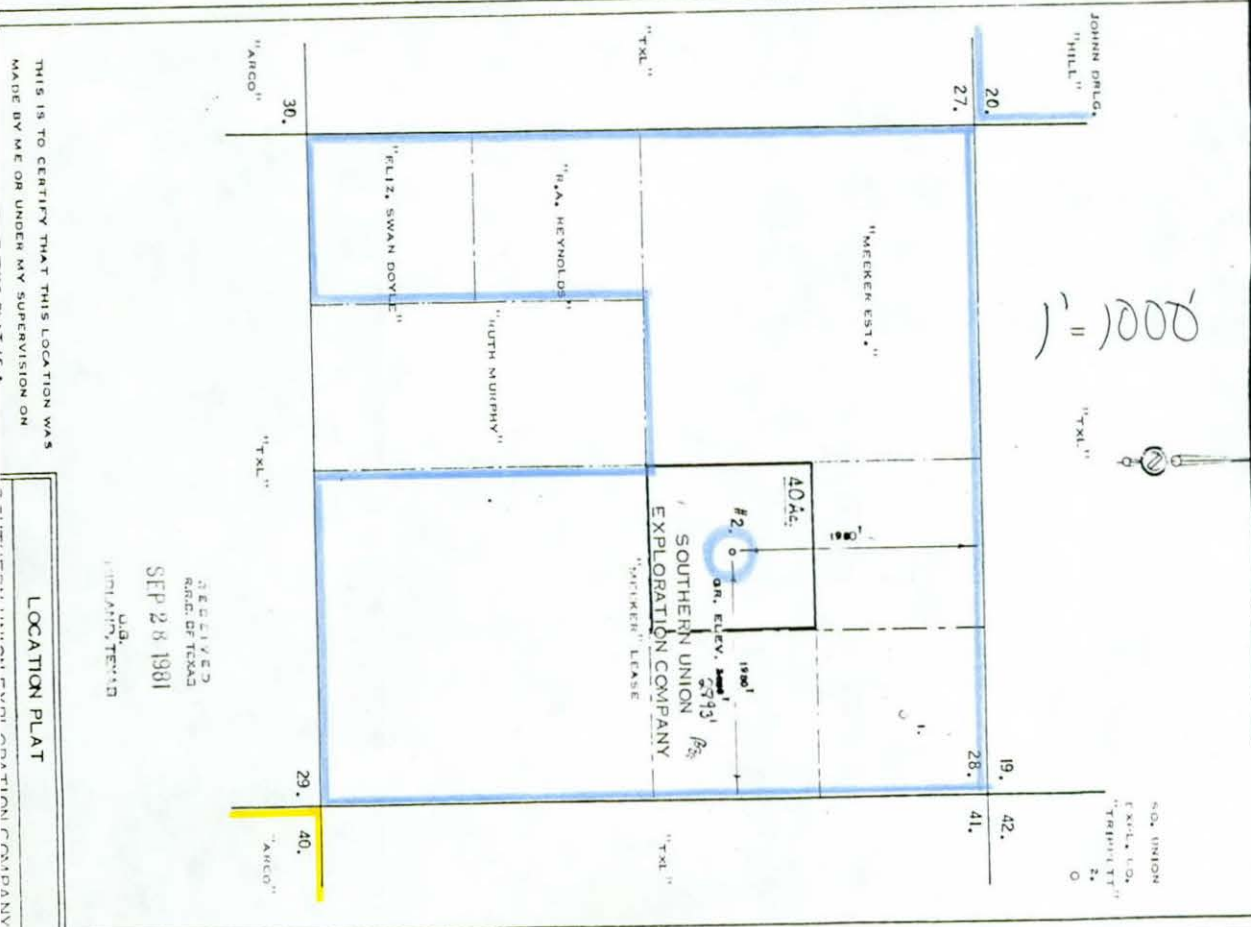
NOTICE
NO ALLOWABLE WILL BE ASSIGNED to any well which does not have sufficient surface casing to protect all fresh water sands. Where Commission rules do not specify surface casing requirements, it will be necessary to contact Texas Water Development Board, Austin, Texas, to ascertain the depth to which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

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.

Ronald M. Sentz
Drilling & Production Engineer
September 22, 1981
Date
Telephone: Area Code 214 742-6051

READ INSTRUCTIONS ON BACK SIDE AND FURNISH COMPLETE DATA.

T.D. 3714



Statewide PLAT SERVICE
P.O. DRAWER 1887 AUSTIN, TEXAS 78767
10-23-81



WITHIN / FREE RENTAL

RAILROAD COMMISSION OF TEXAS
OIL AND GAS DIVISION

API Well No. 42 **389-31149**

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
Southern Union Exploration Company

2. Address (Including City and Zip Code)
**Suite 400, Texas Federal Bldg.
1217 Main Street
Dallas, Texas 75202**

3. Is Form P-5 (Organization Report) in Exact Operator Name Filed?
YES ☒ NO ☐ (Instruction (2) on back side.)

4. Lease Name and RRC Lease or ID No. (If Assigned)
Meeker

5. Location (Sec., Blk., Survey)
Section 28, Blk 56, T3, T&P RR Co.

6. This well is to be located **10** miles **Southeast**
Direction from **Orla**
Nearest Post Office or Town.

7. RRC Permit Number, if previously assigned. **095516**

8. County
Reeves

9. Well Number
2

10. Number of Acres in Lease
320

11. Distance from Proposed Location to Nearest Property or Lease Line (ft.) **1980'**

12. Total Depth
3800'

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. Location Schedule including Reservoir if applicable.) If Wildcat, so state below. 67609500 Only, Southeast (Delaware)	Completion Depth 3800'	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 well in same field or applied for well in same reservoir lease (ft.)	Is this a 1. Regular or 2. Rule 37 Exc. Location? Check the appropriate box. Regular ☒ Rule 37 2 ☐ Regular 1 ☐ Rule 37 2 ☐ Regular 1 ☐ Rule 37 2 ☐ Regular 1 ☐ Rule 37 2 ☐	Oil, Gas, or other Type Well (Specify) Oil	Number of Wells or Permitted locations on this Lease in same Reservoir for which this Permit is Requested? 1	GAS 0

24. PERPENDICULAR LOCATION FROM TWO DESIGNATED:
A. Lease Lines 1980' FNL & 1980' FEL
B. Survey Lines **same as above**

25. (a) Is this wellbore subject to SWR 36? ☐
(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:

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.

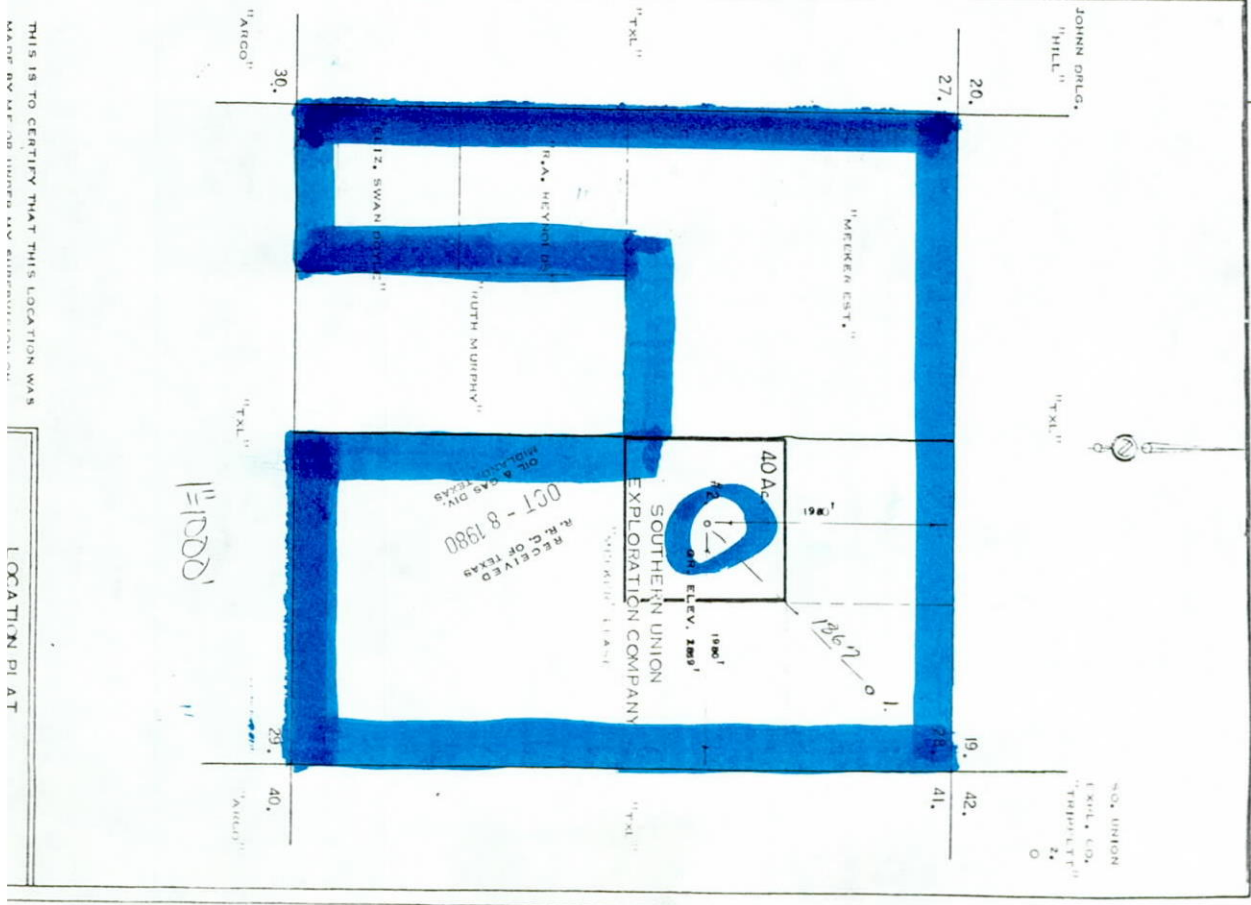
Steven A. Jobe
Signature
Drilling & Production Engineer
Steven A. Jobe
Date
October 1, 1980
Telephone: Area Code **214** **742-6051**

READ INSTRUCTIONS ON BACK SIDE AND FURNISH COMPLETE DATA.

Statewide PLAT SERVICE

P. O. DRAWER 1897, AUSTIN, TEXAS 78767

SCALE OF MAP



THIS IS TO CERTIFY THAT THIS LOCATION WAS MADE BY ME OR UNDER MY SUPERVISION AND IS CORRECT.

LOCATION PLAT

WELL STATUS REPORT

OPERATOR Southern Union Exploration

STATE LEASE NO. ? FEE R.A.L. FREE ROYALTY ✓

OFFSET, APPROX. FT. FROM STATE LEASE

LEASE Meeker WELL NO. 1

FIELD NAME Orla, Southeast/Delaware WILDCAT COUNTY Reeves

REPORT NO. 2 SPUD DATE 8/9/80 DRILLING DEPTH

COMPLETION DATE 9/10/80 TOTAL DEPTH 3712' PB Depth 3,656'

PERFS 3582' to 3596' 1ST COMPLETION: YES NO

POTENTIAL/TEST: OIL Pumping GAS D&A

REMARKS: Top of Pay 3516' - Date of test 9/24/80 (24 hrs)

oil/bbls - Gas/mcf - Water/bbls - Gas/oil Ratio - flowing tubing Pressure
80 - 5 - 18 - 62.5:1 -

Calculated 54 bbls Oil Gravity API 60° - Casing Pressure

80 - 5 - 18 - 35 - 46 PSI

Oil Produced Prior to test - 280 bbls

Delaware 3516' - Lamar 3339' - T-Salt 2955' - Rustle 1650'

Rustler 1110' - Dewey Lake 903'

BA/jmh/gs

2-25-75

W. A. White

INSPECTOR

DATE November 13, 1980

(9)

82414

M. F.

APPLICATION TO DRILL

WELL # 2

FILED NOV 17 1980

BOB ARMSTRONG, COMMISSIONER

F. V. PHIPPS

BY:

1182717
WELL/LEASE STATUS REPORT INFORMATION

Please initial and pass on to the next person on the list.

Initial: Date:

1. Paul Adkins

PA. 1/20/81

2. James Bias
Gas Auditor

JB 1/20/81

3. Bob Bunson
Oil Auditor

RB 1-20-81

4. Billy Lancaster

BL 1-20-81

Remarks:

no gms reports received
" oil " " (PA)

ENERGY RESOURCES

WELL/LEASE STATUS REPORT INFORMATION

TO Billy Lancaster FROM B7a
DATE ACTION INITIATED 10-30-80 DATE ACTION COMPLETED 1/12/81
ORIGINATING SOURCE Bob Phipps DATA SOURCE RRC
NAME OF OPERATOR Southern Union Expl. Co. OPERATOR NO. _____
RRC DISTRICT 08 On the Southeast (Delaware) FIELD CODE _____
LEASE Mucker LEASE NO. OR WELL ID NO. 26148
OIL WELL ☒ GAS WELL ☐ WELL NO. 1 COUNTY Leones
COMPLETION DATE 10-22-80 DEPTH 3712
POTENTIAL 80/50 + 18 BW G.L.O. MINERAL FILE NO. 82414
DRILLING PERMIT NO. _____
OTHER INFORMATION _____

REPLY

DATE OF INITIAL PRODUCTION 9/80
GATHERER OF GAS _____
GATHERER OF CONDENSATE/CRUDE OIL See attached
OTHER INFORMATION _____

PRODUCTION INFORMATION

PERIOD	GAS PRODUCTION (MCF)	CONDENSATE/CRUDE OIL PRODUCTION (BBLS)
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

OIL PRODUCTION LEDGER

RAILROAD COMMISSION OF TEXAS

OPERATOR	LEASE	NO. WELLS	BELOW	PROD	DISPOSITION	1000 BAL	CUMUL OVER	MOV BAL	OIL GATH	CASING HEAD GAS	MC
		1	2	3	4	5	6	7	8	9	10
ORLA, SOUTHEAST (DELAWARE)	67809 500	/CONTINUED/									
CRABEY, W. H.	186710	/CONTINUED/									
14001 THOMPSON-STATE		/CONT/									
		10	1	155	55		175		975	PERMI	3968
SOUTHERN UNION EXPLORATION CO.	805445										
25056 TRIPPER, H. W.		5	2	841	237	1541	190		190		7168
		6	2	950	495	4587	98		218		7680
		7	2	713	777	7861	202	57	145		7936
		8	2	883	864	7911	168	38	221		7936
		9	2	1095	976	9537	168		266		7680
		10	2	1488	910	9327	244		244	PERMI	7936
26148 REEDER		5			NO RPT.						
		6			NO RPT.						
		7			NO RPT.						
		8			NO RPT.						
		9	1	448	1051	6231	428	603	-175		896
		10	1	1984	1845	18457	428	464	-36	PERMI	3968
ORION (PENN.)	67651 500										
ORIGO (CLARKFORK)	67871 200										
P-BAG (WOLF CREEK)	68017 500										
P & A (CLARK FORK, UPPER)	68087 500										
PALADIN (CLARK FORK)	68495 333										
SIMPSON OIL CO.	783550										
15363 SEALY & SMITH FOUNDATION -B-		5	1	186	20		290		290		5084
		6	1	160	180	1693	301		301		4920
		7	1	136	186	1737	314		314		5084
		8	1	186	160	1671	307		307		5084
		9		180	0		307		307		4920
		10	1	186	180	3551	232		232	TESOC	5084
SIMPSON OIL COMPANY	784100										
15230 SEALY AND SMITH -A-		5	1	155	10		460		460		5084
		6	1	150	20		480		480		4920
		7	1	155	10		490		490		5084
		8	1	155	60	1461	404		404		5084
		9	1	150	10		414		414		4920
		10	1	355	10		424		424	TESOC	5084
PALADIN (PENN.)	68495 666										
PAKIN, DAVID	263600										
20042 SEALY & SMITH FOUNDATION, THE		5	1	3844	2122	2319	567		567		17608
		6	1	3720	1903	1844	626		626		17040
		7	1	3844	1916	2295	247		247		17608
		8	1	3844	1921	1849	319		319		17608
		9	1	3720	1137	935	521		521		17040
		10	1	3844	2250	2313	658		458	SHELF	17608
GULF OIL CORP.	338130										
21802 SEALY SMITH FOUNDATION -B-		5	1	1891	429	10087	556		556		8804
		6	1	1830	326	6727	210		210		8520
		7	1	1891	332	3341	208		208		8804
		8	1	1891	162		390		390		8804
		9	1	1830	129		519		519		8520
		10	1	1891	138	3401	317		317	GULCO	8804
LEVELAND, THE INC.	510305										
25706 SEALY SMITH -B1-		5	1	1426	279	3927	229		229		8804
		6	1	1380	506	3801	349		349		8520
		7	1	1426	325	3671	307		307		8804
		8	1	1426	347	3831	271		271		8804
		9	1	1380	269	2901	340		340		8520
		10	1	1426	261	4001	201		201	WESCO	8804

M. F. 82414

CORRESPONDENCE FILE

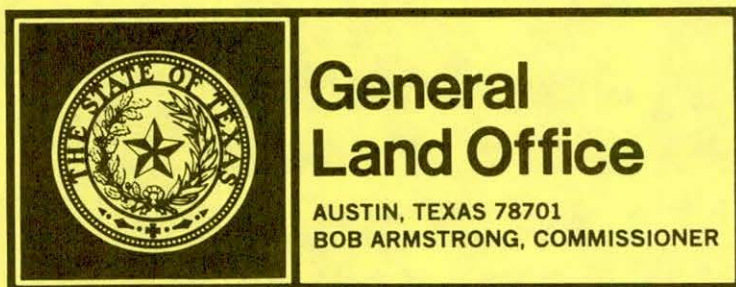
TO

Lease Status Re

FROM

DATED 1-21-51

(10)



April 27, 1981

Southern Union Exploration Co.
1217 Main Street
Suite 400
Dallas, Texas 75202

RE: State Lease M-82414
Meeker #1
Orla SE (Delaware) Field
Reeves 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, flowing style.

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

11

M. F. 82414

CORRESPONDENCE FILE

TO

FROM Southern Union Express.

DATED 4-27-81

121
April 7, 1981

See Addressee list

Re: Meeker #1 Well
Section 28, Block 56, T-3,
T&P RR Co. Survey,
Reeves County, Texas

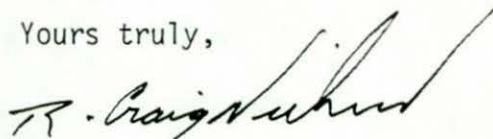
Dear Interest Owners:

Please find enclosed duplicate originals of the Division Order covering the captioned well. If the interest assigned to you on the reverse side of the form is correct please so signify by dating and executing one original returning it to our office.

For those parties for whom we have not shown an address we would appreciate your inserting the proper information so that production checks can be mailed in a proper manner.

Upon receipt of an executed Division Order your interest will be placed in line for immediate payment.

Yours truly,



R. Craig Nielsen
Land Manager

RCN/pc
enc

ADDRESSEE LIST

The State of Texas ✓
General Land Office
Austin, Texas 78701
Account M-82414

Mr. L.H. Meeker
6000 Camp Bowie Boulevard
Fort Worth, Texas 76116

Mr. James J. Meeker
c/o L.H. Meeder
6000 Camp Bowie Boulevard
Fort Worth, Texas 76116

Mr. Charles Roeser Meeker
c/o L.H. Meeker
6000 Camp Bowie Boulevard
Fort Worth, Texas 76116

Lawrence Hill Meeker and the First National Bank of Fort Worth, Texas
6000 Camp Bowie Boulevard
Fort Worth, Texas 76116

The First National Bank of Fort Worth, Texas
Trustee under the Will of William Wade Meeker,
deceased for the benefit of Anne Windfohr Phillips
Post Office Box 2260
Fort Worth, Texas 76113
Attention: Trust Department

The First National Bank of Fort Worth,
Texas, as Guardian of the Estate of Anne
Windfohr Phillips
Post Office Box 2260
Fort Worth, Texas 76113
Attention: Trust Department

HNG Oil Company
Post Office Box 2267
Midland, Texas 79702

Sunmark Exploration Company
Post Office Box 30
Dallas, Texas 75221

McKay Oil Corporation
Post Office Box 2014
Roswell, New Mexico 88201

SOUTHERN UNION EXPLORATION COMPANY

DIVISION ORDER

TO: SOUTHERN UNION EXPLORATION COMPANY
SUITE 400, TEXAS FEDERAL BUILDING
DALLAS, TEXAS 75202

The undersigned, and each of us, certify and guarantee that as of the effective date set out below we are the legal owners of the interests set forth opposite our names on the reverse side hereof (or on the schedule attached hereto) and warrant title thereto and certify that we are entitled to payment for minerals produced and/or purchased by you under your lease or purchase contract from wells now or hereafter completed on the following described lands in _____
Reeves County, Texas:

Meeker #1

NE/4 NE/4 Section 28, Block 56, Township 3, T&P RR Company Survey.

Effective as of first production and until further written notice, you are hereby authorized to give credit and make payment of proceeds of production attributable to the interests as set forth herein on the reverse side hereof (or on the schedule attached hereto), such payments to be made in accordance with and subject to the following conditions:

1. It is agreed that the price to be paid for production attributable to the interest of each of the undersigned shall be the wellhead contract price applicable thereto, or, if there be no wellhead contract, the price being paid by Southern Union Exploration Company (hereinafter called "Company") to working interest owners in the field for production at the well of like quality, pressure and volume.

2. Payments shall be made by check payable to the person(s) named herein on the reverse side hereof (or on the schedule attached hereto) and severally in the proportions indicated, mailed to such person(s) at their respective addresses as shown each month for deliveries during the preceding month; provided each individual payment to be made hereunder may be withheld until at least Ten Dollars (\$10.00) has been accumulated to the credit of said person. Company is authorized to deduct from proceeds due and to pay over any taxes at any time applicable to the respective interests of undersigned in production or in the lands above described, which are to be deducted by Company or which may be or become a lien on production or on the lands above described or for which Company may be contingently responsible, according to all applicable laws, valid or asserted as such, and the regulations, valid or asserted as such, by officials charged with their enforcement.

3. In the event of any adverse claim or dispute arising at any time concerning title to said land or to production therefrom or concerning the right to share in the proceeds from the sale of production, Company is authorized to withhold, to the extent which it in good faith deems necessary for its protection, the proceeds accruing from production or purchases hereunder, without interest and without liability (except as a stakeholder), until indemnity satisfactory to Company has been furnished or until such dispute or claim has been settled to Company's satisfaction. Each undersigned party, as to the interest of such party, respectively agrees, in the event suit is filed in any court affecting title to the lands above described or production therefrom, to indemnify and save harmless Company against any and all liability for loss, cost, damage and expense which Company may suffer or incur on account of paying said party pursuant to this order.

4. The undersigned severally agree to notify Company of any change of ownership, and no transfer of interest shall be binding upon Company until a proper transfer order and the recorded instrument evidencing such transfer, or a certified copy thereof, shall be furnished to Company. Transfer of interest shall be made effective not earlier than the first day of the calendar month following receipt of such notice by Company. Company is hereby relieved of any responsibility for determining if and when any of the interests herein set forth shall or should revert to or be owned by other parties or shall be otherwise affected or changed as a result of the completion or discharge of money or other payments from said interests or as the result of any other event, and the signers hereof whose interests are affected by such money or other payments or such other event, if any, agree to give Company notice in writing by registered letter addressed to Company at the address shown above, when any such money or other payments have been completed or discharged, or when any such event shall have occurred, or when any other division of interest than that set forth above shall, for any reason, become effective and to furnish transfer orders accordingly, and that in the event such notice shall not be received, Company shall be held harmless in the event of, and is hereby released from any and all damage or loss which might arise because of, payment pursuant to this order.

5. This order shall become valid and binding on each owner named herein as soon as signed by such owner, regardless of whether or not all such named owners have so signed, and any assignee of, or successor to Company is authorized to give credit and make payment pursuant to the terms and provisions of this order.

EXECUTED this _____ day of _____, 19____.

WITNESSES:

OWNER(S):

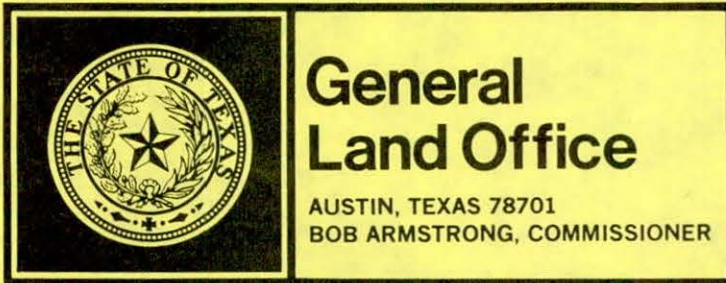
DIVISION OF INTEREST

CREDIT TO:

PERCENTAGE:

P. O. ADDRESS:

The State of Texas	GENERAL LAND OFFICE STEPHEN F. AUSTIN BUILDING 1700 NORTH CONGRESS AVENUE AUSTIN, TEXAS 78701 TAX I.D. [REDACTED]	6.25% R.I. ✓	General Land Office Austin, Texas 78701 Account M-82414
	L.H. (Lawrence Hill) Meeker as his separate property	4.583334% R.I.	
James J. Meeker, as his separate property	4.583334% R.I.		
Charles Roeser Meeker, as his separate property	1.145833% R.I.		
Lawrence Hill Meeker and the First National Bank of Fort Worth, Texas as Co-Trustees under the Will of William Wade Meeker, deceased for the benefit of Charles Roeser Meeker	1.145833% R.I.		
The First National Bank of Fort Worth, Texas, Trustee under the Will of William Wade Meeker, deceased for the benefit of Anne Windfohr Phillips	1.145833% R.I.		
The First National Bank of Fort Worth, Texas, as Guardian of the Estate of Anne Windfohr Phillips	1.145833% R.I.		
HNG Oil Company	5.0% O.R.I.		Post Office Box 2267 Midland, Texas 79702
Southern Union Exploration Co. of Texas	45.0% W.I.		1217 Main Street, Suite 400 Dallas, Texas 75202
Sunmark Exploration	19.0% W.I.		Post Office Box 30 Dallas, Texas 75221
McKay Oil Corporation	11.0% W.I.		Post Office Box 2014 Roswell, New Mexico 88201



May 1, 1981

Southern Union Exploration Company
Suite 400, Texas Federal Building
Dallas, Texas 75202

Re: State Lease M-82414
Meeker #1, NE/4 NE/4 Sec. 28,
Blk. 56, T-3, T&P RR. Co. Sur.
Reeves County, Texas

Gentlemen:

This letter is issued in lieu of the ordinary form of "Division Order" prepared by the oil companies primarily for execution by the individual royalty owner.

Inasmuch as the statutes provide the royalties the State shall receive, it is felt that it would not be in conformity with the law on the subject for this Division to execute your division order and thereby attempt to bind the State by the provisions contained therein.

This Division, insofar as permitted under the law, acquiesces in the sale of the oil and/or gas to you from this lease, which oil and/or gas shall become your property when the State has been paid for same, as prescribed by law and under the terms and conditions as set out in the lease covering the area in question.

Very truly yours,

Max J. Werkenthin, Attorney
Energy Resources
Phone: 512-475-6749
Enclosure

MR. 82414
CORRESPONDENCE FILE

CORRESPONDENCE FILE

To
DIVISION ORDER

From

Dated 5-1-81



Southern Union Exploration Company

Suite 400
Texas Federal Building
1217 Main Street
Dallas, Texas 75202
214/742-6051

161

June 23, 1981

General Land Office
Resource Acctg.
Austin, Texas 78701

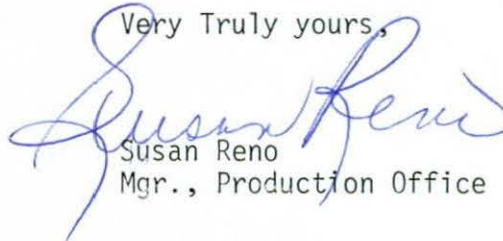
Re: State Lease M-82414
Meeker #1
Orla SE (Delaware) Field
Reenes County, Texas

Gentlemen:

Pursuant to letter dated April 27, 1981, the above referenced well is an oil well and making just enough casinghead gas to run lease equipment.

Should you need further information, please advise.

Very Truly yours,



Susan Reno
Mgr., Production Office

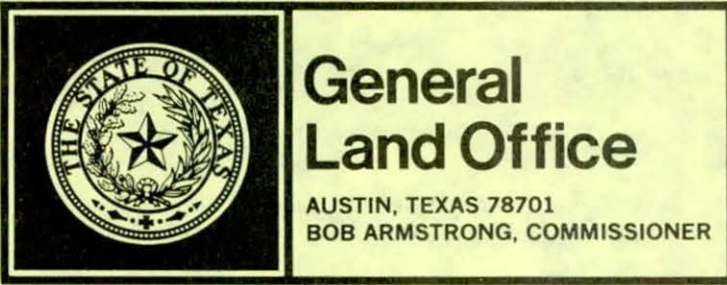
SR/glc

(13) M-8 2414

Worm S.C.

6-24-81 RHP





3

August 10, 1981

Southern Union Exploration Co.
1217 Main St.
Suite 400
Dallas, Texas 75202

SECOND REQUEST

RE: State Lease H-82414
Meeker #1
Orla SE (Delaware) Field
Reeves County, Texas

Gentlemen:

Enclosed is a copy of our letter to you dated April 27, 1981 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,

Harry T. Finnell
Resource Accounting
Telephone No. 512-475-4541
Enclosure

HTF/pdg

(17)

82414

M. F. CORRESPONDENCE FILE

TO

FROM *Seetha Wilson*

FROM

DATED 8-10-81





Southern Union Exploration Company of Texas
Suite 400
Texas Federal Building
1217 Main Street
Dallas, Texas 75202
214/742-6051

121

FS
HF
File

August 18, 1981

Mr. Harry T. Finnell
General Land Office
Resource Acctg.
Austin, Texas 78701

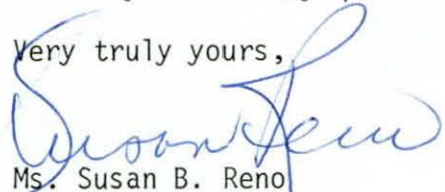
Re: State Lease M-82414
Meeker #1
Orla SE (Delaware) Field
Reeves County, Texas

Gentlemen:

By letter dated June 23, 1981, (copy attached) you were advised as to the status of this well. There will not be any casinghead gas contract on the above reference well.

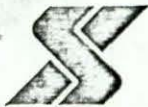
Should you have any questions, please advise.

Very truly yours,


Ms. Susan B. Reno
Mgr., Production Office

SR/vn

Attachement



Southern Union Exploration Company
Suite 400
Texas Federal Building
1217 Main Street
Dallas, Texas 75202
214/742-6051

corresp

June 23, 1981

General Land Office
Resource Acctg.
Austin, Texas 78701

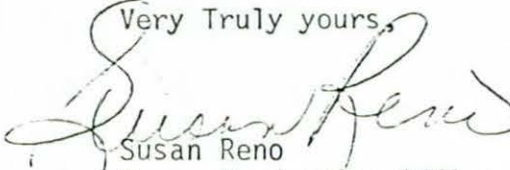
Re: State Lease M-82414
Meeker #1
Orla SE (Delaware) Field
Reenes County, Texas

Gentlemen:

Pursuant to letter dated April 27, 1981, the above referenced well is an oil well and making just enough casinghead gas to run lease equipment.

Should you need further information, please advise.

Very Truly yours,


Susan Reno
Mgr., Production Office

SR/glc

13

M. F. 82414
CORRESPONDENCE FILE
TO
Southern Union
~~FROM~~
DATED 8-18-81

00001

API Well No. 42
Instruction (7a & b) on back side. 389-31193

RAILROAD COMMISSION OF TEXAS
OIL AND GAS DIVISION

Directional Well ☐ Amended or Corrected Permit ☐

KRC Permit Number, if previously assigned.

7. RRC District 8

8. County Reeves (N)

9. Well Number 3

10. Number of Acres in Lease 320

11. Distance from Proposed Location to Nearest Property or Lease Line (ft.) 660

12. Well Depth 3800

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 Southern Union Expl. Co. of TX

2. Address (Including City and Zip Code) 1217 Main Street Dallas, TX 75202

3. Is Form P-5 (Organization Report) in Exact Operator Name Filed? YES ☒ NO ☐ (Instruction (2) on back side.)

4. Lease Name and KRC Lease or ID No. (If Assigned) Meeker (26148)

5. Location (Sec., Blk., Survey) Sec 28, Blk 56, T3, T&P RR Co. Survey

6. This well is to be located 10 miles Southeast Direction from Orla

Nearest Post Office or Town. JUL 9 1981

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. Protraction Schedule including Reservoir if applicable.) If Wildcat, so state below. 67609 500	Completion Depth 3800'	All Prior Rule 37 Exc. Case Numbers for this wellbore. If none, State None.	Applicable Field Rules Spacing Pattern, If no Rules, State 407-1200. (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 from proposed location to nearest drilling completed or applied for well in same ex. 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 Permitted locations on this Lease in same Reservoir for which this Permit is Requested?
Orla, Southeast (Delaware)		None	4671 1200	40	40	NO	1320 1300	Regular 1 Rule 37 2	Oil	2
RECEIVED R.R.C. OF TEXAS JUN 01 1981										
O.G. MIDLAND, TEXAS										
24. PERPENDICULAR LOCATION FROM TWO DESIGNATED: A. Lease Lines 1980' FNL & 660' FEL Sec 28, Blk 56, T3, T4 PRR Co B. Survey Lines 1980' FNL & 660' FEL Sec 28, Blk 56, T3, T4 PRR Co						25. (a) Is this wellbore subject to SWR 36? (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:

CERTIFICATE

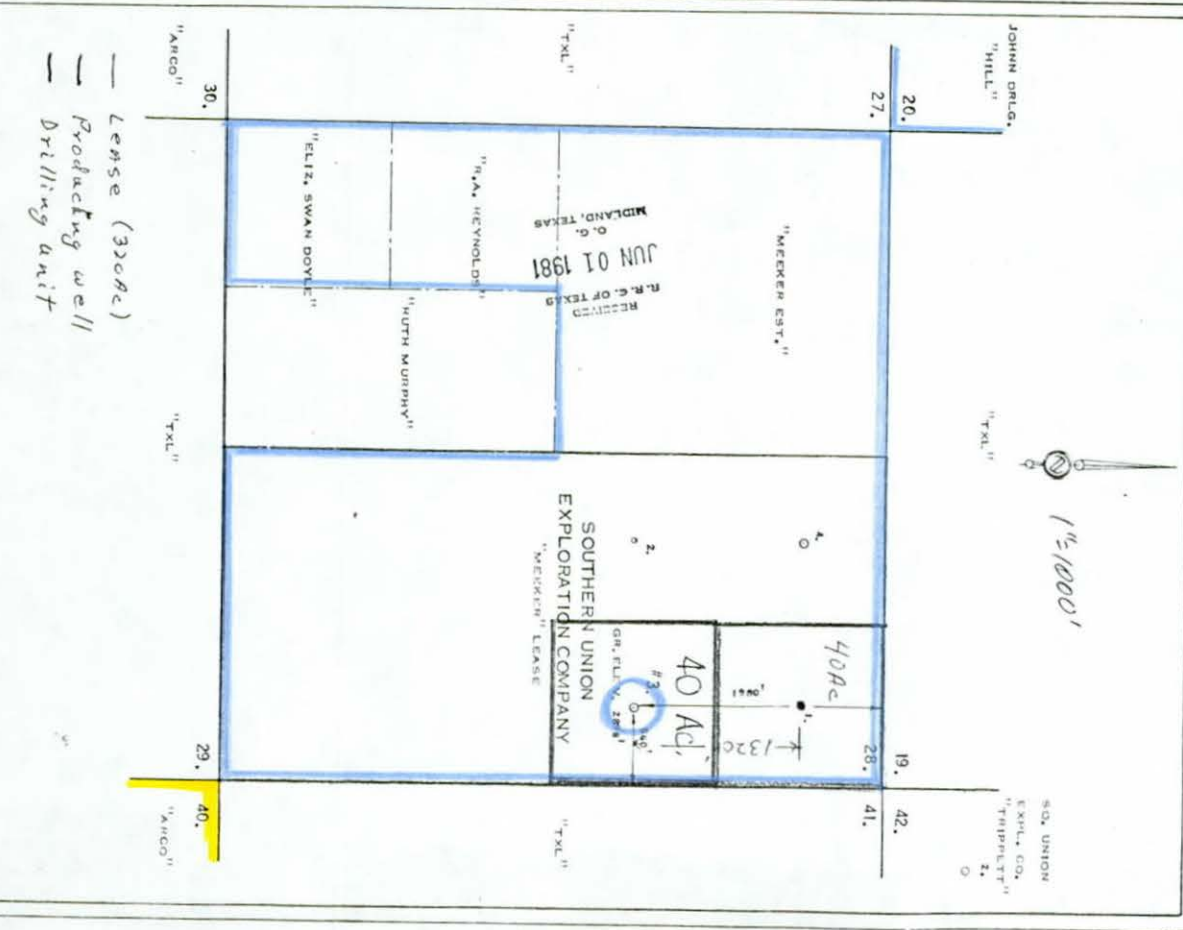
I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this report, that this report was prepared by me or under my supervision and direction, and that data and facts stated therein are true, correct, and complete, to the best of my knowledge.

Signature Ronald M. Sentz
Drilling & Production Engineer

Date May 6, 1981

Telephone: Area Code 214 742-6051

READ INSTRUCTIONS ON BACK SIDE AND FURNISH COMPLETE DATA.



Statewide PLAT SERVICE

P. O. DRAWER 1887, AUSTIN, TEXAS 78767

7-02-81

SCALE OF MAP



M. F.

82414

APPLICATION TO DRILL

WELL # 3

JUL 7 1982

19

FILED

BOB ARMSTRONG, COMMISSIONER

BY:

1/1/81

APL Form No. 42 (Instruction 2a & b) on back side.		RAILROAD COMMISSION OF TEXAS OIL AND GAS DIVISION		☐ Directional Well ☐ Sidetrack	☒ Amended Permit (Explain in Remarks)	RRC Permit Number (Previously assigned): 12375 BS
APPLICATION FOR PERMIT TO DRILL, DEEPEN, PLUG BACK, OR RE-ENTER						7. RRC District 8
Check one: ☒ DRILL ☐ DEEPEN (Below Casing) ☐ DEEPEN (Within Casing) ☐ PLUG BACK ☐ RE-ENTER						8. County Reeves (N)
1. Operator Southern Union Expl. Co. of TX		4a. Lease Name (32 Spaces Maximum) Meeker		4b. RRC Lease or ID No. (if assigned)		9. Well Number 4
2. Address (Including City and Zip Code) 1217 Main Street Dallas, Texas 75202		3. Location (Sec., Bk., Survey) Sec 28, B1k 56, T3, T&P RR Co.		10. Number of Contiguous Acres in Lease or Unitized Tract 320		11. Distance from Proposed Location to Nearest Lease or Unit Line (ft.) 660
3. Is Form P-5 (Organization Report) in Exact Operator Name Filed? YES ☒ NO ☐ (Instruction 2) on back side.)		6. This well is to be located <u>10</u> miles <u>Southeast</u> Direction from <u>Orla</u> Nearest Post Office or Town.		12. Total Depth 3800'		

AUG 19 1981

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. Production Schedule including Reservoir if applicable.) If Wildcat, so state below. One zone per line. List all zones for which a permit is sought.	Completion Depth	All Prior Rule 37 Exec. Case Numbers for this wellbore. If none, State None.	Applicable Field Rules Spacing Pattern. If no Rules, State 40, (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 res. on same lease? 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 Exec. Location? Check the appropriate box.	Oil, Gas, or other Type Well (Specify)	Number of completed, permitted or applied for, locations on this lease in same reservoir for which this permit is sought?
Orla Southeast (Delaware)	3800'	None	467/1200	40	40	NO	1980	Regular 1 ☒ Rule 37 ☐ Regular 1 ☐ Rule 37 ☐ Regular 1 ☐ Rule 37 ☐ Regular 1 ☐ Rule 37 ☐	Oil	3
24. PERPENDICULAR LOCATION FROM TWO DESIGNATED: A. Lease Lines 660' FNL & 660' FWL B. Survey Lines 660' FNL & 1980' FEL						25. (a) Is this wellbore subject to SWR 36? ☒ (b) If subject to SWR 36, has Form W-9 been filed? ☐ If no, attach explanation.		26. Do you anticipate future use of this wellbore to complete in any penetrated zone not listed in Column 13, for which a Rule 37 or Rule 38 exception is presently required? If Yes, attach a list of such zones and see Instruction #8.		
27. Is this a pooled unit? YES ☐ (Attach P-12, certified plat, & list of pooled zones) NO ☒						28. Substandard Acreage YES ☐ (Attach W-1A) NO ☒				

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.

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 the data and facts stated therein are true, correct, and complete to the best of my knowledge.

Signature: Ronald M. Sentz
Drilling & Production Engineer (Ronald M. Sentz)
May 18, 1981

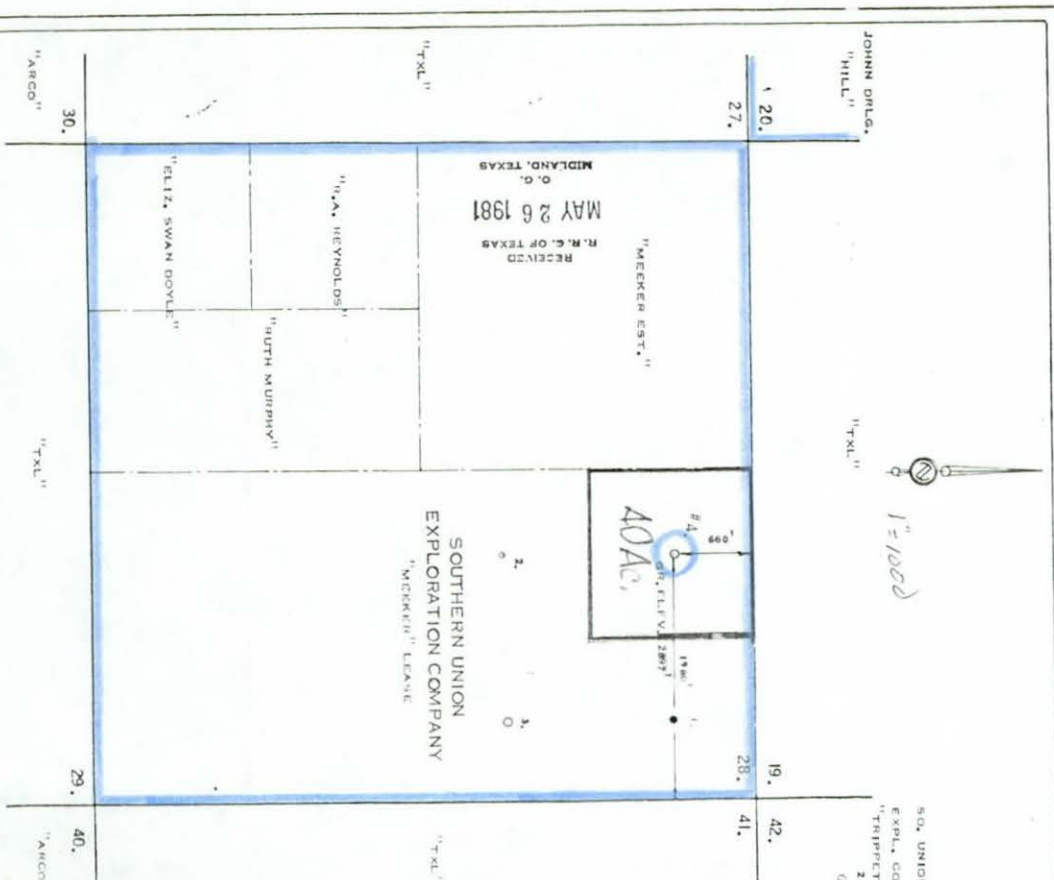
Date: _____
Telephone: Area Code: 214, 742-6051 Ext. 220

READ INSTRUCTIONS ON BACK SIDE AND FURNISH COMPLETE DATA.

REMARKS: This is a corrected W-1 for Meeker #4, correction is as follows: Item #24 on original form sent was 660' FNL & 1980' FEL, Lease Lines, & 660' FNL & 660' FEL, Survey Lines. Change to 660' FNL & 660' FWL, Lease Lines, & 660' FNL & 1980' FEL, Survey Lines. Also attached is a corrected plat.

Statewide PLAT SERVICE
P.O. DRAWER 1807, AUSTIN, TEXAS 78717

SCALE OF MAP



(17)

82414

M. F.

APPLICATION TO DRILL

WELL #

4

FILED JUL 7 1982

19

BOB ARMSTRONG, COMMISSIONER

BY: R. V. PHIPPS



General Land Office

AUSTIN, TEXAS 78701
BOB ARMSTRONG, COMMISSIONER

IMPORTANT: RETAIN WHITE COPIES AND
RETURN YELLOW COPIES
WITH REQUESTED DOCUMENTS

October 14, 1982

Southern Union Exploration Company
1217 Main St., Suite 400
Dallas, Texas 75202

ATTENTION: Royce Curry

RE: State Lease M-82414
Meeker Lease
Orla, Southeast (Delaware) Field
Reeves County, Texas

Gentlemen:

Our records indicate production was secured from the subject lease during September, 1980.

As the State owns an interest in the above lease, various reports concerning the lease's production and sales should be filed with this office each month.

Enclosed is a booklet entitled "Rules and Regulations Governing Oil and Gas Reports and Payments (ERP-100)", a supply of Oil and Condensate Reports (Form MA-1), Gas Reports (Form MA-2), and a blank for reorder when this supply is depleted. (Specific filing instructions are also on the reverse side of each report.)

Oil and Condensate Reports (Form MA-1) and royalties must be received on or before the fifth day of the second month succeeding the month of production. Gas Reports (Form MA-2) and royalties must be received on or before the fifteenth day of the second month succeeding the month of production.

Furthermore, we are enclosing a copy of a letter dated March 7, 1975 that was mailed to all lessees and operators of State leases concerning the calculation of royalties on gross value. If you have any questions or problems regarding this subject, please let us know.

Please file the necessary reports and corresponding purchase statements from the date of first production to date and monthly thereafter.

Sincerely yours,

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

RWB/pdg
Encl

(18.)

82414

M. F. _____
CORRESPONDENCE FILE
TO

SOUTHERN UNION EXPRESS CO.

~~FROM~~

DATED 10-14-82



Southern Union Exploration Company of Texas

Suite 400
Texas Federal Building
1217 Main Street
Dallas, Texas 75202
214/742-6051

December 1, 1982

State of Texas
General Land Office
Austin, Texas 78701

Attn: Account No. M-82414

Re: Meeker #1 Well
Reeves County, Texas

Gentlemen:

Enclosed herewith is an original and one copy of our Division Order covering the above captioned well. If your name and address are correctly shown, please sign your name on the line indicated. Upon execution, have your signature witnessed on the line at the left, returning one copy to our offices.

Please verify the address shown on the reverse side of your Division Order. If the address as indicated is not the address to which your checks are to be mailed, or you have had a recent change of address, please make any corrections necessary. You should notify us promptly of any change of address and always include the property name or the well referenced.

It is imperative that you insert your Tax Payer's Identification number in the space indicated beneath your signature.

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

Very truly yours,

SOUTHERN UNION EXPLORATION COMPANY OF TEXAS

(Mrs.) Anne S. Myers,
Division Order Department

:asm
Enclosures

SOUTHERN UNION EXPLORATION COMPANY OF TEXAS
DIVISION ORDER

TO: SOUTHERN UNION EXPLORATION COMPANY OF TEXAS
SUITE 400, TEXAS FEDERAL BUILDING
DALLAS, TEXAS 75202

The undersigned, and each of us, certify and guarantee that as of the effective date set out below we are the legal owners of the interests set forth opposite our names on the reverse side hereof (or on the schedule attached hereto) and warrant title thereto and certify that we are entitled to payment for minerals produced and/or purchased by you under your lease or purchase contract from wells now or hereafter completed on the following described lands in _____
Reeves County, Texas:

NE/4 NE/4 Section 28, Block 56, Township 3

T & P RR Company Survey

Meeker #1 Well

Effective as of date of first production and until further written notice, you are hereby authorized to give credit and make payment of proceeds of production attributable to the interests as set forth herein on the reverse side hereof (or on the schedule attached hereto), such payments to be made in accordance with and subject to the following conditions:

1. It is agreed that the price to be paid for production attributable to the interest of each of the undersigned shall be the wellhead contract price applicable thereto, or, if there be no wellhead contract, the price being paid by Southern Union Exploration Company of Texas (hereinafter called "Company") to working interest owners in the field for production at the well of like quality, pressure and volume.

2. Payments shall be made by check payable to the person(s) named herein on the reverse side hereof (or on the schedule attached hereto) and severally in the proportions indicated, mailed to such person(s) at their respective addresses as shown each month for deliveries during the preceding month; provided each individual payment to be made hereunder may be withheld until at least Ten Dollars (\$10.00) has been accumulated to the credit of said person. Company is authorized to deduct from proceeds due and to pay over any taxes at any time applicable to the respective interests of undersigned in production or in the lands above described, which are to be deducted by Company or which may be or become a lien on production or on the lands above described or for which Company may be contingently responsible, according to all applicable laws, valid or asserted as such, and the regulations, valid or asserted as such, by officials charged with their enforcement.

3. In the event of any adverse claim or dispute arising at any time concerning title to said land or to production therefrom or concerning the right to share in the proceeds from the sale of production, Company is authorized to withhold, to the extent which it in good faith deems necessary for its protection, the proceeds accruing from production or purchases hereunder, without interest and without liability (except as a stakeholder), until indemnity satisfactory to Company has been furnished or until such dispute or claim has been settled to Company's satisfaction. Each undersigned party, as to the interest of such party, respectively agrees, in the event suit is filed in any court affecting title to the lands above described or production therefrom, to indemnify and save harmless Company against any and all liability for loss, cost, damage and expense which Company may suffer or incur on account of paying said party pursuant to this order.

4. The undersigned severally agree to notify Company of any change of ownership, and no transfer of interest shall be binding upon Company until a proper transfer order and the recorded instrument evidencing such transfer, or a certified copy thereof, shall be furnished to Company. Transfer of interest shall be made effective not earlier than the first day of the calendar month following receipt of such notice by Company. Company is hereby relieved of any responsibility for determining if and when any of the interests herein set forth shall or should revert to or be owned by other parties or shall be otherwise affected or changed as a result of the completion or discharge of money or other payments from said interests or as the result of any other event, and the signers hereof whose interests are affected by such money or other payments or such other event, if any, agree to give Company notice in writing by registered letter addressed to Company at the address shown above, when any such money or other payments have been completed or discharged, or when any such event shall have occurred, or when any other division of interest than that set forth above shall, for any reason, become effective and to furnish transfer orders accordingly, and that in the event such notice shall not be received, Company shall be held harmless in the event of, and is hereby released from any and all damage or loss which might arise because of, payment pursuant to this order.

5. This order shall become valid and binding on each owner named herein as soon as signed by such owner, regardless of whether or not all such named owners have so signed, and any assignee of, or successor to Company is authorized to give credit and make payment pursuant to the terms and provisions of this order.

EXECUTED this _____ day of _____, 19____.

WITNESSES:

OWNER(S): STATE OF TEXAS ACCOUNT #M-82414

By:

GENERAL LAND OFFICE
STEPHEN F. AUSTIN BUILDING (Title)
1700 NORTH CONGRESS AVENUE
AUSTIN, TEXAS 78701
TAX I.D. _____

GENERAL LAND OFFICE
STEPHEN F. AUSTIN BUILDING
1700 NORTH CONGRESS AVENUE
AUSTIN, TEXAS 78701
TAX I.D. _____

DIVISION OF INTEREST

CREDIT TO:	PERCENTAGE:		P. O. ADDRESS:
State of Texas	.0625 RI	.0625 RI	General Land Office Austin, Texas 78701 Acct. M-82414
L.H. (Lawrence Hill) Meeker as his separate property	.04583334 RI	.02083332 RI	6000 Camp Bowie Blvd. Ft. Worth, TX 76116
Wells Fargo Bank, N.A. for the account of James J. Meeker	.04583334 RI	.02083332 RI	Wells Fargo Bank, N.A. for account of James J. Meeker 1214 Ridglea Bank Bldg. Ft. Worth, TX 76116
Lawrence H. Meeker and the First National Bank of Ft. Worth, Co-Trustees U/A for Charles Roeser Meeker, Trust Account #3084	.01145833 RI	.00520834 RI	First National Bank of Ft. Worth, Trust Oil and Gas Section One Burnett Plaza Ft. Worth, TX 76102
First National Bank of Ft. Worth as Agent for Charles Roeser Meeker, Trust Oil & Gas Account #4212	.00286458 RI	.00130208 RI	Charles R. Meeker % First National Bank of Ft. Worth Trust Oil & Gas Section P.O. Box 2546 Ft. Worth, TX 76113
First National Bank of Ft. Worth & Lawrence H. Meeker, As Co-Trustees U/W of William Wade Meeker deceased, for Charles Roeser Meeker, Trust Account #2952	.00859375 RI	.00390626 RI	First National Bank of Ft. Worth Trust Oil & Gas Section One Burnett Plaza Ft. Worth, TX 76102
First National Bank of Ft. Worth, Trustee U/W of William Wade Meeker, deceased, for Anne Windfohr Phillips, Trust Account #2951	.01145833 RI	.00520834 RI	First National Bank of Ft. Worth Trust Oil & Gas Section One Burnett Plaza Ft. Worth, TX 76102
First National Bank of Ft. Worth, as Guardian, of Estate of Anne Windfohr Phillips, Trust Acc- ount #1876	.01145833 RI	.00520834 RI	First National Bank of Ft. Worth Trust Oil & Gas Section One Burnett Plaza Ft. Worth, TX 76102
Minoco 1979-II	.00625 ORRI	.024975 NRI	One Century Plaza 2029 Century Park East Los Angeles, CA 90067
HNG Oil Company	.050000 ORRI	.050 ORRI	P.O. Box 2267 Midland, TX 79702
Southern Union Exploration Company of Texas	.450000 NRI	.37125 NRI	1217 Main Street Suite 400 Dallas, TX 75202
Sun Production Company	.187500 NRI	.1546875 NRI	P.O. Box 84638 Dallas, TX 75284
McKay Oil Corporation	.037500 NRI	.0178127 NRI	P. O. Box 2014 Roswell, NM 88201
Minoco 1980-I	.068750 NRI	.050025 NRI	One Century Plaza 2029 Century Park East Los Angeles, CA 90067

Division Of Interest

Page 2

Meeker #1 Well

CREDIT TO:

APO

ADDRESS

L. H. (Lawrence Hill) Meeker
as his separate property

.0687513 NRI

6000 Camp Bowie Blvd.
Ft. Worth, TX 76116

Wells Fargo Bank, N.A. for
the account of James J. Meeker

.0687513 NRI

Wells Fargo Bank, N.A.
for account of James
J. Meeker
1214 Ridglea Bank Bldg.
Ft. Worth, TX 76116

Lawrence H. Meeker and the First
National Bank of Ft. Worth, Co-
Trustees U/A for Charles Roeser
Meeker, Trust Account #3084

.0171868 NRI

First National Bank of
Ft. Worth, Trust Oil
and Gas Section
P. O. Box 2546
Ft. Worth, TX 76102

First National Bank of Ft. Worth
as Agent for Charles Roeser Meeker,
Trust Oil and Gas Account #4212

.0042967 NRI

Charles R. Meeker
% First National Bank
of Ft. Worth
Trust Oil and Gas Section
P. O. Box 2546
Ft. Worth, TX 76213

First National Bank of Ft. Worth,
and Lawrence H. Meeker, As Co-
Trustees U/W of William Wade Meeker,
deceased, for Charles Roeser Meeker,
Trust Account #2952

.0128901 NRI

First National Bank of
Ft. Worth
Trust Oil & Gas Section
One Burnett Plaza
Ft. Worth, TX 76102

First National Bank of Ft. Worth,
Trustee U/W of William Wade Meeker,
deceased, for Anne Windfohr Phillips,
Trust Account #2951

.0171868 NRI

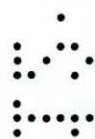
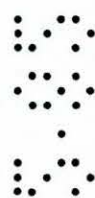
First National Bank of
Ft. Worth
Trust Oil & Gas Section
One Burnett Plaza
Ft. Worth, TX 76102

First National Bank of Ft. Worth,
as Guardian, of Estate of Anne
Windfohr Phillips, Trust Account #1876

.0171868 NRI

First National Bank of
Ft. Worth
Trust Oil & Gas Section
One Burnett Plaza
Ft. Worth, TX 76102

19 mf- 82414
Division order
12-2-82



121

Southern Union Exploration Company of Texas
Suite 400
Texas Federal Building
1217 Main Street
Dallas, Texas 75202
214/742-6051

December 2, 1982

State of Texas
General Land Office
Austin, Texas 78701

Attn: Account No. M-82414

Re: Meeker #2 Well
Reeves County, Texas

Gentlemen:

Enclosed herewith is an original and one copy of our Division Order covering the above captioned well. If your name and interest are correctly shown, please sign your name on the line indicated. Upon execution, have your signature witnessed on the line at the left, returning one copy to our offices.

Please verify the address on the reverse side of your Division Order. If the address as indicated is not the address to which your checks are to be mailed, or you have had a recent change of address, please make any corrections necessary. You should notify us promptly of any change of address and always include the property name or the well referenced.

It is imperative that you insert your Tax Payer's Identification number in the space indicated beneath your signature.

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

Very truly yours,

SOUTHERN UNION EXPLORATION COMPANY OF TEXAS


(Mrs.) Anne S. Myers,
Division Order Department

:asm
Enclosures

19A mf-82414

Ltr from Southern Union
12-4-82



Southern Union Exploration Co.

M-82414

Meeker #1 Lease

PRC # 26148

Orla, Southwest (Delaware) Field

Reeves Co.

WRITE	1		2		3		4		5		6	
		GROSS VALUE		Royalty Due		Royalty Paid		<OVER> SHORT		Accumulated SHORTAGE		Penalty @ 1%/Mo.
1	Sept. '80	2104360		131523		0		131523		131523		1315
2	Oct "	6231570		389473		0		389473		520996		5210
3	Nov "	4554114		284632		0		284632		805628		8056
4	Dec. "	4690111		293132		0		293132		1098760		10988
5	Jan. '81	4215757		263485		0		263485		1362245		13622
6	Feb "	3650834		228177		0		228177		1590422		15904
7	March "	4238722		264920		0		264920		1855342		18553
8	April "	4269618		266851		0		266851		2122193		21222
9	May "	3645065		227817		0		227817		2350010		23500
10	June "	3464655		216541		0		216541		2566551		25666
11	July "	3392789		212049		0		212049		2778600		27786
12	Aug. "	3946361		246648		0		246648		3025248		30252
13	Sept. "	3934310		245895		0		245895		3271143		32711
14	Oct. "	3931356		245710		0		245710		3516853		35169
15	Nov. "	3370903		210681		0		210681		3727534		37275
16	Dec. "	3257026		203564		0		203564		3931098		39311
17	Jan '82	3937973		246123		0		246123		4177221		41772
18	Feb "	3242195		202637		0		202637		4379858		43799
19	March "	3125145		195322		0		195322		4575180		45752
20	April "	3031715		189482		0		189482		4764662		47647
21	May "	3025519		189095		0		189095		4953757		49538
22	June "	2417493		151093		0		151093		5104850		51049
23	July "	3633220		227076		0		227076		5331926		53319
24	Aug "	3604603		225289		0		225289		5557215		55572
25	Sept "	3004859		187803		0		187803		5745018		57450
26	Total penalty 792438											
27												
28												
29												
30	\$57450.18 Paid 12-1-82											
31												
32	Total Penalty \$7924.38 Due now											
33												
34												
35												
36												
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39												
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48												
49												
50												



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

December 6, 1982

Southern Union Exploration Company
1217 Main St., Suite 400
Dallas, Texas 75202

ATTENTION: Royce Curry

RE: State Lease M-82414
Meeker #1 Lease
Orla, Southeast (Delaware) Field
Reeves County, Texas

Gentlemen:

Thank you for forwarding the Oil and Condensate Reports (Form MA-1), purchase statements, and royalty due for September, 1980 through September, 1982 production on the subject lease.

Please forward your check for \$7924.38 to cover the statutory delinquency penalty (schedule attached) as provided by Section 52.131, Texas Natural Resources Code. The delinquency penalty is computed for the period beginning November, 1980 through November, 1982.

Sincerely yours,

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

RWB/pdg
Encl.

M.F. 82414

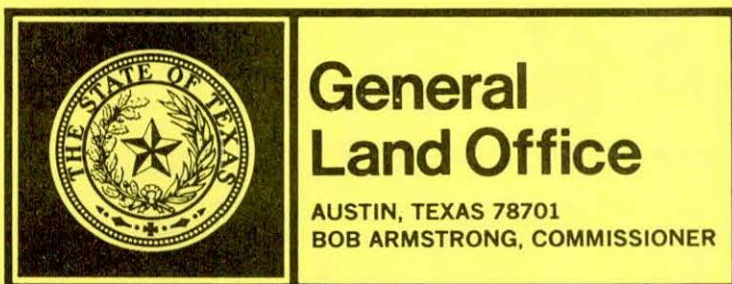
CORRESPONDENCE FILE

TO

Southern Union Explo Co

FROM

DATED 12-6-82



December 22, 1982

Southern Union Exploration Company of Texas
Suite 400, Texas Federal Bldg.
1217 Main Street
Dallas, Texas 75202

RE: State Lease M-82414
Meeker #1 Well
NE/4 NE/4 Sec. 28,
Block 56, T-3, T&P RR Co. Sur.
Reeves County, Texas

Gentlemen:

This letter is issued in lieu of the ordinary form of "Division Order" prepared by the oil companies primarily for execution by the individual royalty owner.

Inasmuch as the statutes provide the royalties the State shall receive, it is felt that it would not be in conformity with the law on the subject for this Division to execute your division order and thereby attempt to bind the State by the provisions contained therein.

This Division, insofar as permitted under the law, acquiesces in the sale of the oil and/or gas to you from this lease, which oil and/or gas shall become your property when the State has been paid for same, as prescribed by law and under the terms and conditions as set out in the lease covering the area in question.

Very truly yours,

Max J. Werkenthin, Attorney
Energy Resources
Phone: 512-475-6749
Enclosure

MJW/mow

21

M. F. 8244

CORRESPONDENCE FILE

To Division Order

From

Dated 12-22-82

SOUTHERN UNION EXPLORATION COMPANY OF TEXAS
DIVISION ORDER

TO: SOUTHERN UNION EXPLORATION COMPANY OF TEXAS
SUITE 400, TEXAS FEDERAL BUILDING
DALLAS, TEXAS 75202

The undersigned, and each of us, certify and guarantee that as of the effective date set out below we are the legal owners of the interests set forth opposite our names on the reverse side hereof (or on the schedule attached hereto) and warrant title thereto and certify that we are entitled to payment for minerals produced and/or purchased by you under your lease or purchase contract from wells now or hereafter completed on the following described lands in _____
Reeves County, Texas

1980 Feet From North; 1980 Feet From East Lines
Section 28, Block 56, Township 3, T & P RR Company
Meeker #2 Well

Effective as of date of first production and until further written notice, you are hereby authorized to give credit and make payment of proceeds of production attributable to the interests as set forth herein on the reverse side hereof (or on the schedule attached hereto), such payments to be made in accordance with and subject to the following conditions:

1. It is agreed that the price to be paid for production attributable to the interest of each of the undersigned shall be the wellhead contract price applicable thereto, or, if there be no wellhead contract, the price being paid by Southern Union Exploration Company of Texas (hereinafter called "Company") to working interest owners in the field for production at the well of like quality, pressure and volume.

2. Payments shall be made by check payable to the person(s) named herein on the reverse side hereof (or on the schedule attached hereto) and severally in the proportions indicated, mailed to such person(s) at their respective addresses as shown each month for deliveries during the preceding month; provided each individual payment to be made hereunder may be withheld until at least Ten Dollars (\$10.00) has been accumulated to the credit of said person. Company is authorized to deduct from proceeds due and to pay over any taxes at any time applicable to the respective interests of undersigned in production or in the lands above described, which are to be deducted by Company or which may be or become a lien on production or on the lands above described or for which Company may be contingently responsible, according to all applicable laws, valid or asserted as such, and the regulations, valid or asserted as such, by officials charged with their enforcement.

3. In the event of any adverse claim or dispute arising at any time concerning title to said land or to production therefrom or concerning the right to share in the proceeds from the sale of production, Company is authorized to withhold, to the extent which it in good faith deems necessary for its protection, the proceeds accruing from production or purchases hereunder, without interest and without liability (except as a stakeholder), until indemnity satisfactory to Company has been furnished or until such dispute or claim has been settled to Company's satisfaction. Each undersigned party, as to the interest of such party, respectively agrees, in the event suit is filed in any court affecting title to the lands above described or production therefrom, to indemnify and save harmless Company against any and all liability for loss, cost, damage and expense which Company may suffer or incur on account of paying said party pursuant to this order.

4. The undersigned severally agree to notify Company of any change of ownership, and no transfer of interest shall be binding upon Company until a proper transfer order and the recorded instrument evidencing such transfer, or a certified copy thereof, shall be furnished to Company. Transfer of interest shall be made effective not earlier than the first day of the calendar month following receipt of such notice by Company. Company is hereby relieved of any responsibility for determining if and when any of the interests herein set forth shall or should revert to or be owned by other parties or shall be otherwise affected or changed as a result of the completion or discharge of money or other payments from said interests or as the result of any other event, and the signers hereof whose interests are affected by such money or other payments or such other event, if any, agree to give Company notice in writing by registered letter addressed to Company at the address shown above, when any such money or other payments have been completed or discharged, or when any such event shall have occurred, or when any other division of interest than that set forth above shall, for any reason, become effective and to furnish transfer orders accordingly, and that in the event such notice shall not be received, Company shall be held harmless in the event of, and is hereby released from any and all damage or loss which might arise because of, payment pursuant to this order.

5. This order shall become valid and binding on each owner named herein as soon as signed by such owner, regardless of whether or not all such named owners have so signed, and any assignee of, or successor to Company is authorized to give credit and make payment pursuant to the terms and provisions of this order.

EXECUTED this _____ day of _____, 19____

WITNESSES:

OWNER(S): STATE OF TEXAS Acct. #M-82414

By:

GENERAL LAND OFFICE
STEPHEN F. AUSTIN BUILDING
1700 NORTH CONGRESS AVENUE
AUSTIN, TEXAS 78701
TAX I.D. [REDACTED]

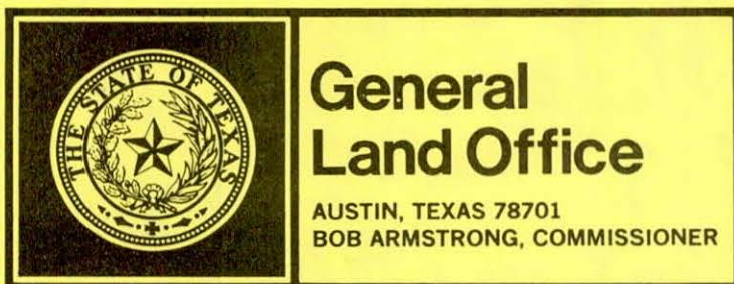
DIVISION OF INTEREST

CREDIT TO:

PERCENTAGE:

P. O. ADDRESS:

CREDIT TO:	PERCENTAGE:	P. O. ADDRESS:
State of Texas	.0625 RI	General Land Office Austin, Texas 78701 Acct. M-82414
L.H. (Lawrence Hill) Meeker as his separate property	.04583334 RI	6000 Camp Bowie Blvd. Ft. Worth, TX 76116
Wells Fargo Bank, N.A. for the account of James J. Meeker	.04583334 RI	Wells Fargo Bank, N.A. for account of James J. Meeker 1214 Ridglea Bank Bldg Ft. Worth, TX 76116
Lawrence H. Meeker and the First National Bank of Ft. Worth, Co-Trustees U/A for Charles Roeser Meeker, Trust Account #3084	.01145833 RI	First National Bank of Ft. Worth, Trust Oil and Gas Section One Burnett Plaza Ft. Worth, TX 76102
First National Bank of Ft. Worth as Agent for Charles Roeser Meeker, Trust Oil & Gas Account #4212	.00286458 RI	Charles R. Meeker % First National Bank of Ft. Worth Trust Oil & Gas Section P.O. Box 2546 Ft. Worth, TX 76113
First National Bank of Ft. Worth & Lawrence H. Meeker, As Co-Trustees U/W of William Wade Meeker deceased, for Charles Roeser Meeker, Trust Account #2952	.00859375 RI	First National Bank of Ft. Worth Trust Oil & Gas Section One Burnett Plaza Ft. Worth, TX 76102
First National Bank of Ft. Worth, Trustee U/W of William Wade Meeker, deceased, for Anne Windfohr Phillips, Trust Account #2951	.01145833 RI	First National Bank of Ft. Worth Trust Oil & Gas Section One Burnett Plaza Ft. Worth, TX 76102
First National Bank of Ft. Worth, as Guardian, of Estate of Anne Windfohr Phillips, Trust Account #1876	.01145833 RI	First National Bank of Ft. Worth Trust Oil & Gas Section One Burnett Plaza Ft. Worth, TX 76102
Minoco 1979-II	.00625 ORRI	One Century Plaza 2029 Century Park East Los Angeles, CA 90067
HNG Oil Company	.050000 ORRI	P.O. Box 2267 Midland, TX 79702
Southern Union Exploration Company of Texas	.450000 NRI	1217 Main Street Suite 400 Dallas, TX 75202
Sun Production Company	.187500 NRI	P.O. Box 84638 Dallas, TX 75284
McKay Oil Corporation	.037500 NRI	P. O. Box 2014 Roswell, NM 88201
Minoco 1980-I	.068750 NRI	One Century Plaza 2029 Century Park East Los Angeles, CA 90067



December 22, 1982

Southern Union Exploration Company of Texas
Suite 400, Texas Federal Bldg.
1217 Main Street
Dallas, Texas 75202

RE: State Lease M-82414
Meeker #2 Well
Sec. 28, Blk. 56, T-3
T & P RR Co. Survey
Reeves County, Texas

Gentlemen:

This letter is issued in lieu of the ordinary form of "Division Order" prepared by the oil companies primarily for execution by the individual royalty owner.

Inasmuch as the statutes provide the royalties the State shall receive, it is felt that it would not be in conformity with the law on the subject for this Division to execute your division order and thereby attempt to bind the State by the provisions contained therein.

This Division, insofar as permitted under the law, acquiesces in the sale of the oil and/or gas to you from this lease, which oil and/or gas shall become your property when the State has been paid for same, as prescribed by law and under the terms and conditions as set out in the lease covering the area in question.

Very truly yours,

Max J. Werkenthin, Attorney

Energy Resources
Phone: 512-475-6749
Enclosure

MJW/mow

22

82414

M. F. CORRESPONDENCE FILE

To Division Order

From

Dated 12-22-87



Southern Union Exploration Company of Texas
Suite 400
Texas Federal Building
1217 Main Street
Dallas, Texas 75202
214/742-6051

January 12, 1983

To All Interest Owners
(See Attached List)

Re: Meeker #1 Well, D-519-C
Reeves County, Texas

Gentlemen:

While preparing the Division Orders which were recently circulated for execution by you reflecting the before payout and after payout figures for the Meeker #1 Well, I had the opportunity to review the files and at that time requested from our Accounting Department a more complete work-up documenting the payout status of the Meeker #1 Well. I recently received the spread sheet concerning this well and find the notice you received in February, 1982, indicating the Meeker #1 had paid out in August, 1981, was in error.

After several meetings with Arthur McMahan, Property Accountant, who had prepared the spread sheet for me it was determined a clerical error had been made in previous calculations and the actual payout for the Meeker #1 occurred some time in mid to late January of 1982, rather than August, 1981, as you were informed.

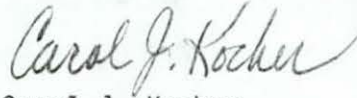
Upon receipt of this information I have now notified our Accounting Department that payments effective January 1, 1983, should be made pursuant to the after payout figures of the new Division Order. I have also advised that all payments are to be suspended until the executed Division Orders are received and accounting receives authorization to release payments.

It is apparent there will be a period of adjustment from the date of payout through the period ending December 31, 1982. These adjustments will affect all royalty and working interest partners with the exception of the interest held by the State of Texas and the override attributable to HNG Oil Company. We will make every effort to provide a full accounting for this period for each party reflecting over/or under payments.

To All Interest Owners
January 12, 1983
Page 2

I can only offer an apology for the delay in locating this error and ask your understanding and patience while this is being documented and corrected. I am attaching a copy of the letter prepared by Mr. McMahan of our Accounting Department, as well as the spread sheet indicating the payout status of the Meeker #1 Well for your review.

Very truly yours,



Carol J. Kocher,
Division Order Supervisor



CJK:pam

Enclosures

To All Interest Owners
January 12, 1983
Page 3

State of Texas, Acct. No. M-82414
General Land Office
Austin, Texas 78701

Sun Exploration and Production Company
P. O. Box 84638
Dallas, Texas 75284

L. H. (Lawrence Hill) Meeker
6000 Camp Bowie Blvd.
Fort Worth, Texas 76116

McKay Oil Corporation
P. O. Box 2014
Roswell, New Mexico 88201

Wells Fargo Bank, N.A.
James J. Meeker
1214 Ridglea Bank Bldg.
Fort Worth, Texas 76116

Lawrence H. Meeker, Acct. Nos. 3084 & 2952
First National Bank of Fort Worth
Trust Oil and Gas Section
One Burnett Plaza
Fort Worth, Texas 76102

First National Bank of Fort Worth
Acct No. 4212
Trust Oil & Gas Section
P. O. Box 2546
Fort Worth, Texas 76113

First National Bank of Fort Worth
Acct. Nos. 2951 & 1876
Trust Oil & Gas Section
One Burnett Plaza
Fort Worth, Texas 76102

Minoco 1979-II & Minoco 1980-I
One Century Plaza
2029 Century Park East
Los Angeles, California 90067

HNG Oil Company
P. O. Box 2267
Midland, Texas 79702

121

M82414

Gentlemen:

Please find below the payout report on the Meeker #1 well located in Reeves County, Texas. You have previously been notified of payout occurring in August 1981. This letter is to inform you of a clerical error made in calculating payout at that date. The problem involves (1) commingling of the oil in a common tank battery and (2) royalties paid out of production were not deducted from the revenue available in determining payout.

Also, please find the attached worksheet detailing the payout computations. Should you have any questions regarding the calculation, please contact me at (214) 742-6051, extension 232.

Thank you,

Arthur M. Mahan

Arthur McMahan
Property Accountant

ARM:klt

Cost/Revenues to Date:	(As of January 31, 1981)
Capital Cost:	\$344,427.82
Operating Cost:	49,864.78
Total Cost to Date:	<u>394,292.60</u>
Revenues to Date:	643,493.47
Less Royalties	140,017.43
Less Production Taxes:	27,786.84
Less WPT:	<u>76,902.33</u>
Net Revenues to Date:	<u>398,786.87</u>
Balance to be Recovered:	<u>\$ (4,494.27)</u>

1 1 4 0 0

82414 - Southern Union
Exploration Co
7 Days

PAYOUT STATUS
MEEKER #1 WELL

	Monthly Capital Expenses	Monthly Operating Expenses	Cumulative Capital Expenses	Cumulative Operating Expenses	Cumulative Well Cost	Monthly Revenues	Less Net Royalties	Less Production Taxes	Less Windfall Profit Taxes	Cumulative Net Revenue to Apply to Payout	Total Cost Remaining to be Recovered
7/31/80 - 6/30/81	330,098.52	20,590.87	330,098.52	20,590.87	353,689.39	410,648.06	88,665.79	17,732.30	50,846.07	253,403.90	100,285.49
7/31/81	8,654.90	11,908.51	338,753.42	32,499.38	371,252.80	33,927.89	7,426.44	1,465.05	3,812.61	274,627.69	96,625.11
8/31/81	3,112.65	1,573.42	341,866.07	34,072.80	375,938.87	35,079.21	7,678.30	1,514.76	4,435.52	296,078.32	79,860.55
9/30/81	676.27	2,026.66	342,542.34	36,099.46	378,641.80	34,972.17	7,654.47	1,510.14	4,424.25	317,461.63	61,180.17
10/31/81	959.69	940.98	343,502.03	37,040.44	380,542.47	34,945.83	7,721.36	1,509.00	4,012.18	339,164.92	41,377.55
11/30/81	925.79	1,271.18	344,427.82	38,311.62	382,739.44	29,963.96	6,620.45	1,293.88	3,441.09	357,773.46	24,965.98
12/31/81	-0-	10,931.42	344,427.82	49,243.04	393,670.86	28,951.71	6,397.07	1,250.17	2,954.13	376,123.80	17,547.06
1/31/82	-0-	621.74	344,427.82	49,864.78	394,292.60	35,004.64	7,853.55	1,511.54	2,976.48	398,786.87	(4,494.27)



Southern Union Exploration Company of Texas
Suite 400
Texas Federal Building
1217 Main Street
Dallas, Texas 75202
214/742-6051

January 12, 1983

To All Interest Owners
(See Attached List)

Re: Meeker #1 Well, D-519-C
Reeves County, Texas

M82414-B-file

Gentlemen:

While preparing the Division Orders which were recently circulated for execution by you reflecting the before payout and after payout figures for the Meeker #1 Well, I had the opportunity to review the files and at that time requested from our Accounting Department a more complete work-up documenting the payout status of the Meeker #1 Well. I recently received the spread sheet concerning this well and find the notice you received in February, 1982, indicating the Meeker #1 had paid out in August, 1981, was in error.

After several meetings with Arthur McMahan, Property Accountant, who had prepared the spread sheet for me it was determined a clerical error had been made in previous calculations and the actual payout for the Meeker #1 occurred some time in mid to late January of 1982, rather than August, 1981, as you were informed.

Upon receipt of this information I have now notified our Accounting Department that payments effective January 1, 1983, should be made pursuant to the after payout figures of the new Division Order. I have also advised that all payments are to be suspended until the executed Division Orders are received and accounting receives authorization to release payments.

It is apparent there will be a period of adjustment from the date of payout through the period ending December 31, 1982. These adjustments will affect all royalty and working interest partners with the exception of the interest held by the State of Texas and the override attributable to HNG Oil Company. We will make every effort to provide a full accounting for this period for each party reflecting over/or under payments.

To All Interest Owners
January 12, 1983
Page 2

I can only offer an apology for the delay in locating this error and ask your understanding and patience while this is being documented and corrected. I am attaching a copy of the letter prepared by Mr. McMahan of our Accounting Department, as well as the spread sheet indicating the payout status of the Meeker #1 Well for your review.

Very truly yours,



Carol J. Kocher,
Division Order Supervisor



CJK:pam

Enclosures

To All Interest Owners
January 12, 1983
Page 3

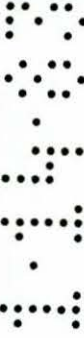


State of Texas, Acct. No. M-82414
General Land Office
Austin, Texas 78701

Sun Exploration and Production Company
P. O. Box 84638
Dallas, Texas 75284

L. H. (Lawrence Hill) Meeker
6000 Camp Bowie Blvd.
Fort Worth, Texas 76116

McKay Oil Corporation
P. O. Box 2014
Roswell, New Mexico 88201



Wells Fargo Bank, N.A.
James J. Meeker
1214 Ridglea Bank Bldg.
Fort Worth, Texas 76116

Lawrence H. Meeker, Acct. Nos. 3084 & 2952
First National Bank of Fort Worth
Trust Oil and Gas Section
One Burnett Plaza
Fort Worth, Texas 76102

First National Bank of Fort Worth
Acct No. 4212
Trust Oil & Gas Section
P. O. Box 2546
Fort Worth, Texas 76113

First National Bank of Fort Worth
Acct. Nos. 2951 & 1876
Trust Oil & Gas Section
One Burnett Plaza
Fort Worth, Texas 76102

Minoco 1979-II & Minoco 1980-I
One Century Plaza
2029 Century Park East
Los Angeles, California 90067

HNG Oil Company
P. O. Box 2267
Midland, Texas 79702

11400

82414 - Southern Union
Exploration Co
of Texas

PAYOUT STATUS
MEEKER #1 WELL

	Monthly Capital Expenses	Monthly Operating Expenses	Cumulative Capital Expenses	Cumulative Operating Expenses	Cumulative Well Cost	Monthly Revenues	Less Net Royalties	Less Production Taxes	Less Windfall Profit Taxes	Cumulative Net Revenue to Apply to Payout	Total Cost Remaining to be Recovered
7/31/80 - 6/30/81	330,098.52	20,590.87	330,098.52	20,590.87	353,689.39	410,648.06	88,665.79	17,732.30	50,846.07	253,403.90	100,285.49
7/31/81	8,654.90	11,908.51	338,753.42	32,499.38	371,252.80	33,927.89	7,426.44	1,465.05	3,812.61	274,627.69	96,625.11
8/31/81	3,112.65	1,573.42	341,866.07	34,072.80	375,938.87	35,079.21	7,678.30	1,514.76	4,435.52	296,078.32	79,860.55
9/30/81	676.27	2,026.66	342,542.34	36,099.46	378,641.80	34,972.17	7,654.47	1,510.14	4,424.25	317,461.63	61,180.17
10/31/81	959.69	940.98	343,502.03	37,040.44	380,542.47	34,945.83	7,721.36	1,509.00	4,012.18	339,164.92	41,377.55
11/30/81	925.79	1,271.18	344,427.82	38,311.62	382,739.44	29,963.96	6,620.45	1,293.88	3,441.09	357,773.46	24,965.98
12/31/81	-0-	10,931.42	344,427.82	49,243.04	393,670.86	28,951.71	6,397.07	1,250.17	2,954.13	376,123.80	17,547.06
1/31/82	-0-	621.74	344,427.82	49,864.78	394,292.60	35,004.64	7,853.55	1,511.54	2,976.48	398,786.87	(4,494.27)

121

M82414

Gentlemen:

Please find below the payout report on the Meeker #1 well located in Reeves County, Texas. You have previously been notified of payout occurring in August 1981. This letter is to inform you of a clerical error made in calculating payout at that date. The problem involves (1) commingling of the oil in a common tank battery and (2) royalties paid out of production were not deducted from the revenue available in determining payout.

Also, please find the attached worksheet detailing the payout computations. Should you have any questions regarding the calculation, please contact me at (214) 742-6051, extension 232.

Thank you,

Arthur M. Mahan

Arthur McMahan
Property Accountant

ARM:klt

Cost/Revenues to Date:	(As of January 31, 1981)
Capital Cost:	\$344,427.82
Operating Cost:	49,864.78
Total Cost to Date:	394,292.60
Revenues to Date:	643,493.47
Less Royalties	140,017.43
Less Production Taxes:	27,786.84
Less WPT:	76,902.33
Net Revenues to Date:	398,786.87
Balance to be Recovered:	\$ (4,494.27)

M. F. 82414

CORRESPONDENCE FILE

To

From Southern Union Exp. Co.

23

Dated 1-12-83

1733



P. O. BOX 2267, MIDLAND, TEXAS 79702 (915) 683-4871

January 17, 1980

Southern Union Exploration Company
First International Building
Dallas, Texas 75270

RE: Option Farmout Agreement
W. Aylesworth Area
Reeves County, Texas
SC #290

Gentlemen:

This will evidence our agreement to assign to you an interest in and to the oil and gas leases presently owned by us covering the following described lands located in Reeves County, Texas:

E/2 Section 28, Block 56, T-3, T&P Ry. Co. Survey,
Reeves County, Texas.

It is understood and agreed that on or before April 15, 1980, you will commence actual drilling of a "first well" at a legal location in the SW/4 SW/4 of Section 42, Block 56, T-3, T&P Ry. Co. Survey, Reeves County, Texas, and thereafter drill the same with due diligence to adequately and conclusively test the Bell Canyon formation. The said first well is to be completed within 60 days from the date of commencement.

Within 120 days of completion of the said first well as either a producer or a dry hole, you shall have the option but not the obligation to commence the drilling of an "earning well" at a legal location in the NE/4 NE/4 of Section 28 covered hereby.

In the event any well provided for hereunder is timely commenced but conditions are encountered therein rendering further drilling impractical and you have theretofore complied with the terms of this agreement, you may continue your rights hereunder by commencing actual drilling of a substitute well on the same tract upon which such well is located within thirty (30) days from abandonment of such well. Said substitute well shall thereafter be drilled

January 17, 1980

under all conditions set out herein regarding such well. Any reference herein made to such well shall also be deemed to be reference to any substitute well or wells which may be drilled for such well.

It is understood and agreed that in drilling any well hereunder you will comply with the terms of said oil and gas leases and with all applicable laws, rules and regulations. Nothing contained herein shall be deemed to create a partnership or joint venture between the parties hereto and said well is to be drilled and completed as a commercial producer, or plugged and abandoned as a dry hole at no risk, liability or expense to us. You further agree to indemnify and save us harmless from any liability that might arise in connection with any operations hereunder. All wells under this agreement are to be drilled and completed in a timely, workmanlike and prudent manner.

You agree to keep an accurate log of each well, to drill the same in good faith effort to discover oil or gas, and to test adequately all oil or gas shows encountered. You will specifically comply with all requirements set out in Exhibit "A" attached hereto and made a part hereof.

Upon our being furnished satisfactory evidence of the completion of the earning well drilled in full compliance with all terms of this agreement, and as a well capable of producing oil or gas in paying quantities, we will convey to you our interest in all our rights under our lands covered hereby upon which said earning well was drilled from the surface down to 100' below the greatest depth drilled under said well. In such conveyance, we will reserve an overriding royalty of 5.0% on all oil, gas, casinghead gas and other minerals produced from the said earning well, proportionately reduced. Said overriding royalty shall be exclusive of any and all existing burdens on the said lands. We shall have the right upon 30 days written notice to you to take in kind or separately dispose of our proportionate share of all production which is attributable to the overriding royalty herein reserved by us.

Notwithstanding anything stated herein to the contrary, any assignments delivered hereunder will be made without warranty of title, either express or implied, and will reserve to us all rights below the depth assigned in the earning well. In the event any delay rentals are paid by us on the above described acreage while this letter is in force and effect, you shall promptly reimburse us for 100% of such payments. This provision shall not render us liable for inadvertent failure to pay such rentals. You shall render and pay all ad valorem taxes, if any, as to any acreage earned hereunder and all equipment appurtenant thereto. In the event oil or gas is produced by you from said land, you shall pay to the royalty owners all royalties on account thereof and shall save, hold and protect us from all liability on account of obligations accruing to the said lands as to the depth earned hereunder. You shall have the right and privilege at any time while not in default of any of the terms and conditions of this agreement to surrender and relinquish the same to us upon the execution and delivery to us of any such surrender or relinquishment. You shall then be relieved from liability thereafter accruing as to the land covered by such surrender or relin-

January 17, 1980

quishment; provided, however, you shall remain responsible for all obligations or liabilities of any kind or nature which may have accrued under the terms of said lease or this agreement as to said land up to the time of surrender or relinquishment. For all purposes of this section, written notice by registered mail shall be given HNG Oil Company's office at P. O. Box 2267, Midland, Texas 79702, Attn: Land Department.

HNG Oil Company hereby excepts and reserves unto itself, its successors and assigns, the option and exclusive right to purchase all oil, gas, casinghead gas and other hydrocarbons produced and saved from all acreage assigned to you. All gas production shall be subject to any and all existing gas purchase contracts covering the farmout lands hereunder.

You agree to furnish us one copy of all title opinions or division order title opinions which you might have written in regard hereto.

Failure on your part to comply with any of your obligations as herein set out shall relieve us of the obligation to make assignments hereunder. The only penalty for failure to drill the first well provided for herein shall be the ipso facto termination of the agreement in its entirety. Your rights hereunder shall not be assigned without our written consent which shall not be unreasonably withheld.

If the foregoing correctly sets out your understanding of our agreement, please evidence your acceptance by returning within ~~fifteen~~ ^{forty five} (45) days from the date received, one copy of this letter fully executed in the space provided below. Our failure to receive an accepted copy within ~~fifteen~~ ^{forty five} (45) days gives us the option of canceling this agreement, or granting you additional time within which to accept it.

Yours very truly,

HNG OIL COMPANY

R. W. Usrey
R. W. Usrey

JAS/RWU/jw

AGREED AND ACCEPTED THIS 28
DAY OF February, 1980.

SOUTHERN UNION EXPLORATION COMPANY

By: *Roy Shannon*
RW

Vice-President

EXHIBIT "A"

Attached to Farmout Agreement with Southern Union
Exploration Company dated January 17, 1980
W. Aylesworth Area, Reeves County, Texas

The following is a list of services and information which we require under the above agreement:

- (1) Complete access to the derrick floor during the drilling of any well;
- (2) One copy of all forms filed with State or Federal regulatory agencies, including monthly production reports after production begins;
- (3) Notification of spud dates;
- (4) A daily summarized progress report to Sheila Masdon, 915/683-4871, #207, until well is potentialized or abandoned. It is not necessary to mail detailed reports;
- (5) A complete composite of your daily drilling report after well is finished;
- (6) One copy of drill stem test charts, including testing company's fluid analysis report;
- (7) One copy of current mud log, and one copy of final print (when mud logger is used);
- (8) All logs run shall be open hole unless our prior written consent is obtained. We will require two field prints and two final prints of all such electrical surveys (including dipmeters);
- (9) One final print of all electrical surveys to: Sipes, Williamson & Aycock, 1100 Gihls Tower West, Midland, Texas 79701, Attention Mr. John Keasey;
- (10) One copy of core analysis;
- (11) Sample cuttings should be made available through Midland Sample Cut;
- (12) If operator elects to run a velocity survey, HNG shall have the right to participate in same on a pro rata basis. If operator does not elect to run a velocity survey, HNG shall have the right to run one for its sole benefit at HNG's risk and expense;
- (13) Notification to one of the persons listed below of all testing, logging, or coring operations in time for us to have a representative on location:

Office Telephone Number:	915/683-4871
Terry Cherryhomes - Home	915/694-8176
Dick Mercurio - Home	915/694-4951
J. Stewart Martin - Home	915/683-1680
R. G. (Red) Arnett - Home	915/694-2414

M.F. 82414

CORRESPONDENCE FILE

20 H N L

From

Dated 1-17-80





Southern Union Exploration Company
Suite 400
Texas Federal Building
1217 Main Street
Dallas, Texas 75202
214/742-6051

April 27, 1984

Reeves County Clerk and Recorder
P.O. Box 867
Pecos, Texas 78772

Re: Our TX-1266 A-D
S.E. Orla Prospect
Reeves County, Texas

Gentlemen:

We will require certified copies of the following instruments:

- (1) Assignment Oil & Gas Leases dated 9/7/80
HNG - Southern Union, Volume 400, Page 344
- (2) Assignment Oil & Gas Leases dated 6/21/80
Southern Union - Sun, Volume 422, Page 496
- (3) Partial Assignment Oil & Gas Leases dated 9/1/81
Southern Union et al - L.H. Meeker, Volume 428, Page 198
- (4) Assignment Oil & Gas Leases dated 6/21/82
Southern Union - McKay, Volume 423, Page 188
- (5) Partial Assignment Oil & Gas Leases dated 9/1/81
Southern Union et al - J.J. Meeker, Volume 428, Page 202
- (6) Partial Assignment Oil & Gas Leases dated 9/1/81
Southern Union et al - First National Bank Fort Worth, Guardian
Volume 428, Page 206
- (7) Partial Assignment Oil & Gas Leases dated 9/1/81
Southern Union et al - L.H. Meeker and First National Bank - Fort Worth,
Co-Trustees, Volume 428, Page 210

Please send these instruments to the attention of the undersigned, along with an invoice for costs incurred.

Very truly yours,

Sue Coley
Lease Records Supervisor

SC:ldj

25

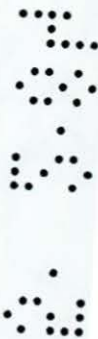
M. F. 82414

CORRESPONDENCE FILE

W. L. Lardner Union

From

Dated 4-27-84





Southern Union Exploration Company

Suite 400
Texas Federal Building
1217 Main Street
Dallas, Texas 75202
214/742-6051

April 27, 1984

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

Attention: Robin Jamail

Re: Your Lease Serial #MF-082414
Our #TX-1266 A-D
Reeves County, Texas

Gentlemen:

You will find enclosed a copy of a Farmout Agreement between HNG and Southern Union dated 1/17/80 which concerns the above referenced property along with a check for \$25.00 to cover filing fees as required. Also enclosed is a copy of a letter to the Reeves County Clerk and Recorder requesting certified copies of instruments affecting the same land, under which the State of Texas owns a royalty interest. As soon as these instruments are received, we will forward such on to your office.

In addition, a release of all non-producing formations under this acreage is being circulated through our partners, a certified copy of such release will be delivered to your office when available.

Should you have any questions or require further information, please contact the undersigned.

Very truly yours,

Sue Coley

Sue Coley
Lease Records Supervisor

SC:ldj
Enclosure

~~25~~ 25⁰⁰ 114837

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M. F. 82414

CORRESPONDENCE FILE

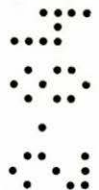
Lauren Wilson

From

Dated 4-27-84

2025

ITEM	YOUR INVOICE			DEDUCTIONS	NET AMOUNT
	DATE	NUMBER	AMOUNT		



Filing Fee

4/30/84



25.00

114837



171



Garry Mauro
Commissioner
General Land Office



May 7, 1984

Ms. Sue Coley
Southern Union Exploration Company
Suite 400
Texas Federal Building
1217 Main Street
Dallas, Texas 75202

Re: Farmout Agreement
of Free Royalty Lease
M-82414
HNG and Southern Union
Reeves County, Texas

Dear Ms. Coley:

The copy of a Farmout Agreement has been filed in our records.

We are requesting a refund of your \$25.00 remittance from our accounting department as filing fees are not required on Free Royalty leases.

If you have any questions, please call.

Sincerely,

Diana Dickson, Assistant
Oil and Gas Division
Legal Services
512 475-4246

/dd

(27)

M. F. 82414

CORRESPONDENCE FILE

TO Southern Union

~~FROM~~

Dated 5-7-84

FILE NO. 4818

SOUTHERN UNION EXPLORATION COMPANY OF TEXAS, ET AL TO L. H. MEEKER, ET AL, CO-TRS.

PARTIAL ASSIGNMENT OF INTEREST IN OIL AND GAS LEASE

THIS PARTIAL ASSIGNMENT, made and entered into and effective the first day of September, 1981, at seven o'clock, a.m., Central Daylight Time, by and between SOUTHERN UNION EXPLORATION COMPANY OF TEXAS ("SXT"), SUN EXPLORATION AND PRODUCTION COMPANY ("Sun") and MCKAY OIL CORPORATION ("McKay"), hereinafter collectively referred to as "Assignor," and L.H. MEEKER and FIRST NATIONAL BANK OF FT. WORTH, Co-Trustees of the Charles Roeser Meeker Trust, hereinafter referred to as "Assignee."

WITNESSETH:

WHEREAS, SXT, Sun and McKay are the owners of the working interest in the Oil and Gas Lease described in Exhibit A attached hereto (the "Subject Lease") and the premises in Reeves County, Texas, more specifically described therein ("Subject Lands") in the following proportions: SXT-sixty percent (60%), Sun-twenty-five percent (25%) and McKay-fifteen percent (15%); and

WHEREAS, Assignee, as Lessor in the Subject Lease, has reserved in paragraph 19 therein an additional royalty of seven and five-tenths percent (7.5%) of all oil, gas and other minerals produced from the Subject Lands covered by the Subject Lease ("Excess Royalty"); and

WHEREAS, under the terms of a letter agreement dated March 1, 1979, between Chalfant, Magee and Clifton, Inc. (predecessor in interest to Assignor) and Assignee, and by virtue of the payout of the Meeker #1 Well as hereinafter described, Assignee has the option to convert its Excess Royalty to a prorata part of a twenty-five percent (25%) working interest in the proration unit for said well as hereinafter described.

NOW, THEREFORE, in consideration of the sum of Ten Dollars (\$10.00), receipt of which is hereby acknowledged, and other valuable consideration hereinafter expressed, Assignor does hereby assign to Assignee a four and 1665/10,000 percent (4.1665%) working interest in and to the Subject Lands covered by the Subject Lease insofar and insofar only as the same cover the Northeast Quarter of the Northeast Quarter of Section 28, Lot 56, Township 3, T&P Survey of Reeves County, Texas, to a depth of three thousand eight hundred twelve (3,812) feet below the surface (the "Assigned Premises") which comprises the proration unit of the Meeker #1 Well, together with a like interest in all

casing, tubing and equipment in and on the said Meeker #1 Well and all production facilities used in connection therewith, which well is located six hundred sixty (660) feet from the North line and six hundred sixty (660) feet from the East line of the Assigned Premises.

This Assignment is made subject to its proportionate part of all royalty interests, overriding royalty interests, production payments or other encumbrances and obligations of record presently burdening the Subject Lease, and is made without warranty, either express or implied. Assignor expressly reserves all rights in and to all portions and depths of the Subject Lands covered by the Subject Lease not specifically assigned herein.

Assignee, as a condition to this Assignment and by execution hereof, expressly forfeits its entire Excess Royalty upon the Assigned Premises.

IN WITNESS WHEREOF, Assignor and Assignee have executed this instrument effective the day, year and hour first above written.

ASSIGNOR

SOUTHERN UNION EXPLORATION
COMPANY OF TEXAS

By: R. Craig Nielsen *RCN*
R. Craig Nielsen
Attorney-in-Fact

ATTEST

SUN EXPLORATION AND PRODUCTION
COMPANY

By: Arthur F. Ellison *ME*
Agent and Attorney-in-Fact *EF*
Car
W. J. Gagnier

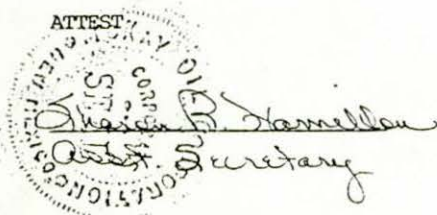
MCKAY OIL CORPORATION

By: M. May

ASSIGNEE

By: E. F. Lewis
Vice President & Trust Officer
First National Bank of Ft. Worth
Co-Trustee of the Charles Roeser
Meeker Trust, #3084

J. H. Meeker
J. H. Meeker, Co-Trustee
of the Charles Roeser
Meeker Trust, #3084



STATE OF TEXAS)
COUNTY OF DALLAS)

Before me, the undersigned authority, in and for said county and state, personally appeared R. Craig Nielsen, the Attorney-in-Fact of Southern Union Exploration Company of Texas, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of said Southern Union Exploration Company of Texas, a corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

Given under my hand and seal of office this 16th day of April, 1982.

Anne S. Myers
Notary Public in and for
Dallas County, Texas



STATE OF TEXAS)
COUNTY OF DALLAS)

Before me, the undersigned authority, in and for said county and state, personally appeared LUTHER E. ELLISON, the Agent and Attorney in Fact of Sun Exploration and Production Company, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of said Sun Exploration and Production Company, a corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

Given under my hand and seal of office, this 13th day of Sept., 1982.



Barbara Stanley
Notary Public in and for
Dallas County, Texas

STATE OF New Mexico)
COUNTY OF Chaves)

Before me, the undersigned authority, in and for said county and state, personally appeared Loy M. Kay, the President of McKay Oil Corporation, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of said McKay Oil Corporation, a corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

Given under my hand and seal of office, this 5th day of May, 1982.



L. J. Johnston
Notary Public in and for

STATE OF Texas)
COUNTY OF Tarrant)

Before me, the undersigned authority, in and for said county and state, on this day personally appeared L. H. Meeker, Co-Trustee of the Charles Roeser Meeker Trust, 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 therein expressed.

Given under my and seal this 6th day of October, 1982.



Glenna M. Brigance
Notary Public in and for
Tarrant County, Texas

6-30-82

My Commission Expires _____

STATE OF TEXAS)
COUNTY OF TARRANT)

Before me, the undersigned authority, in and for said county and state, on this day personally appeared E. F. LAWSON, JR., the Vice President & Trust Officer of First National Bank of Ft. Worth, Co-Trustee of the Charles Roeser Meeker Trust, known to me to be the person and officer whose name is subscribed to the foregoing instrument, and acknowledged to me that the same was the act of First National Bank of Ft. Worth, and that he executed the same as the act of such bank for the for the purposes therein expressed, and in the capacity therein stated.

Given under my and seal this 8th day of October, 1982.



Nancy K. Fernald
Notary Public in and for State of Texas

My Commission Expires _____

EXHIBIT A

LEASE NO: 163-37
LESSOR: L. H. Meeker et al
LESSEE: Chalfant, Magee & Clifton, Inc.
DATE: March 1, 1979
RECORDING DATA: Vol. 375, Page 468, Deed Records,
Reeves County, Texas
DESCRIPTION: E/2 Section 28, Block 56, T-3,
T&P Survey, Reeves County, Texas

Filed for record on the 30th day of December A.D. 1982 at 10:51A. M.

Duly recorded on the 30th day of December A.D. 1982 at 4:00P. M.

BY Binnie Jo Freeman DEPUTY

CATHERINE ASHLEY, COUNTY CLERK,
REEVES COUNTY, TEXAS.

82

82414

Assignment

5-19-84

File dated

Garry Mauro, Commissioner

THE STATE OF TEXAS

County of REEVES } I, CATHERINE ASHLEY, Clerk
of the County Court of Reeves County, Texas, do hereby certify that
the foregoing is a true and correct copy of the original RECORDED PARTIAL ASSIGNMENT OF INTEREST
IN OIL AND GAS LEASE FROM SOUTHERN UNION EXPLORATION COMPANY OF TEXAS, ET AL TO L. H.
MEEKER, ET AL CO-TRS.

as the same appears of record in my office in book 428 page 210 Deed Records.

Given under my Hand and Seal of said Court, at office in Pecos, Texas
this 30th day of April 19 84

CATHERINE ASHLEY Clerk,

By Billie Jo Freeman Deputy.
(Billie JO Freeman)

FILE NO. 4817 SOUTHERN UNION EXPLORATION COMPANY OF TEXAS, ET AL TO
L. H. MEEKER, ET AL, CO-TRS.

PARTIAL ASSIGNMENT OF INTEREST IN OIL AND GAS LEASE

THIS PARTIAL ASSIGNMENT, made and entered into and effective the first day of September, 1981, at seven o'clock, a.m., Central Daylight Time, by and between SOUTHERN UNION EXPLORATION COMPANY OF TEXAS ("SXT"), SUN EXPLORATION AND PRODUCTION COMPANY ("Sun") and MCKAY OIL CORPORATION ("McKay"), hereinafter collectively referred to as "Assignor," and THE FIRST NATIONAL BANK OF FORT WORTH, Guardian for Anne M. Phillips No. 1876; Trustee U/W for Anne M. Phillips No. 2951; Agent for Charles R. Meeker No. 4212, and L. H. MEEKER and THE FIRST NATIONAL BANK OF FORT WORTH, Co-Trustees U/W for Charles R. Meeker No. 2952, hereinafter referred to as "Assignee."

WITNESSETH:

WHEREAS, SXT, Sun and McKay are the owners of the working interest in the Oil and Gas Lease described in Exhibit A attached hereto (the "Subject Lease") and the premises in Reeves County, Texas, more specifically described therein ("Subject Lands") in the following proportions: SXT-sixty percent (60%), Sun-twenty-five percent (25%) and McKay-fifteen percent (15%); and

WHEREAS, Assignee, as Lessor in the Subject Lease, has reserved in paragraph 19 therein an additional royalty of seven and five-tenths percent (7.5%) of all oil, gas and other minerals produced from the Subject Lands covered by the Subject Lease ("Excess Royalty"); and

WHEREAS, under the terms of a letter agreement dated March 1, 1979, between Chalfant, Magee and Clifton, Inc. (predecessor in interest to Assignor) and Assignee, and by virtue of the payout of the Meeker #1 Well as hereinafter described, Assignee has the option to convert its Excess Royalty to a prorata part of a twenty-five percent (25%) working interest in the proration unit for said well as hereinafter described.

NOW, THEREFORE, in consideration of the sum of Ten Dollars (\$10.00), receipt of which is hereby acknowledged, and other valuable consideration hereinafter expressed, Assignor does hereby assign to Assignee a four and 1665/10,000 percent (4.1665%) working interest in and to the Subject Lands covered by the Subject Lease insofar and insofar only as the same cover the Northeast Quarter of the Northeast Quarter of Section 28, Lot 56, Township 3, T&P Survey of Reeves County, Texas, to a depth of three thousand eight hundred twelve (3,812) feet below the surface (the "Assigned Premises") which comprises the proration unit of the Meeker #1 Well, together with a like interest in all

casing, tubing and equipment in and on the said Meeker #1 Well and all production facilities used in connection therewith, which well is located six hundred sixty (660) feet from the North line and six hundred sixty (660) feet from the East line of the Assigned Premises.

This Assignment is made subject to its proportionate part of all royalty interests, overriding royalty interests, production payments or other encumbrances and obligations of record presently burdening the Subject Lease, and is made without warranty, either express or implied. Assignor expressly reserves all rights in and to all portions and depths of the Subject Lands covered by the Subject Lease not specifically assigned herein.

Assignee, as a condition to this Assignment and by execution hereof, expressly forfeits its entire Excess Royalty upon the Assigned Premises.

IN WITNESS WHEREOF, Assignor and Assignee have executed this instrument effective the day, year and hour first above written.

ASSIGNOR

SOUTHERN UNION EXPLORATION
COMPANY OF TEXAS

By: R. Craig Nielsen *RCN*
R. Craig Nielsen
Attorney-in-Fact

SUN EXPLORATION AND PRODUCTION
COMPANY

By: Luther F. Ellison *ME JJ*
Luther F. Ellison
Agent and Attorney-in-Fact

ATTEST

ATTEST
Sharon R. Hamilton
Asst. Secretary

MCKAY OIL CORPORATION

By: H. May

ASSIGNEE

THE FIRST NATIONAL BANK OF FORT WORTH,
Guardian for Anne M. Phillips No. 1876;
Trustee U/W for Anne M. Phillips No.
2951;
Agent for Charles R. Meeker No. 4212

By: E. F. Hewson
Vice President & Trust Officer

W. H. MEKER
and

THE FIRST NATIONAL BANK OF FORT WORTH,
Co-Trustees U/W for Charles R. Meeker
No. 2952

By: E. F. Hewson
Vice President & Trust Officer

ATTEST:
W. H. Meeker
Trust Officer

ATTEST:
W. H. Meeker
Trust Officer

STATE OF TEXAS)
)
 COUNTY OF DALLAS)

Before me, the undersigned authority, in and for said county and state, personally appeared R. Craig Nielsen, the Attorney-in-Fact of Southern Union Exploration Company of Texas, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of said Southern Union Exploration Company of Texas, a corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

Given under my hand and seal of office this 16th day of April, 1982.

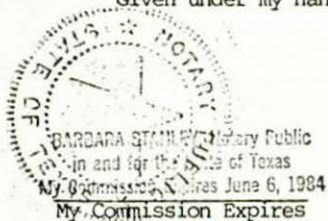


Anne S. Myers
 Notary Public in and for
 Dallas County, Texas

STATE OF TEXAS)
)
 COUNTY OF DALLAS)

Before me, the undersigned authority, in and for said county and state, personally appeared LUTHER E. ELLISON, the Agent and Attorney in Fact of Sun Exploration and Production Company, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of said Sun Exploration and Production Company, a corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

Given under my hand and seal of office, this 13th day of Sept., 1982.



Barbara Stanley
 Notary Public in and for
 Dallas County, Texas

STATE OF New Mexico)
)
 COUNTY OF Alamosa)

Before me, the undersigned authority, in and for said county and state, personally appeared Ray L. McKay, the President of McKay Oil Corporation, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of said McKay Oil Corporation, a corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

Given under my hand and seal of office, this 5th day of May, 1982.



Lois Q. Robinson
 Notary Public in and for

STATE OF TEXAS)
)
COUNTY OF TARRANT)

Before me, the undersigned authority, in and for said county and state, personally appeared E. F. LAWSON, JR., the Vice President & Trust Officer of First National Bank of Ft. Worth, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of said First National Bank of Ft. Worth, a bank, and that he executed the same as the act of such bank for the purposes and consideration therein expressed, and in the capacity therein stated.

Given under my hand and seal of office, this 8th day of October, 1982.

Nancy K. Franklin
Notary Public in and for State of Texas
Nancy K. Franklin, Notary Public
State of Texas

My Commission Expires March 17, 1983
My Commission Expires

STATE OF TEXAS)
)
COUNTY OF TARRANT)

Before me, the undersigned authority, in and for said county and state, on this day personally appeared L. H. MEEKER, Co-Trustee of the Charles Roeser Meeker Trust, 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 therein expressed.

Given under my seal this 15th day of October, 1982.

Glenna M. Brigance
Notary Public in and for
Tarrant County, Texas

My Commission Expires 6-30-84

EXHIBIT A

LEASE NO:	163-34
LESSOR:	First Nat'l Bank of Fort Worth, Trustee, et al
LESSEE:	Chalfant, Magee & Clifton, Inc.
DATE:	March 1, 1979
RECORDING DATA:	Vol. 375, Page 163, Deed Records, Reeves County, Texas
DESCRIPTION:	E/2 Section 28, Block 56, T-3, T&P Survey, Reeves County, Texas

Filed for record on the 30th day of December A.D. 1982 at 10:51A. M.

Duly recorded on the 30th day of December, A.D. 1982 at 4:00P. M.

BY *Brian J. Freeman* DEPUTY

CATHERINE ASHLEY, COUNTY CLERK,
REEVES COUNTY, TEXAS.

52

82414
Argument
File dated 5-19-84
Garry Mauro, Commissioner

THE STATE OF TEXAS

County of REEVES } I, CATHERINE ASHLEY, Clerk
of the County Court of Reeves County, Texas, do hereby certify that
the foregoing is a true and correct copy of the original RECORDED PARTIAL ASSIGNMENT OF INTEREST
IN OIL AND GAS LEASE FROM SOUTHERN UNION EXPLORATION COMPANY OF TEXAS, ET AL TO
L. H. MEEKER, ET AL CO-TRS.
as the same appears of record in my office in book 428 page 206, Deed Records.

Given under my Hand and Seal of said Court, at office in Pecos, Texas
this 30th day of April 19 84.

CATHERINE ASHLEY Clerk,

By Billie Jo Freeman Deputy.
(Billie Jo Freeman)

FILE NO. 4816

SOUTHERN UNION EXPLORATION COMPANY OF TEXAS, ET AL TO
J. J. MEEKER

PARTIAL ASSIGNMENT OF INTEREST IN OIL AND GAS LEASE

THIS PARTIAL ASSIGNMENT, made and entered into and effective the first day of September, 1981, at seven o'clock, a.m., Central Standard Daylight Time, by and between SOUTHERN UNION EXPLORATION COMPANY OF TEXAS ("SXT"), SUN EXPLORATION AND PRODUCTION COMPANY ("Sun") and MCKAY OIL CORPORATION ("McKay"), hereinafter collectively referred to as "Assignor," and J. J. MEEKER, dealing in his sole and separate property, hereinafter referred to as "Assignee."

WITNESSETH:

WHEREAS, SXT, Sun and McKay are the owners of the working interest in the Oil and Gas Lease described in Exhibit A attached hereto (the "Subject Lease") and the premises in Reeves County, Texas more specifically described therein ("Subject Lands") in the following proportions: SXT-sixty percent (60%), Sun-twenty-five percent (25%) and McKay-fifteen percent (15%); and

WHEREAS, Assignee, as Lessor in the Subject Lease, has reserved in paragraph 19 therein an additional royalty of seven and five-tenths percent (7.5%) of all oil, gas and other minerals produced from the Subject Lands covered by the Subject Lease ("Excess Royalty"); and

WHEREAS, under the terms of a letter agreement dated March 1, 1979, between Chalfant, Magee and Clifton, Inc. (predecessor in interest to Assignor) and Assignee, and by virtue of the payout of the Meeker #1 Well as hereinafter described, Assignee has the option to convert its Excess Royalty to a prorata part of a twenty-five percent (25%) working interest in the proration unit for said well as hereinafter described.

NOW THEREFORE, in consideration of the sum of Ten Dollars (\$10.00), receipt of which is hereby acknowledged, and other valuable consideration hereinafter expressed, Assignor does hereby assign to Assignee an eight and 3335/10,000 percent (8.3335%) working interest in and to the Subject Lands covered by the Subject Lease insofar and insofar only as the same cover the Northeast Quarter of the Northeast Quarter of Section 28, Lot 56, Township 3, T&P Survey of Reeves County, Texas, to a depth of three thousand eight hundred twelve (3,812) feet below the surface (the "Assigned Premises") which comprises the proration unit for the Meeker #1 Well, together with a like interest in all

casing, tubing and equipment in and on the said Meeker #1 Well and all production facilities used in connection therewith, which well is located six hundred sixty (660) feet from the North line and six hundred sixty (660) feet from the East line of the Assigned Premises.

This Assignment is made subject to its proportionate part of all royalty interests, overriding royalty interests, production payments or other encumbrances and obligations of record presently burdening the Subject Lease, and is made without warranty, either express or implied. Assignor expressly reserves all rights in and to all portions and depths of the Subject Lands covered by the Subject Lease not specifically assigned herein.

Assignee, as a condition to this Assignment and by execution hereof, expressly forfeits its entire Excess Royalty upon the Assigned Premises.

IN WITNESS WHEREOF, Assignor and Assignee have executed this instrument effective the day, year and hour first above written.

ASSIGNOR

SOUTHERN UNION EXPLORATION
COMPANY OF TEXAS

By: R. Craig Nielsen *RCN*
R. Craig Nielsen
Attorney-in-Fact

ATTEST

SUN EXPLORATION AND PRODUCTION
COMPANY

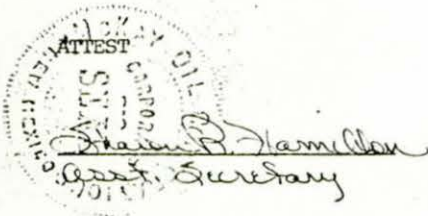
By: Lucas T. Ellum *ME*
Agent and Attorney-in-Fact *JE*
East
August 24, 1961

MCKAY OIL CORPORATION

By: G. McKay

ASSIGNEE

J. J. Meeker
J. J. Meeker
dealing in his sole and
separate property



STATE OF TEXAS)
)
 COUNTY OF DALLAS)

Before me, the undersigned authority, in and for said county and state, personally appeared R. Craig Nielsen, the Attorney-in-Fact of Southern Union Exploration Company of Texas, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of said Southern Union Exploration Company of Texas, a corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

Given under my hand and seal of office this 16th day of April, 1982.

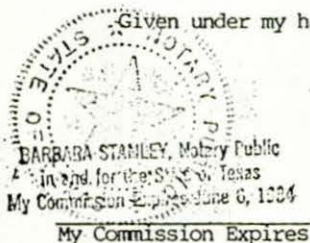


Anne S. Mueller
 Notary Public in and for
 Dallas County, Texas

STATE OF TEXAS)
)
 COUNTY OF DALLAS)

Before me, the undersigned authority, in and for said county and state, personally appeared Barbara Stanley, the Agent and Attorney in Fact of Sun Exploration and Production Company, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of said Sun Exploration and Production Company, a corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

Given under my hand and seal of office, this 13^d day of April, 1982.



Barbara Stanley
 Notary Public in and for
 Dallas County, Texas

STATE OF New Mexico)
)
 COUNTY OF Chaves)

Before me, the undersigned authority, in and for said county and state, personally appeared Loy L. McKay, the President of McKay Oil Corporation, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of said McKay Oil Corporation, a corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

Given under my hand and seal of office, this 5th day of May, 1982.

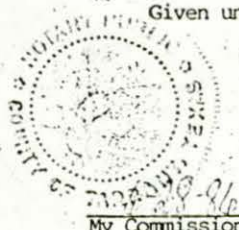


Loy L. Johnston
 Notary Public in and for

STATE OF Texas)
COUNTY OF Tarrant)

Before me, the undersigned authority, in and for said county and state, on this day personally appeared J. J. Meeker, 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 therein expressed.

Given under my and seal this 7th day of Oct, 1982.



Judy C. King
Notary Public in and for
Tarrant County, Texas

My Commission Expires _____

EXHIBIT A

LEASE NO:	163-31
LESSOR:	J. J. Meeker
LESSEE:	Chalfant, Magee & Clifton, Inc.
DATE:	March 1, 1979
RECORDING DATA:	Vol. 374, Page 340, Deed Records, Reeves County, Texas
DESCRIPTION:	E/2 Section 28, Block 56, T-3, T&P Survey, Reeves County, Texas

Filed for record on the	<u>30th</u>	day of	<u>December</u>	A.D. 1982 at	<u>10:51A.</u>	M.
Duly recorded on the	<u>30th</u>	day of	<u>December</u>	A.D. 1982 at	<u>4:00P.</u>	M.
BY	<u>Bruce Jo Freeman</u>			DEPUTY	CATHERINE ASHLEY, COUNTY CLERK, REEVES COUNTY, TEXAS.	

30

M 82414
Assignment

File dated 5-19-84
Garry Mauro, Commissioner

FOR SALE BY STAFFORD-LOWDON CO. FORT WORTH 25237
E 503—CERTIFICATE OF TRUE COPY OF PAPERS RECORDED—Class 1. (Arts. 6600-6625-6634, R. S. 1925) Texas Standard Form

THE STATE OF TEXAS

County of REEVES }
of the County Court of Reeves County, Texas, do hereby certify that
the foregoing is a true and correct copy of the original RECORDED PARTIAL ASSIGNMENT OF INTEREST
IN OIL AND GAS LEASE FROM SOUTHERN UNION EXPLORATION COMPANY OF TEXAS, ET AL TO J. J.
MEEKER,

as the same appears of record in my office in book 428 page 202. Deed Records.

Given under my Hand and Seal of said Court, at office in Pecos, Texas
this 30th day of April 19 84

CATHERINE ASHLEY
Clerk,

By Billie Jo Freeman Deputy.
(Billie JO Freeman)

SOUTHERN UNION EXPLORATION COMPANY OF TEXAS TO
McKAY OIL CORPORATION

ASSIGNMENT OF OIL AND GAS LEASES

S. E. Orla Prospect
Reeves County, Texas

THIS ASSIGNMENT is made and entered into this 21st day of June, 1982, but effective as of January 28, 1980, by and between SOUTHERN UNION EXPLORATION COMPANY OF TEXAS, a corporation whose address is Texas Federal Building, Suite 400, 1217 Main Street, Dallas, Texas 75202 (herein called "Assignor" and McKAY OIL CORPORATION, a corporation whose address is P. O. Box 2014, Roswell, New Mexico 88201 (herein called "Assignee").

W I T N E S S E T H T H A T :

WHEREAS, Assignor is the owner and holder of the particular interest in the oil and gas leases identified and set out in Exhibit "A" attached hereto and made a part of this assignment; and

WHEREAS, Assignor desires to assign to Assignee an undivided interest in the oil and gas leases identified in Exhibit "A" attached hereto and made a part hereof;

NOW, THEREFORE, for a valuable consideration paid to Assignor, the receipt and sufficiency of which is hereby acknowledged, Assignor does hereby grant, transfer and assign unto Assignee an undivided 15.00% interest in and to the oil and gas leases identified on Exhibit "A" attached hereto and made a part hereof for all purposes, together with a like percentage of the interest of Assignor in all rights and privileges existing under or by virtue of such leases and a like percentage of the interest of Assignor in all personal property thereon or appurtenant thereto or used or obtained in connection therewith.

This assignment is made without warranty of title expressed or implied; provided, however, that Assignee and its successors and assigns shall, to the extent of the herein assigned interests, have full substitution and subrogation in and to all covenants and warranties by others heretofor given or made and inuring to the benefit of Assignor in respect to the oil and gas leases identified on Exhibit "A" hereto or any part thereof.

This assignment is made subject to the letter Farmout Agreement dated January 17, 1980 between Southern Union Exploration Company (now "Southern Union Exploration Company of Texas") and HNG Oil Company.

By its acceptance hereof, Assignee assumes and agrees to perform and discharge to the extent of the interests herein assigned Assignee all of the obligations of Assignor which are allocable to the herein assigned interests.

IN TESTIMONY WHEREOF, this assignment is executed as of the day and year first above written.

SOUTHERN UNION EXPLORATION COMPANY OF TEXAS

BY: R. Craig Nielsen *ssm*
R. Craig Nielsen, Attorney-in-Fact

STATE OF TEXAS |
COUNTY OF DALLAS | ss.

BEFORE ME, a Notary Public in and for said county and state, on this day personally appeared R. CRAIG NIELSEN, known to me to be the person whose name is subscribed to the foregoing assignment, as Attorney-in-Fact of Southern Union Exploration Company of Texas, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this 21st day of JUNE,



Lynda L. Mann
Notary Public

Commission expires:
LYNDA S. MANN
Notary Public
~~Commission expires 10-2-85~~

EXHIBIT "A"
Attached to Assignment From Southern Union Exploration
Company of Texas to McKay Oil Corporation

State: Texas
County: Reeves
Prospect: S.E. 0r1a

LESSOR	SXT LEASE NUMBER	LESSEE	RECORDED VOL. PAGE	LEASE ROYALTY	DATE OF LEASE	LAND DESCRIPTION
Lawrence H. Meeker	2232-A	Chalfant, Magee & Clifton, Inc.	373 611	1/5	3/1/79	East one-half (E/2) of Section 28, Block 56, Township 3, T & P RR Co. Survey
J. J. Meeker	2232-B	Chalfant, Magee & Clifton, Inc.	374 340	1/5	3/1/79	East one-half (E/2) of Section 28, Block 56, Township 3, T & P RR Co. Survey
Anne W. Meeker	2232-C	Chalfant, Magee & Clifton, Inc.	375 163	1/5	3/1/79	East one-half (E/2) of Section 28, Block 56, Township 3, T & P RR Co. Survey
Charles R. Meeker Trust	2232-D	Chalfant, Magee & Clifton, Inc.	375 468	1/5	3/1/79	East one-half (E/2) of Section 28, Block 56, Township 3, T & P RR Co. Survey

Filed for record on the 17th day of August, A.D. 1982 at 10:05A. M.
Duly recorded on the 17th day of August, A.D. 1982 at 10:30A. M.

BY *Bruce J. L. L. L.* DEPUTY CATHERINE ASHLEY, COUNTY CLERK,
REEVES COUNTY, TEXAS.

31

82414

Assignment

5-19-84

File dated

Garry Mauro, Commissioner

THE STATE OF TEXAS

County of REEVES } I, CATHERINE ASHLEY, Clerk
of the County Court of Reeves County, Texas, do hereby certify that
the foregoing is a true and correct copy of the original RECORDED ASSIGNMENT OF OIL AND GAS LEASES
FROM SOUTHERN UNION EXPLORATION COMPANY OF TEXAS TO MCKAY OIL CORPORATION,

as the same appears of record in my office in book 423 page 788, Deed Records.

Given under my Hand and Seal of said Court, at office in Pecos, Texas
this 30th day of April 19 84.

CATHERINE ASHLEY Clerk,

By Billie JO Freeman Deputy.
(Billie JO Freeman)

FILE NO. 4815

SOUTHERN UNION EXPLORATION COMPANY OF TEXAS, ET AL
TO LAWRENCE H. MEEKER, A/K/A L. H. MEEKER

PARTIAL ASSIGNMENT OF INTEREST IN OIL AND GAS LEASE

THIS PARTIAL ASSIGNMENT, made and entered into and effective the first day of September, 1981, at seven o'clock, a.m., Central Standard Daylight Time, by and between SOUTHERN UNION EXPLORATION COMPANY OF TEXAS ("SXT"), SUN EXPLORATION AND PRODUCTION COMPANY ("Sun") and MCKAY OIL CORPORATION ("McKay"), hereinafter collectively referred to as "Assignor," and LAWRENCE H. MEEKER, also known as L. H. Meeker, dealing in his sole and separate property, hereinafter referred to as "Assignee."

WITNESSETH:

WHEREAS, SXT, Sun and McKay are the owners of the working interest in the Oil and Gas Lease described in Exhibit A attached hereto (the "Subject Lease") and the premises in Reeves County, Texas more specifically described therein ("Subject Lands") in the following proportions: SXT-sixty percent (60%), Sun-twenty-five percent (25%) and McKay-fifteen percent (15%); and

WHEREAS, Assignee, as Lessor in the Subject Lease, has reserved in paragraph 19 therein an additional royalty of seven and five-tenths percent (7.5%) of all oil, gas and other minerals produced from the Subject Lands covered by the Subject Lease ("Excess Royalty"); and

WHEREAS, under the terms of a letter agreement dated March 1, 1979, between Chalfant, Magee and Clifton, Inc. (predecessor in interest to Assignor) and Assignee, and by virtue of the payout of the Meeker #1 Well as hereinafter described, Assignee has the option to convert its Excess Royalty to a prorata part of a twenty-five percent (25%) working interest in the proration unit for said well as hereinafter described.

NOW THEREFORE, in consideration of the sum of Ten Dollars (\$10.00), receipt of which is hereby acknowledged, and other valuable consideration hereinafter expressed, Assignor does hereby assign to Assignee an eight and $3335/10,000$ percent (8.3335%) working interest in and to the Subject Lands covered by the Subject Lease insofar and insofar only as the same cover the Northeast Quarter of the Northeast Quarter of Section 28, Lot 56, Township 3, T&P Survey of Reeves County, Texas, to a depth of three thousand eight hundred twelve (3,812) feet below the surface (the "Assigned Premises") which comprises the proration unit for the Meeker #1 Well, together with a like interest in all

casing, tubing and equipment in and on the said Meeker #1 Well and all production facilities used in connection therewith, which well is located six hundred sixty (660) feet from the North line and six hundred sixty (660) feet from the East line of the Assigned Premises.

This Assignment is made subject to its proportionate part of all royalty interests, overriding royalty interests, production payments or other encumbrances and obligations of record presently burdening the Subject Lease, and is made without warranty, either express or implied. Assignor expressly reserves all rights in and to all portions and depths of the Subject Lands covered by the Subject Lease not specifically assigned herein.

Assignee, as a condition to this Assignment and by execution hereof, expressly forfeits its entire Excess Royalty upon the Assigned Premises.

IN WITNESS WHEREOF, Assignor and Assignee have executed this instrument effective the day, year and hour first above written.

ASSIGNOR

SOUTHERN UNION EXPLORATION
COMPANY OF TEXAS

By: R. Craig Nielsen *DKM*

R. Craig Nielsen
Attorney-in-Fact

ATTEST

SUN EXPLORATION AND PRODUCTION
COMPANY *ME JJ EAB*

By: Richard F. Ellison *10/1/48*

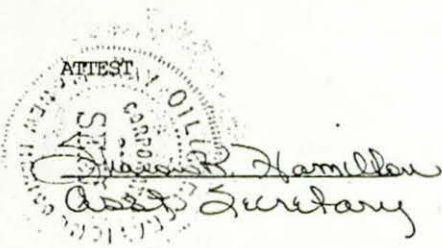
Agent and Attorney-in-Fact

MCKAY OIL CORPORATION

By: M. May

ASSIGNEE

Lawrence H. Meeker
Lawrence H. Meeker,
also known as L. H. Meeker,
dealing in his sole and
separate property



STATE OF TEXAS)
)
 COUNTY OF DALLAS)

Before me, the undersigned authority, in and for said county and state, personally appeared R. Craig Nielsen, the Attorney-in-Fact of Southern Union Exploration Company of Texas, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of said Southern Union Exploration Company of Texas, a corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

Given under my hand and seal of office this 16th day of April, 1982.

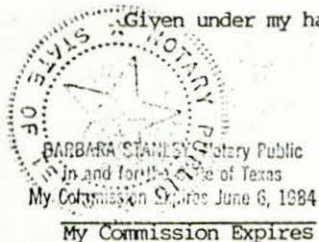
Anne S. Myers
 Notary Public in and for
 Dallas County, Texas



STATE OF TEXAS)
)
 COUNTY OF DALLAS)

Before me, the undersigned authority, in and for said county and state, personally appeared LUTHER F. ELLISON, the Agent and Attorney in Fact of Sun Exploration and Production Company, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of said Sun Exploration and Production Company, a corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

Given under my hand and seal of office, this 13th day of Sept., 1982.



Barbara Stanley
 Notary Public in and for
 Dallas County, Texas

STATE OF New Mexico)
)
 COUNTY OF Chaves)

Before me, the undersigned authority, in and for said county and state, personally appeared Roy L. M. Lay, the President of McKay Oil Corporation, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of said McKay Oil Corporation, a corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

Given under my hand and seal of office, this 5th day of May, 1982.



Karen Q. Johnston
 Notary Public in and for

STATE OF Texas
COUNTY OF Tarrant

Before me, the undersigned authority, in and for said county and state, on this day personally appeared Lawrence H. Meeker, 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 therein expressed.



Given under my and seal this 6th day of October 1982

Glenna M. Brigance
Notary Public in and for Tarrant County
GLENN A. BRIGANCE
My Commission Expires 6-30-84 Texas

My Commission Expires _____

EXHIBIT A

LEASE NO.:	163-21
LESSOR:	Lawrence W. Meeker
LESSEE:	Chalfant, Magee & Clifton, Inc.
DATE:	March 1, 1979
RECORDING DATA:	Vol. 373, Page 611, Deed Records, Reeves County, Texas
DESCRIPTION:	E/2 Section 28, Block 56, T-3, T&P Survey, Reeves County, Texas

Filed for record on the <u>30th</u> day of <u>December</u> A.D. 1982 at <u>10:51A.</u> M.	
Duly recorded on the <u>30th</u> day of <u>December</u> A.D. 1982 at <u>4:00P.</u> M.	
BY <u>Billy Joe Foreman</u> DEPUTY	CATHERINE ASHLEY, COUNTY CLERK, REEVES COUNTY, TEXAS.

82414

Assignment

File dated 5-19-84

Garry Mauro, Commissioner

E 503—CERTIFICATE OF TRUE COPY OF PAPERS RECORDED—Class 1.

FOR SALE BY STAFFORD-LOWDON CO. FORT WORTH 25237

(Arts. 6600-6625-6634, R. S. 1925)

Texas Standard Form

THE STATE OF TEXAS

County of REEVES

I, CATHERINE ASHLEY, Clerk

of the County Court of Reeves County, Texas, do hereby certify that the foregoing is a true and correct copy of the original RECORDED PARTIAL ASSIGNMENT OF INTEREST IN OIL AND GAS LEASE FROM SOUTHERN UNION EXPLORATION COMPANY OF TEXAS, ET AL TO LAWRENCE H. MEEKER, A/K/A L. H. MEEKER.

as the same appears of record in my office in book 428 page 198, Deed Records.

Given under my Hand and Seal of said Court, at office in Pecos, Texas

this 30th day of April 19 84

CATHERINE ASHLEY Clerk,

By Billie Jo Freeman Deputy.
(Billie Jo Freeman)

FILE NO. 773 HNG OIL COMPANY TO SOUTHERN UNION EXPLORATION COMPANY

xx-4

5X7-2232

THE STATE OF TEXAS X
 X ASSIGNMENT OF OIL AND GAS LEASES
COUNTY OF REEVES X

KNOW ALL MEN BY THESE PRESENTS:

I.

ASSIGNMENT

For an adequate consideration in hand paid, the receipt of which is hereby acknowledged, HNG OIL COMPANY ("Assignor") does hereby, subject to the reservations hereinafter contained, grant, convey and assign to SOUTHERN UNION EXPLORATION COMPANY ("Assignee") and to its respective heirs, successors and assigns, all of its right, title and interest in and to the leases set out and described on Exhibit "A" attached hereto, together with a like interest in and to all personal property and equipment used or obtained in connection therewith, insofar and only insofar as said leases cover Assignor's rights from the surface, down to and including, but not below the depth of 3,812 feet.

II.

OVERRIDING ROYALTY

A. There is excepted and reserved unto Assignor from the leases and lands assigned herein, an overriding royalty equal to five percent (5%) on all oil, gas and related hydrocarbons produced and saved from the said leases and any renewals and extensions thereof. Said reserved overriding royalty shall be exclusive of all existing burdens on the said leases and calculated and paid in the same manner as royalty reserved in the respective leases (but shall not be entitled to participate in any shut-in gas well royalty); be free and clear of all costs and expenses except that some shall bear and pay its proportionate part of severance, ad valorem and other taxes measured by production.

B. "... renewals and extensions ...", as used above, shall mean any top lease, new lease, extension agreement or any other contract of any nature whereby Assignee, within six months after the expiration (whether as a result of termination, release or other cause) of a lease described on the attached Exhibit "A", acquires the right and/or option to explore for and develop and produce oil, gas or other minerals from the land or any part thereof and/or undivided interests therein now described in and covered by such lease.

C. In the event any lease herein assigned should cover less than the entirety of the oil and gas in the premises covered thereby, and/or in the event the interest herein assigned in any lease described on Exhibit "A" is less than the entire interest in such lease, then the overriding royalty interest hereinabove reserved shall be proportionately reduced to accord with the net interest covered by such lease and herein assigned to Assignee.

III.

SUBJECT TO PRIOR INSTRUMENTS

This Assignment is specifically given subject to the terms and conditions of that certain unrecorded Farmout Letter Agreement dated January 17, 1980 between HNG Oil Company and Davis Oil Company.

WITNESS THE EXECUTION HEREOF this 7th day of September, 1980.

ATTEST:

DELAWARE

Judy Walters
Judy Walters, Asst. Secretary

HNG OIL COMPANY

By: *Stewart Martin*
J. Stewart Martin, Vice President

Southern Union Exploration Co.
Attn: Land Department
Texas Federal Bldg.
1217 Main Street
Dallas, Texas 75202

BW
S

THE STATE OF TEXAS

COUNTY OF MIDLAND

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared J. STEWART MARTIN, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said HNG OIL COMPANY, a corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 22 day of January, 1980.

CLAUDIA STARNES-Notary Public
In and for State of Texas
My Commission Expires 2-6-84

Notary Public

EXHIBIT "A"

Attached to Assignment from HNG Oil Company
to Southern Union Exploration Company
dated September 7, 1980

LEASE NO: 163-21
LESSOR: Lawrence W. Meeker
LESSEE: Chalfant, Magee & Clifton, Inc.
DATE: March 1, 1979
RECORDING DATA: Vol. 373, Page 611, Deed Records,
Reeves County, Texas
DESCRIPTION: E/2 Section 28, Block 56, T-3,
T&P Survey, Reeves County, Texas

LEASE NO: 163-31
LESSOR: J. J. Meeker
LESSEE: Chalfant, Magee & Clifton, Inc.
DATE: March 1, 1979
RECORDING DATA: Vol. 374, Page 340, Deed Records,
Reeves County, Texas
DESCRIPTION: Same as Lease No. 163-21 above

LEASE NO: 163-34
LESSOR: First Nat'l Bank of Fort Worth,
Trustee, et al
LESSEE: Chalfant, Magee & Clifton, Inc.
DATE: March 1, 1979
RECORDING DATA: Vol. 375, Page 163, Deed Records,
Reeves County, Texas
DESCRIPTION: Same as Lease No. 163-21 above

LEASE NO: 163-37
LESSOR: L. H. Meeker et al
LESSEE: Chalfant, Magee & Clifton, Inc.
DATE: March 1, 1979
RECORDING DATA: Vol. 375, Page 468, Deed Records,
Reeves County, Texas
DESCRIPTION: Same as Lease No. 163-21 above

filed for record on the 2nd day of March, A.D. 1981 at 10:45A. M.
y recorded on the 2nd day of March, A.D. 1981 at 11:30A. M.

Bruce J. Freeman

DEPUTY

CATHERINE ASHLEY, COUNTY CLERK,
REEVES COUNTY, TEXAS.

33

82414

Assigner +

File dated 5-19-84

Garry Mauro, Commissioner



THE STATE OF TEXAS

County of REEVES } I, CATHERINE ASHLEY, Clerk
of the County Court of Reeves County, Texas, do hereby certify that
the foregoing is a true and correct copy of the original RECORDED ASSIGNMENT OF OIL AND GAS LEASES
FROM HNG OIL COMPANY TO SOUTHERN UNION EXPLORATION COMPANY,

as the same appears of record in my office in book 400 page 344, Deed Records.

Given under my Hand and Seal of said Court, at office in Pecos, Texas
this 30th day of April 19 84.

CATHERINE ASHLEY Clerk,
By Billie Jo Freeman Deputy.
(Billie Jo Freeman)

FILE NO. 2785

SOUTHERN UNION EXPLORATION COMPANY OF TEXAS TO
SUN EXPLORATION AND PRODUCTION COMPANYASSIGNMENT OF OIL AND GAS LEASESS.E. Orla Prospect
Reeves County, Texas

THIS ASSIGNMENT is made and entered into this 21st day of JUNE, 1982, but effective as of January 28, 1980, by and between SOUTHERN UNION EXPLORATION COMPANY OF TEXAS, a corporation whose address is Texas Federal Building, Suite 400, 1217 Main Street, Dallas, Texas 75202 (herein called "Assignor") and SUN EXPLORATION AND PRODUCTION COMPANY, a corporation whose address is P. O. Box 2880, Dallas, Texas 75221 (herein called "Assignee").

W I T N E S S E T H T H A T :

WHEREAS, Assignor is the owner and holder of the particular interest in the oil and gas leases identified and set out in Exhibit "A" attached hereto and made a part of this assignment; and

WHEREAS, Assignor desires to assign to Assignee an undivided interest in the oil and gas leases identified in Exhibit "A" attached hereto and made a part hereof;

NOW, THEREFORE, for a valuable consideration paid to Assignor, the receipt and sufficiency of which is hereby acknowledged, Assignor does hereby grant, transfer and assign unto Assignee an undivided 25.00% interest in and to the oil and gas leases identified on Exhibit "A" attached hereto and made a part hereof for all purposes, together with a like percentage of the interest of Assignor in all rights and privileges existing under or by virtue of such leases and a like percentage of the interest of Assignor in all personal property thereon or appurtenant thereto or used or obtained in connection therewith.

This assignment is made without warranty of title expressed or implied; provided, however, that Assignee and its successors and assigns shall, to the extent of the herein assigned interests, have full substitution and subrogation in and to all covenants and warranties by others heretofor given or made and inuring to the benefit of Assignor in respect to the oil and gas leases identified on Exhibit "A" hereto or any part thereof.

This assignment is made subject to the letter Farmout Agreement dated January 17, 1980 between Southern Union Exploration Company (now "Southern Union Exploration Company of Texas") and HNG Oil Company.

By its acceptance hereof, Assignee assumes and agrees to perform and discharge to the extent of the interests herein assigned Assignee all of the obligations of Assignor which are allocable to the herein assigned interests.

IN TESTIMONY WHEREOF, this assignment is executed as of the day and year first above written.

SOUTHERN UNION EXPLORATION COMPANY OF TEXAS

By: R. Craig Nielsen
R. Craig Nielsen, Attorney-in-Fact

STATE OF TEXAS |
COUNTY OF DALLAS | SS.

BEFORE ME, a Notary Public in and for said county and state, on this day personally appeared R. CRAIG NIELSEN, known to me to be the person whose name is subscribed to the foregoing assignment, as Attorney-in-Fact of Southern Union Exploration Company of Texas, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this 21st day of JUNE, 1982.

Lynda S. Marrs
Notary Public

Commission expires:
LYNDA S. MARRS
Notary Public

Commission expires 10-3-85

EXHIBIT "A"
Attached to Assignment From Southern Union Exploration
Company of Texas to Sun Exploration and Production Company

State: Texas
County: Reeves
Prospect: S.E. Orla

LESSOR	SXT LEASE NUMBER	LESSEE	RECORDED VOL. PAGE	LEASE ROYALTY	DATE OF LEASE	LAND DESCRIPTION
Lawrence H. Meeker	2232-A	Chalfant, Magee & Clifton, Inc.	373 611	1/5	3/1/79	East one-half (E/2) of Section 28, Block 56, Township 3, T & P RR Co. Survey
J. J. Meeker	2232-B	Chalfant, Magee & Clifton, Inc.	374 340	1/5	3/1/79	East one-half (E/2) of Section 28, Block 56, Township 3, T & P RR Co. Survey
Anne W. Meeker	2232-C	Chalfant, Magee & Clifton, Inc.	375 163	1/5	3/1/79	East one-half (E/2) of Section 28, Block 56, Township 3, T & P RR Co. Survey
Charles R. Meeker Trust	2232-D	Chalfant, Magee & Clifton, Inc.	375 468	1/5	3/1/79	East one-half (E/2) of Section 28, Block 56, Township 3, T & P RR Co. Survey

Filed for record on the 19th day of July, A.D. 1982 at 8:30A. M.

Duly recorded on the 19th day of July, A.D. 1982 at 11:30A. M.

CATHERINE ASHLEY, COUNTY CLERK,
REEVES COUNTY, TEXAS.

DEPUTY

By *Linus G. Lamm*

40.01.9

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82414
Assignment
5-19-84
Filed
Gailly Martin, Commissioner



THE STATE OF TEXAS

County of REEVES } I, CATHERINE ASHLEY, Clerk
of the County Court of Reeves County, Texas, do hereby certify that
the foregoing is a true and correct copy of the original RECORDED ASSIGNMENT OF OIL AND GAS LEASES
FROM SOUTHERN UNION EXPLORATION COMPANY OF TEXAS TO SUN EXPLORATION AND PRODUCTION COMPANY,

as the same appears of record in my office in book 422 page 496, Deed Records.

Given under my Hand and Seal of said Court, at office in Pecos, Texas
this 30th day of April 19 84.

CATHERINE ASHLEY Clerk,
By Billie JO Freeman Deputy.
(Billie JO Freeman)

FILE NO. 2762 SOUTHERN UNION EXPLORATION COMPANY OF TEXAS, ET AL TO
LAWRENCE HILL MEEKER, ET AL, CO-TRS.

COUNTY OF REEVES)
STATE OF TEXAS) CORRECTIVE PARTIAL ASSIGNMENT OF OIL AND
GAS LEASE

This Corrective Partial Assignment made and entered into and effective the
sixteenth day of October, 1981, by and between SOUTHERN UNION EXPLORATION
COMPANY OF TEXAS ("SXT"), SUN EXPLORATION AND PRODUCTION COMPANY ("Sun") and
MCKAY OIL CORPORATION ("McKay"), hereinafter collectively referred to as
("Assignor") and / ^{LAWRENCE HILL} MEEKER AND THE FIRST NATIONAL BANK OF FORT WORTH,
Co-Trustees U/A for Charley Meeker Trust, #3084 ("Assignee").

WITNESSETH:

WHEREAS, by instrument dated effective the first day of September, 1981,
at 7:00 p.m., Central Daylight Time, and recorded in Vol. 428, Page 210 of the
Records of Reeves County, Texas, (the "Assignment") Assignor did assign to
Assignee a 4.1665% working interest in and to certain oil and gas lands covered
by a certain lease more specifically provided for therein; and

WHEREAS, Assignee desires that the Assignment be corrected so as to
reflect an effective date as hereinafter provided and so to provide for a
different percentage of working interest assigned.

NOW, THEREFORE, in consideration of the sum of Ten Dollars (\$10.00)
receipt of which is hereby acknowledged, and the premises herein, Assignor does
hereby correct the assignment as follows:

1. The effective date of the assignment shall be the same date as first
above written.
2. A 2.08325% working interest in and to the lands covered by the lease
more particularly described in the Assignment is hereby assigned to the
Assignee.

The Assignee hereby relinquishes any interest it may have claimed by
reason of the Assignment, other than the percentage of interest assigned herein
as of the effective date set forth herein.



In all other respects the Assignment shall remain unchanged and in full force and effect.

This Corrective Partial Assignment is made subject to all terms and conditions not corrected hereby which are set forth in the Assignment.

IN WITNESS WHEREOF Assignor and Assignee have executed this instrument effective the day first above written.

ASSIGNOR

SOUTHERN UNION EXPLORATION
COMPANY OF TEXAS

By: R. Craig Nielsen
R. Craig Nielsen
Attorney-in-Fact

ATTEST:

SUN EXPLORATION AND PRODUCTION
COMPANY

By: Richard T. Ellison
Agent and Attorney-in-Fact

APPROVED	
Legal	CB
C&LA	CB
Land	ME
J.O.	
Unit	

MCKAY OIL CORPORATION

By: M. Mc

ASSIGNEES

Lawrence Hill MEEKER AND THE FIRST
NATIONAL BANK OF FORT WORTH
Co-Trustees U/A for Charley
Meeker Trust, #3084

Lawrence Hill Meeker
Lawrence Hill Meeker

By: E. F. Lewis
Vice President & Trust Officer

ATTEST:

Sharon R. Hamilton
Assistant Secretary

STATE OF TEXAS)
)
 COUNTY OF DALLAS)

Before me, the undersigned authority, in and for said county and state, personally appeared R. Craig Nielsen, an Attorney-in-Fact of Southern Union Exploration Company of Texas, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of said Southern Union Exploration Company of Texas, a corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.



Given under my hand and seal of office this 14th day of April, 1983.

LINDA SOMERS
 My Commission Expires
 December 10, 1986
 My Commission Expires

Linda Somers
 Notary Public in and for
 Dallas County, Texas

STATE OF)
)
 COUNTY OF)

Before me, the undersigned authority, in and for said county and state, personally appeared LUTHER F. ELLISON, the Agent and Attorney in Fact of Sun Exploration and Production Company, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of said Sun Exploration and Production Company, a corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.



Given under my hand and seal of office, this 2nd day of May, 1983.

My Commission Expires

Barbara Stanley
 Notary Public in and for
 BARBARA STANLEY, Notary Public
 in and for the State of Texas
 My Commission Expires June 6, 1984

STATE OF New Mexico)
)
 COUNTY OF Chaves)

Before me, the undersigned authority, in and for said county and state, personally appeared Ray L. McKay, the President of McKay Oil Corporation, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of said McKay Oil Corporation, a corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

Given under my hand and seal of office this 9th day of March, 1983.



My Commission Expires

Leanne R. Smith
 Notary Public in and for
 Dallas County, Texas

STATE OF TEXAS)
)
 COUNTY OF TARRANT)

Before me, the undersigned authority, in and for said county and state, personally appeared LAWRENCE HILL MEEKER & E. F. LAWSON, JR., Vice President & Trust Officer of The First National Bank of Fort Worth, Co-Trustees U/A for Charley Meeker Trust, No. 3084, known to me to be the persons whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of said L. H. Meeker and The First National Bank of Fort Worth, Co-Trustees U/A for Charley Meeker Trust, No. 3084, and that they executed the same as the act of such trust for the purposes and consideration therein expressed, and in the capacity therein stated.

Given under my hand and seal of office this 23rd day of March, 1983.



My Commission Expires

Kelly H. Hodney
 Notary Public in and for
 State of Texas

EXHIBIT A

LEASE NO:	163-34
LESSOR:	First Nat'l Bank of Fort Worth, Trustee, et al
LESSEE:	Chalfant, Magee & Clifton, Inc.
DATE:	March 1, 1979
RECORDING DATA:	Vol. 375, Page 163, Deed Records, Reeves County, Texas
DESCRIPTION:	E/2 Section 28, Block 56, T-3, T&P Survey, Reeves County, Texas

Filed for record on the 12th day of September, A.D. 1983 at 11:34A M.

Duly recorded on the 12th day of September, A.D. 1983 at 12:30P M.

By Billie Jo Freeman DEPUTY

CATHERINE ASHLEY, COUNTY CLERK,
 REEVES COUNTY, TEXAS.

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Aspinall

File dated 5-19-84

Garry Mauro, Commissioner

THE STATE OF TEXAS

County of REEVES } I, CATHERINE ASHLEY, Clerk
of the County Court of Reeves County, Texas, do hereby certify that
the foregoing is a true and correct copy of the original RECORDED CORRECTIVE PARTIAL ASSIGNMENT OF
OIL & GAS LEASE FROM SOUTHERN UNION EXPLORATION COMPANY OF TEXAS, ET AL TO LAWRENCE
HILL MEEKER, ET AL, CO-TRS.
as the same appears of record in my office in book 435 page 284, Deed Records.
Given under my Hand and Seal of said Court, at office in Pecos, Texas
this 24th day of April 19 84.

CATHERINE ASHLEY Clerk,
By Billie Jo Freeman Deputy.
(Billie JO Freeman)



Southern Union Exploration Company
Suite 400
Texas Federal Building
1217 Main Street
Dallas, Texas 75202
214/742-6051

May 18, 1984

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

Attention: Robin Jamail

Re: Free Royalty Lease #MF-082414
Our Lease # TX-1266 A-D
Reeves County, Texas

Gentlemen:

Pursuant to letter dated April 20, 1984 from the Deputy Commissioner, please find enclosed certified copies of instruments affecting the above referenced property. A list of such enclosures is attached for your review.

We had previously furnished a copy of a farmout agreement concerning this acreage along with a filing fee. We have since been informed that filing fees are not required for free royalty leases and therefore, submit only the enclosed copies for your use and information.

Please advise should you require anything further in connection with these leases.

Very truly yours,

Sue Coley
Lease Records Supervisor

SC:ldj
Attachment

ENCLOSURE LIST - CERTIFIED COPIES OF INSTRUMENTS

- (1) Assignment Oil & Gas Leases dated 9/7/80
HNG - Southern Union, Volume 400, Page 344
- (2) Assignment Oil & Gas Leases dated 6/21/80
Southern Union - Sun, Volume 422, Page 496
- (3) Partial Assignment Oil & Gas Leases dated 9/1/81
Southern Union et al - L.H. Meeker, Volume 428, Page 198
- (4) Assignment Oil & Gas Leases dated 6/21/82
Southern Union - McKay, Volume 423, Page 788
- (5) Partial Assignment Oil & Gas Leases dated 9/1/81
Southern Union et al - J.J. Meeker, Volume 428, Page 202
- (6) Partial Assignment Oil & Gas Leases dated 9/1/81
Southern Union et al - First National Bank-Fort Worth,
Guardian, Volume 428, Page 206
- (7) Partial Assignment Oil & Gas Leases dated 9/1/81
Southern Union et al - L.H. Meeker and First National Bank-
Fort Worth, Co-Trustees, Volume 428, Page 210
- (8) Corrective Partial Assignment of Oil and Gas Lease
Southern Union et al - L.H. Meeker and First National Bank-
Fort Worth, Guardian, Volume 435, Page 284



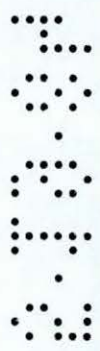
M. P. 82414

CORRESPONDENCE FILE

To Southern Union Expt.
From

Dated 5-18-84

- (1) Southern Union - 5000, Volume 422, Page 422
- (2) Southern Union - 5000, Volume 422, Page 422
- (3) Southern Union - 5000, Volume 422, Page 422
- (4) Southern Union - 5000, Volume 422, Page 422
- (5) Southern Union - 5000, Volume 422, Page 422
- (6) Southern Union - 5000, Volume 422, Page 422
- (7) Southern Union - 5000, Volume 422, Page 422
- (8) Southern Union - 5000, Volume 422, Page 422
- (9) Southern Union - 5000, Volume 422, Page 422
- (10) Southern Union - 5000, Volume 422, Page 422
- (11) Southern Union - 5000, Volume 422, Page 422
- (12) Southern Union - 5000, Volume 422, Page 422
- (13) Southern Union - 5000, Volume 422, Page 422
- (14) Southern Union - 5000, Volume 422, Page 422
- (15) Southern Union - 5000, Volume 422, Page 422
- (16) Southern Union - 5000, Volume 422, Page 422
- (17) Southern Union - 5000, Volume 422, Page 422
- (18) Southern Union - 5000, Volume 422, Page 422
- (19) Southern Union - 5000, Volume 422, Page 422
- (20) Southern Union - 5000, Volume 422, Page 422



Garry Mauro
Commissioner
General Land Office



May 24, 1984

Ms. Sue Coley
Southern Union Exploration Company
Suite 400
Texas Federal Building
1217 Main St.
Dallas, Texas 75202

Re: Partial Assignment of Interest Free Royalty Lease
M-82414
South Union Exploration Company of Texas, et al to L. H. Meeker,
et al
Reeves County, Texas

Partial Assignment of Interest of Free Royalty Lease
M-82414
South Union Exploration Company of Texas, et al to L. H. Meeker, t
al Co-Trs.
Reeves County, Texas

Partial Assignment of Interest of Free Royalty Lease
M-82414
Southern Union Exploration Company of Texas, et al to J. J.
Meeker
Reeves County, Texas

Assignment of Free Royalty Lease
M-82414
Southern Union Exploration Company of Texas to McKay Oil
Corporation
Reeves County, Texas

Partial Assignment of Interest of Free Royalty Lease
M-82414
Southern Union Exploration Company of Texas, et al to Lawrence H.
Meeker, aka L. H. Meeker
Reeves County, Texas

Assignment of Free Royalty Lease
M-82414
HNG Oil Company to Southern Union Exploration Company
Reeves County, Texas

Page 2
Southern Union
May 24, 1984

Assignment of Free Royalty Lease
M-82414
Southern Union Exploration Company of Texas to Sun Exploration and
Production Company
Reeves County, Texas

Corrective Partial Assignment of Free Royalty Lease
M-82414
Southern Union Exploration Company of Texas, et al to Lawrence
Hill Meeker, et al, Co-Trs.
Reeves County, Texas

Dear Ms. Coley:

The certified copies of assignments covering the captioned oil and gas
leases have been filed in our records.

If you have any questions, please call.

Sincerely,

Diana Dickson, Assistant
Oil and Gas Division
Legal Services
512 475-4246

/dd

(37)

M. P. 82914

CORRESPONDENCE FILE

TO Statkars Union Expl.
FROM

Dated 5-24-84

Within

FREE Royalty M-82414

RAILROAD COMMISSION OF TEXAS

Form W-1

Oil and Gas Division

Read Instructions on Back

Rev. 9-1-83
483 060

Application for Permit to Drill, Deepen, Plug Back, or Re-Enter

Submit each W-1 with plat and \$100.00 fee.
Make a check or money order payable to the
State Treasurer of Texas. Address to:
Railroad Commission of Texas
Oil and Gas Division, Permitting Permits
P. O. Drawer 12967, Capitol Station
Austin, Texas 78711

File a copy of W-1 and plat in RRC District Office

Purpose of filing (mark appropriate boxes)

☒ Drill ☐ Deepen (below casing) ☐ Deepen (within casing) ☐ Plug Back ☐ Re-Enter

☐ Directional Well ☐ Sidetrack ☐ Amended Permit (enter permit no. at right & explain fully in Remarks)

Enter here,
if assigned:

APN No. 4238931667
Permit No. 276409
Rule 37 Case No.

1. Operator's Name (exactly as shown on Form P-5, Organization Report): Orla Petco, Inc.

2. Address (including city and zip code): P.O. Box 953
Midland, Texas 79702

3. RRC Operator No. 626210 4. RRC District No. 08 5. County of Well Site Reeves

6. Lease Name (32 spaces maximum) Larry M 7. RRC Lease ID No. none 8. Well No. 1 9. Total Depth 3750'

10. Location:
• Section 28 Block 56 Survey T-3, T & P R R Co. Abstract No. A
• This well is to be located 8 miles in a South direction from Orla
which is the nearest town in the county of the well site.

11. Distance from proposed location to nearest lease or unit line 647'

12. Number of contiguous acres in lease, pooled unit, or unitized tract 240 (OUTLINE ON PLAT)

13. FIELD NAME (Exactly as shown on RRC proration schedule). List all established and wildcard zones of anticipated completion. Attach additional Form W-1's as needed to list these zones. One zone per line.

Completion depth	Spacing pattern (ft.)	Density pattern (acres)	Number of acres in drilling unit for this well. OUTLINE ON PLAT	18. Is this acreage assigned to another well on this lease or in this reservoir? If so, explain in Remarks	19. Distance from proposed location to nearest applied for, permitted, or completed well. This lease & reservoir. (ft.)	20. Oil gas, or other type well (Specify)	21. No. of applied for, permitted, or completed locations (including this one) on lease in this reservoir
<u>Wildcat 00018 001</u>	<u>3500'</u>	<u>467/1200'</u>	<u>40</u>	<u>No</u>	<u>1st well</u>	<u>oil/gas</u>	<u>1</u> <u>0</u>
<u>Ken Regan (Delaware 49754500)</u>	<u>3350'</u>	<u>330/0660'</u>	<u>40</u>	<u>No</u>	<u>1st well</u>	<u>oil</u>	<u>1</u> <u>0</u>
<u>Orla, Southeast (Delaware 67609500)</u>	<u>3500'</u>	<u>467/1200'</u>	<u>40</u>	<u>No</u>	<u>1st well</u>	<u>oil/gas</u>	<u>1</u> <u>0</u>

22. Perpendicular surface location from two nearest designated lines:
• Lease Unit 647' FNL & 681' FEL
• Survey Section 1967' FNL & 681' FEL

23. Is this a pooled unit? Yes ☐ No ☒ (Attach Form P-12 and certified plat.)

24. Is item 17 less than item 16 (substandard acreage for any field applied for)? Yes ☐ No ☒ (Attach Form W-1A)

25. Is this wellbore subject to Statewide Rule 36 (hydrogen sulfide area)? Yes ☐ No ☒ If subject to Rule 36, is Form H-9 filed? Yes ☐ No ☒ If not filed, explain in Remarks

26. Do you have the right to develop the minerals under any right-of-way that crosses, or is contiguous to, this tract? Yes ☒ No ☐ If not, and if the well requires a Rule 37 or 38 exception, see instructions for Rule 37.

Remarks: per Statute completion 6-1-85
w/c p/w
perfs 3585'-3599'
TD 3721'

I certify that information stated in this application is true and complete, to the best of my knowledge.
Signature Ann E. Ritchie Name and title of operator's representative Ann E. Ritchie, Agent
Date: 5-17-85 (915) 684-6381/684-4762
Tel: Area Code Number
• RRC Use Only •

223:44 MAY 21 85 284913

6-7-85

I certify that the above plat was prepared from field notes of actual surveys made by me or under my supervision and that the same are true and correct to the best of my knowledge and belief May 16, 1985

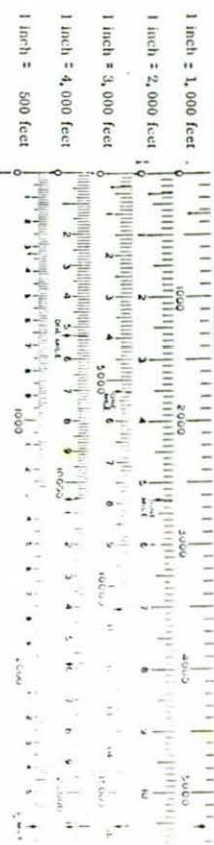
RECEIVED
R. R. C. OF TEXAS
MAY 21 1985

240 acres in lease

ORLA PETCO, INC.
Larry M. Lease
Section 28, Block 56, T3



SCALE OF MAP



ENERGY RESOURCES

WELL/LEASE STATUS REPORT

Well Type: Oil, API Number: 42-389-31667
RRC # 8, Field Name: Sen Reagan (Delaware)
Lease Name: Larry m
Well Number: 1, County: Rever
Operator Name: Orla Petco, Inc.
Survey Name: Sec. 28, Blk. 56, T-3, T-1 P
Pipeline Gatherer (Gas): _____
Plug-back: _____, Well I.D. #: _____
Lessee: _____, Drilling Permit #: 276407
Report Category: State
Operator Number: _____, Field Code: 48754500
G-1 Potential: 75 BBLs, 20 mcf
Drilled Total Depth: 3721, Completion Date: 6-1-85
Proposed Drilling Depth: _____, 1st Production Date: _____
Perfs: 3585 to 3599
Classification: _____
N.G.P.A. Pricing: _____
Remarks: _____

Mineral File Number: 2n-8241x

PREPARED BY: SP Bright 11-4-85

ROUTE TO: JEFF DUSENBURY _____
DESK AUDIT _____
EDWIN MILES _____

*** OIL AND GAS W-2/G-1 RECORD ***

INQUIRY

API #: 389 31667
DIST: 08 LSE/ID: 29970 WELL#: 1 TYPE: OIL SOURCE: RRC
FLD: KEN REGAN (DELAWARE) LSE: LARRY M. CNTY: REEVES
OPER: ORLA PETCO, INC.
COMPLETION: 06 01 85 DRILLING PERMIT #: 276407
W2-G1: 06 28 85 BUILT: 07 29 85 R-37 EXCEP CASE #:
ATTACHMENTS: ON FILE WATER INJECT PERM #:
KEY 'S' TO VIEW ATTACH: - SALT WATER DISP #:
DOCKET NUMBER:
DRILL COMPLETED: 05 25 85
ELEVATION:
TOTAL DEPTH: 3721 WELLBORE PLUGGED:
PLUGBACK DEPTH:
LOCATION SEC: 28 BLK: 56 ABST: 5696
SUR: T3, T & P RR CO
SUR/SECT: 001967 FT FROM NL AND 000681 FT FROM EL
NOTE=> NO REMARKS ON FILE FOR THIS DATE
* SCREEN OPTIONS: 12=FORM/SQZE 13=REMARKS 14=WATER 19=PERMITS/WELLIDS
* SELECT OPTION: (01=RETURN TO MENU, 00= HELP AND OTHER OPTIONS)
PRESS 'ENTER' FOR NEXT SCREEN

PERFS 3585' to 3599'

M.F. 82414

APPLICATION TO DRILL

WELL # 1
FILED 11-7 19 85
GARRY MAURO, COMMISSIONER
BY: D. J. Bright

Type or print only

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division

Form W-2

Rev. 4/1/83

483-046

API No. 42- 389 31667				7. RRC District No. 8	
Oil Well Potential Test, Completion or Recompletion Report, and Log				8. RRC Lease No. N/A	
1. FIELD NAME (as per RRC Records or Wildcat) Ken Reagan (Delaware)		2. LEASE NAME Larry M		9. Well No. 1	
3. OPERATOR'S NAME (Exactly as shown on Form P-5, Organization Report) Orla Petco, Inc.			RRC Operator No. 626210		10. County of well site Reeves
4. ADDRESS c/o Box 953, Midland, Texas 79702				11. Purpose of filing	
5. If Operator has changed within last 60 days, name former operator				Initial Potential ☒	
6a. Location (Section, Block, and Survey) Sec. 28, Blk 56, T-3, T & P				Retest ☐	
6b. Distance and direction to nearest town in this county. 8 miles S from Orla				Reclass ☐	
12. If workover or reclass, give former field (with reservoir) & gas ID or oil lease no. FIELD & RESERVOIR		GAS ID or OIL LEASE #	Oil - O Gas - G	WELL NO.	
13. Type of electric or other log run Gamma Ray Newtron				14. Completion or recompletion date 6-1-85	
Well record only ☐ (explain in Remarks)					

*SECTION I: POTENTIAL TEST DATA IMPORTANT: Test should be for 24 hours unless otherwise specified in field rules.

15. Date of test 6-21-85	16. No. of hours tested 24	17. Production method (Flowing, Gas Lift, Jetting, Pumping— Size & Type of pump) Pumping			18. Choke size
19. Production during Test Period	Oil - BBLS 75	Gas — MCF 20	Water - BBLS 130	Gas - Oil Ratio 266	Flowing Tubing Pressure PSI
20. Calculated 24- Hour Rate	Oil - BBLS	Gas — MCF	Water — BBLS	Oil Gravity—API—60° 39	Casing Pressure PSI
21. Was swab used during this test? Yes ☐ No ☒		22. Oil produced prior to test (New & Reworked wells)			23. Injection Gas—Oil Ratio

REMARKS:

INSTRUCTIONS: File an original and one copy of the completed Form W-2 in the appropriate RRC District Office within 30 days after completing a well and within 10 days after a potential test. If an operator does not properly report the results of a potential test within the 10-day period, the effective date of the allowable assigned to the well will not extend back more than 10 days before the W-2 was received in the District Office. (Statewide Rules 16 and 51) To report a completion or recompletion, fill in both sides of this form. To report a retest, fill in only the front side.

WELL TESTER'S CERTIFICATION

I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I conducted or supervised this test by observation of (a) meter readings or (b) the top and bottom gauges of each tank into which production was run during the test. I further certify that the potential test data shown above is true, correct, and complete, to the best of my knowledge.

Signature: Well Tester Orla Petco, Inc.

Name of Company

RRC Representative

OPERATOR'S CERTIFICATION

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.

Ann E. Ritchie

Typed or printed name of operator's representative

Agent

Title of Person

915 684-6381

6 / 28 / 85

Telephone: Area Code Number Date: mo. day year

Signature

SECTION II				DATA ON WELL COMPLETION AND LOG (Not Required on Retest)				(Verbal)	
24. Type of Completion: New Well ☒ Deepening ☐ Plug Back ☐ Other ☐						25. Permit to Drill, Plug Back or Deepen DATE: 5-31-85 PERMIT NO: 276407 Rule 37 CASE NO: Exception Water Injection PERMIT NO: Permit Salt Water Disposal PERMIT NO: Permit Other PERMIT NO:			
26. Notice of Intention to Drill this well was filed in Name of Orla Petco, Inc.									
27. Number of producing wells on this lease in this field (reservoir) including this well 1			28. Total number of acres in this lease 240						
29. Date Plug Back, Deepening, WorkOver or Drilling Operations: 5-19-85		Commenced 5-25-85		Completed 5-25-85		30. Distance to nearest well. Same Lease & Reservoir 1st well			
31. Location of well, relative to nearest lease boundaries of lease on which this well is located 647 Feet From N Line and 681 Feet from E Line of the Larry M Lease									
32. Elevation (DF, RKB, RT, GR, ETC.)				33. Was directional survey made other than inclination (Form W-12)? ☐ Yes ☒ No					
34. Top of Pay 3585		35. Total Depth 3721		36. P. B. Depth		37. Surface Casing Determined by: Field ☐ Rules ☐ Recommendation of T.D.W.R. ☒ Railroad Commission (Special) ☐		Dt. of Letter 5-23-85	
38. Is well multiple completion? NO		39. If multiple completion, list all reservoir names (completions in this well) and Oil Lease or Gas ID No. FIELD & RESERVOIR				GAS ID or OIL LEASE #		Oil-O Gas-G WELL #	
40. Intervals Drilled by:		Rotary Tools:		Cable Tools:		41. Name of Drilling Contractor Roper Energy		42. Is Cementing Affidavit Attached? ☒ Yes ☐ No	
43. CASING RECORD (Report All Strings Set in Well)									
CASING SIZE	WT * FT	DEPTH SET	MULTISTAGE TOOL DEPTH	TYPE & AMOUNT CEMENT (sacks)	HOLE SIZE	TOP OF CEMENT	SLURRY VOL. cu. ft.		
8 5/8"	24#	1740'		925 sx CL C	12 1/4"	surface	1666		
4 1/2"	9.5#	3713'		525 sx CL C	7 7/8"	2047	759		

44. LINER RECORD				
Size	TOP	Bottom	Sacks Cement	Screen

45. TUBING RECORD			46. Producing Interval (this completion) Indicate depth of perforation or open hole	
Size	Depth Set	Packer Set	From	To
2 3/8"	3580		3585	3599

47. ACID, SHOT, FRACTURE, CEMENT SQUEEZE, ETC.	
Depth Interval	Amount and Kind of Material Used
3585 - 3599	3000 gals gelled KCL water
	6000 # 20/40 sand
	3000 # 10/20 sand

48. FORMATION RECORD (LIST DEPTHS OF PRINCIPAL GEOLOGICAL MARKERS AND FORMATION TOPS)			
Formations	Depth	Formations	Depth
Base Salt	3342		
Top Delaware Lime	3514		
Top Olds	3584		

REMARKS _____

Cementer: Fill in shaded areas.
Operator: Fill in other items.

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division

Form W-15
Cementing Report
Rev 4/1/83
483-045

1. Operator's Name (As shown on Form P-5, Organization Report) Orla Petco	2. RRC Operator No. 626210	3. RRC District No. 8	4. County of Well Site Reeves
5. Field Name (Wildcat or exactly as shown on RRC records) KEN REGAN (DELAWARE)		6. API No. 42-	7. Drilling Permit No. 276 407
8. Lease Name Moore LARRY M	9. Rule 37 Case No.	10. Oil Lease/Gas ID No. N/A	11. Well No. #1

CASING CEMENTING DATA:		SURFACE CASING	INTER-MEDIATE CASING	PRODUCTION CASING		MULTI-STAGE CEMENTING PROCESS	
				Single String	Multiple Parallel Strings	Tool	Shoe
12. Cementing Date				5-25-85			
13. •Drilled hole size				7 7/8"			
•Est. % wash or hole enlargement				-			
14. Size of casing (In. O.D.)				4 1/2"			
15. Top of liner (ft.)				-			
16. Setting depth (ft.)				3713'			
17. Number of centralizers used				25			
18. Hrs. waiting on cement before drill-out				18			
1st Slurry	19. API cement used: No. of sacks ▶			100			
	Class ▶			Pacesetter Lite			
	Additives ▶			(65:35:3)			
2nd Slurry	No. of sacks ▶			425			
	Class ▶			C			
	Additives ▶			Neat			
3rd Slurry	No. of sacks ▶						
	Class ▶						
	Additives ▶						
1st	20. Slurry pumped: Volume (cu. ft.) ▶			198			
	Height (ft.) ▶			435			
2nd	Volume (cu. ft.) ▶			561			
	Height (ft.) ▶			1231			
3rd	Volume (cu. ft.) ▶						
	Height (ft.) ▶						
Total	Volume (cu. ft.) ▶			759			
	Height (ft.) ▶			1666			
21. Was cement circulated to ground surface (or bottom of cellar) outside casing?				No			
22. Remarks							

CEMENTING TO PLUG AND ABANDON	PLUG # 1	PLUG # 2	PLUG # 3	PLUG # 4	PLUG # 5	PLUG # 6	PLUG # 7	PLUG # 8
23. Cementing date								
24. Size of hole or pipe plugged (in.)								
25. Depth to bottom of tubing or drill pipe (ft.)								
26. Sacks of cement used (each plug)								
27. Slurry volume pumped (cu. ft.)								
28. Calculated top of plug (ft.)								
29. Measured top of plug, if tagged (ft.)								
30. Slurry wt. (lbs/gal)								
31. Type cement								

CEMENTER'S CERTIFICATE: I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this certification, that the cementing of casing and/or the placing of cement plugs in this well as shown in the report was performed by me or under my supervision, and that the cementing data and facts presented on both sides of this form are true, correct, and complete, to the best of my knowledge. This certification covers cementing data only.

Braulio Fuentes - Service Supervisor The Western Co.
Name and title of cementer's representative Cementing Company

Braulio Fuentes
Signature

Box 879 Kermit, Tx. 79745 915-586-5811 5-25-85
Address City State Zip Code Tel: Area Code Number Date: mo. day yr.

OPERATOR'S CERTIFICATE: I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this certification, that I have knowledge of the well data and information presented in this report, and that data and facts presented on both sides of this form are true, correct, and complete, to the best of my knowledge. This certification covers all well data.

JAMES M. C. RITCHIE, JR
Typed or printed name of operator's representative

ENGINEER
Title

James M. C. Ritchie, Jr.
Signature

Box 953 MIDLAND TX 79702 915 6846381 6-28-85
Address City State Zip Code Tel: Area Code Number Date: mo. day yr.

Instructions to Form W-15, Cementing Report

IMPORTANT: Operators and cementing companies must comply with the requirements of the Commission's Statewide Rules 8 (Water Protection), 13 (Casing, Cementing, Drilling, and Completion), and 14 (Well Plugging). For offshore operations, see the requirements of Rule 13 (c).

A. What to file. An operator should file an original and one copy of the completed Form W-15 for each cementing company used on a well. The cementing of different casing strings on a well by one cementing company may be reported on one form. Form W-15 should be filed with the following:

- An initial oil or gas completion report, Form W-2 or G-1, as required by Statewide or special field rules;
- Form W-4, Application for Multiple Completion, if the well is a multiple parallel casing completion; and
- Form W-3, Plugging Record, unless the W-3 is signed by the cementing company representative. When reporting dry holes, operators must complete Form W-15, in addition to Form W-3, to show any casing cemented in the hole.

B. Where to file. The appropriate Commission District Office for the county in which the well is located.

C. Surface casing. An operator must set and cement sufficient surface casing to protect all usable quality water strata, as defined by the Texas Department of Water Resources, Austin. Before drilling a well in any field or area in which no field rules are in effect or in which surface casing requirements are not specified in the applicable rules, an operator must obtain a letter from the Department of Water Resources stating the protection depth. Surface casing should not be set deeper than 200 feet below the specified depth without prior approval from the Commission.

D. Centralizers. Surface casing must be centralized at the shoe, above and below a stage collar or diverting tool, if run, and through usable-quality water zones. In nondeviated holes, a centralizer must be placed every fourth joint from the cement shoe to the ground surface or to the bottom of the cellar. All centralizers must meet API specifications.

E. Exceptions and alternative casing programs. The District Director may grant an exception to the requirements of Statewide Rule 13. In a written application, an operator must state the reason for the requested exception and outline an alternate program for casing and cementing through the protection depth for strata containing usable-quality water. The District Director may approve, modify, or reject a proposed program. **An operator must obtain approval of any exception before beginning casing and cementing operations.**

F. Intermediate and production casing. For specific technical requirements, operators should consult Statewide Rule 13 (b) (3) and (4).

G. Plugging and abandoning. Cement plugs must be placed in the wellbore as required by Statewide Rule 14. The District Director may require additional cement plugs. For onshore or inland wells, a 10-foot cement plug must be placed in the top of the well, and the casing must be cut off three feet below the ground surface. All cement plugs, except the top plug, must have sufficient slurry volume to fill 100 feet of hole, plus ten percent for each 1,000 feet of depth from the ground surface to the bottom of the plug.

To plug and abandon a well, operators must use only cementers approved by the Director of Field Operations. Cementing companies, service companies, or operators can qualify as approved cementers by demonstrating that they are able to mix and pump cement in compliance with Commission rules and regulations.

Cementer: Fill in shaded areas.
Operator: Fill in other items.

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division

1. Operator's Name (As shown on Form P 5, Organization Report) Orla Petco	2. RRC Operator No. 626210	3. RRC District No. 8	4. County of Well Site Reeves
5. Field Name (Wildcat or exactly as shown on RRC records) KEN REGAN (DELAWARE)		6. API No. 42-	7. Drilling Permit No. 276 407
8. Lease Name Moctor LARRY M	9. Rule 37 Case No.	10. Oil Lease/Gas ID No. N/A	11. Well No. #1

CASING CEMENTING DATA:		SURFACE CASING	INTER-MEDIATE CASING	PRODUCTION CASING		MULTI-STAGE CEMENTING PROCESS	
				Single String	Multiple Parallel Strings	Tool	Shoe
12. Cementing Date		5-20-85					
13. •Drilled hole size		12 1/4"					
•Est. % wash or hole enlargement		-					
14. •Size of casing (in. O.D.)		8 5/8"					
15. Top of liner (ft.)		-					
16. Setting depth (ft.)		1740'					
17. Number of centralizers used		12					
18. Hrs. waiting on cement before drill out		12					
1st Slurry	19. API cement used: No. of sacks ▶	675					
	Class ▶	Pacesetter Lite					
	Additives ▶	3% Salt, 1/4" Cello Seal					
2nd Slurry	No. of sacks ▶	250					
	Class ▶	C					
	Additives ▶	2% CaCl ₂					
3rd Slurry	No. of sacks ▶						
	Class ▶						
	Additives ▶						
1st	20. Slurry pumped: Volume (cu. ft.) ▶	1336					
	Height (ft.) ▶	2018					
2nd	Volume (cu. ft.) ▶	330					
	Height (ft.) ▶	800					
3rd	Volume (cu. ft.) ▶						
	Height (ft.) ▶						
Total	Volume (cu. ft.) ▶	1666					
	Height (ft.) ▶	2818					
21. Was cement circulated to ground surface (or bottom of cellar) outside casing?		Yes					
22. Remarks							

CEMENTING TO PLUG AND ABANDON	PLUG # 1	PLUG # 2	PLUG # 3	PLUG # 4	PLUG # 5	PLUG # 6	PLUG # 7	PLUG # 8
23. Cementing date								
24. Size of hole or pipe plugged (in.)								
25. Depth to bottom of tubing or drill pipe (ft.)								
26. Sacks of cement used (each plug)								
27. Slurry volume pumped (cu. ft.)								
28. Calculated top of plug (ft.)								
29. Measured top of plug, if tagged (ft.)								
30. Slurry wt. (lbs/gal)								
31. Type cement								

CEMENTER'S CERTIFICATE: I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this certification, that the cementing of casing and/or the placing of cement plugs in this well as shown in the report was performed by me or under my supervision, and that the cementing data and facts presented on both sides of this form are true, correct, and complete, to the best of my knowledge. This certification covers cementing data only.

Larry Hughes - Service Supervisor

The Western Company

Name and title of cementer's representative

Cementing Company

Signature

Box 879

Kermit, Tx. 79745

Address

City, State, Zip Code

915-586-5811

Tel.: Area Code Number

5-20-85

Date: mo. day yr.

OPERATOR'S CERTIFICATE: I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this certification, that I have knowledge of the well data and information presented in this report, and that data and facts presented on both sides of this form are true, correct, and complete, to the best of my knowledge. This certification covers all well data.

ANN E. RITCHIE

Typed or printed name of operator's representative

AGENT

Title

Signature

Box 953

Address

MIDLAND

City,

TX 79702

State, Zip Code

915 6846381

Tel.: Area Code Number

6-28-85

Date: mo. day yr.

Instructions to Form W-15, Cementing Report

IMPORTANT: Operators and cementing companies must comply with the requirements of the Commission's Statewide Rules 8 (Water Protection), 13 (Casing, Cementing, Drilling, and Completion), and 14 (Well Plugging). For offshore operations, see the requirements of Rule 13 (c).

A. What to file. An operator should file an original and one copy of the completed Form W-15 for each cementing company used on a well. The cementing of different casing strings on a well by one cementing company may be reported on one form. Form W-15 should be filed with the following:

- An initial oil or gas completion report, Form W-2 or G-1, as required by Statewide or special field rules;
- Form W-4, Application for Multiple Completion, if the well is a multiple parallel casing completion; and
- Form W-3, Plugging Record, unless the W-3 is signed by the cementing company representative. When reporting dry holes, operators must complete Form W-15, in addition to Form W-3, to show any casing cemented in the hole.

B. Where to file. The appropriate Commission District Office for the county in which the well is located.

C. Surface casing. An operator must set and cement sufficient surface casing to protect all usable-quality water strata, as defined by the Texas Department of Water Resources, Austin. Before drilling a well in any field or area in which no field rules are in effect or in which surface casing requirements are not specified in the applicable rules, an operator must obtain a letter from the Department of Water Resources stating the protection depth. Surface casing should not be set deeper than 200 feet below the specified depth without prior approval from the Commission.

D. Centralizers. Surface casing must be centralized at the shoe, above and below a stage collar or diverting tool, if run, and through usable-quality water zones. In nondeviated holes, a centralizer must be placed every fourth joint from the cement shoe to the ground surface or to the bottom of the cellar. All centralizers must meet API specifications.

E. Exceptions and alternative casing programs. The District Director may grant an exception to the requirements of Statewide Rule 13. In a written application, an operator must state the reason for the requested exception and outline an alternate program for casing and cementing through the protection depth for strata containing usable-quality water. The District Director may approve, modify, or reject a proposed program. An operator must obtain approval of any exception before beginning casing and cementing operations.

F. Intermediate and production casing. For specific technical requirements, operators should consult Statewide Rule 13 (b) (3) and (4).

G. Plugging and abandoning. Cement plugs must be placed in the wellbore as required by Statewide Rule 14. The District Director may require additional cement plugs. For onshore or inland wells, a 10-foot cement plug must be placed in the top of the well, and the casing must be cut off three feet below the ground surface. All cement plugs, except the top plug, must have sufficient slurry volume to fill 100 feet of hole, plus ten percent for each 1,000 feet of depth from the ground surface to the bottom of the plug.

To plug and abandon a well, operators must use only cementers approved by the Director of Field Operations. Cementing companies, service companies, or operators can qualify as approved cementers by demonstrating that they are able to mix and pump cement in compliance with Commission rules and regulations.

RAILROAD COMMISSION OF TEXAS OIL AND GAS DIVISION

Form W-12
(1-1-71)

INCLINATION REPORT

(One Copy Must Be Filed With Each Completion Report.)

6. RRC District 8
7. RRC Lease Number. (Oil completions only)
8. Well Number #1
9. RRC Identification Number (Gas completions only)
10. County Reeves

1. WELL NAME (as per RRC Records or Wildcat) KEN REGAN (DELAWARE)	2. LEASE NAME Larry M
3. OPERATOR Orla Petco, Inc.	
4. ADDRESS P.O. Box 1383, Midland, TX 79702	
5. LOCATION (Section, Block, and Survey) Sec. 28, Blk. 56, T & P RR Co. Svy	

RECORD OF INCLINATION

Measured Depth (Feet)	12. Course Length (Hundreds of feet)	13. Angle of Inclination (Degrees)	14. Displacement per Hundred Feet (Sine of Angle X100)	15. Course Displacement (feet)	16. Accumulative Displacement (feet)
251	251	1/2	.87	2.18	2.18
512	261	1/2	.87	2.27	4.45
991	479	1/2	.87	4.17	8.62
1200	215	1/2	.87	1.87	10.49
1740	534	3/4	1.31	7.00	17.49
2250	510	1/2	.87	4.44	21.93
2745	495	3/4	1.31	6.48	28.41
3239	494	1 1/2	2.18	10.77	39.18
3570	331	1/2	.87	2.88	42.06
3710	140	1/2	.87	1.22	43.28

If additional space is needed, use the reverse side of this form.

Is any information shown on the reverse side of this form? ☐ yes ☒ no

Accumulative total displacement of well bore at total depth of 3710 feet = 43.28 feet.

Inclination measurements were made in - ☐ Tubing ☐ Casing ☐ Open hole ☒ Drill Pipe

Distance from surface location of well to the nearest lease line 647 feet.

Minimum distance to lease line as prescribed by field rules 330 feet.

Has the subject well at any time intentionally deviated from the vertical in any manner whatsoever? NO

If the answer to the above question is "yes", attach written explanation of the circumstances.)

INCLINATION DATA CERTIFICATION

I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this certification, that I have personal knowledge of the inclination data and facts placed on both sides of this form and that such data and facts are true, correct, and complete to the best of my knowledge. This certification covers all data as indicated by asterisks (*) by the item numbers on this form.

Signature of Authorized Representative
Fred Roper Vice President
Name of Person and Title (type or print)
Roper Energy Company
Operator
Address
915 683-2167
Area Code

OPERATOR CERTIFICATION

I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this certification, that I have personal knowledge of all information presented in this report, and that all data presented on both sides of this form are true, correct, and complete to the best of my knowledge. This certification covers all data and information presented herein except inclination data as indicated by asterisks (*) by the item numbers on this form.

Signature of Authorized Representative
ANN E. RITCHIE, AGENT
Name of Person and Title (type or print)
ORLA PETCO, INC.
Operator
Address
915 6846381
Area Code

and Commission Use Only:

Approved By: _____ Title: _____ Date: _____

Signatures items certified by company that conducted the inclination surveys.

(39.)

82414

M.F.

WELL # 1 COMPLETION REPORT

GARRY MAURO, COMMISSIONER

FILED 11-4-85 BY 203

11.10

Within Free Royalty M-82414

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division

FORM W-1
Rev. 9-1-83
483-060

Read Instructions on Back

Application for Permit to Drill, Deepen, Plug Back, or Re-Enter

APPROVED GAS DIVISION, DEPARTMENT OF PERMITS
P.O. Drawer 12467, Capitol Station
Austin, Texas 78711

File copy of W-1 and plat in RRC District Office

Purpose of filing (mark appropriate boxes):
☒ Drill ☐ Deepen (below casing) ☐ Deepen (within casing) ☐ Plug Back ☐ Re-Enter
☐ Directional Well ☐ Sidetrack ☐ Amended Permit (enter permit no. at right & explain fully in Remarks)

Enter here, if assigned: API No. 42-389-31707
Permit No. 244581
Rule 37 Case No. _____

1. Operator's Name (exactly as shown on Form P-5, Organization Report): Blair Royalties of Orla, Inc.
2. Address (including city and zip code): Box 953
Midland, Texas 79702

3. RRC Operator No. 074195 4. RRC District No. 08 5. County of Well Site Reeves

6. Lease Name (32 spaces maximum): Shelly 7. RRC Lease ID No. none 8. Well No. 1 9. Total Depth 3750'

10. Location:
 • Section 28 Block 56 Survey T-3-T & P Abstract No. A
 • This well is to be located 8 miles in a South direction from Orla
 which is the nearest town in the county of the well site.

11. Distance from proposed location to nearest lease or unit line 467 ft.

12. Number of contiguous acres in lease, pooled unit, or unitized tract 160 (OUTLINE ON PLAT)

13. FIELD NAME (Exactly as shown on RRC proration schedule. List all established and wildcat zones of anticipated completion. Attach additional Form W-1's as needed to list these zones. One zone per line.)

Completion depth	Spacing pattern (ft.)	Density pattern (acres)	17. Number of acres in drilling unit for this well	18. Is this acreage assigned to another well on this lease? If so, explain in Remarks.	19. Distance from proposed location to nearest applied for, permitted, or completed well, this lease # reservoir (ft.)	20. Oil, gas, or other type well (Specify)	21. No. of applied for, permitted, or completed locations (including this one) on lease in this reservoir.
Wildcat <u>00018001</u>	3500'	467/1200'	40	No	1st well	oil/gas	1 0
Ken Reagan (Delaware) <u>48754500</u>	3350'	330/0660'	40	No	1st well	oil/gas	1 0

22. Perpendicular surface location from two nearest designated lines:
 • Lease/Unit 2173 FSL & 853 FEL
 • Survey/Section 2173 FSL & 853 FEL

23. Is this a pooled unit? Yes ☐ No ☒ (Attach Form P-12 and certified plat.)

24. Is item 17 less than 16 (substandard acreage for any field applied for)? Yes ☐ No ☒ (Attach Form W-1A)

25. Is this wellbore subject to Statewide Rule 36 (hydrogen sulfide area)? Yes ☐ No ☒ If subject to Rule 36, is Form H-9 filed? Yes ☐ No ☐ If not filed, explain in Remarks.

26. Do you have the right to develop the minerals under any right-of-way that crosses, or is contiguous to, this tract? Yes ☒ No ☐ If not, and if the well requires a Rule 37 or 38 exception, see Instructions for Rule 37.

Remarks

I certify that information stated in this application is true and complete, to the best of my knowledge.
 Signature Jean Ellison Name and title of operator's representative Jean Ellison, Agent
 Date 12-23-85 Tel. Area Code Number 915-684-6381
 • RRC Use Only •

213969 DEC 27 1985 305850

Statewide PLAT SERVICE

1-384

9
1-23-86



Section 28, Block 56,
T & P RR CO.

BLAIR ROYALTIES OF ORLA, INC.
Shelly #1 100 acres
Reeves County, Texas
Scale: 1" = 1000'



SCALE OF MAP



*** OIL AND GAS W-2/G-1 RECORD ***

INQUIRY

#: 389 31707

SOURCE: RRC

T: 08 LSE/ID: 30445 WELL#: 1 TYPE: OIL CNTY: REEVES
: KEN REGAN (DELAWARE) LSE: SHELLY

R: BLAIR ROYALTIES OF ORLA, INC.

PLETION: 01 10 86 DRILLING PERMIT #: 294581

GL: 01 22 86 BUILT: 02 14 86 R-37 EXCEP CASE #:

ACHMENTS: ON FILE WATER INJECT PERM #:

'S' TO VIEW ATTACH: _ SALT WATER DISP #:

DOCKET NUMBER:

LL COMPLETED: 01 01 86

VATION:

AL DEPTH: 3720

WELLBORE PLUGGED:

GBACK DEPTH: 3702

ATION SEC: 28 BLK: 56

ABST: 5696

SUR: T3, T & P RR CO

'SECT: 002173 FT FROM SL AND 000853 FT FROM EL

=> REMARKS ON FILE FOR THIS DATE

CREEN OPTIONS: 12=FORM/SQZE 13=REMARKS 14=WATER 19=PERMITS/WELLIDS

ELECT OPTION: (01=RETURN TO MENU, 00= HELP AND OTHER OPTIONS)

S 'ENTER' FOR NEXT SCREEN

40

82414

M.F.

APPLICATION TO DRILL

WELL #

FILED 4-10 19 86

GARRY MAURO, COMMISSIONER

BY:

DP Brought

TELEPHONE
(505) 748-3311

EASYLINK
62905278



REFINING COMPANY

501 EAST MAIN STREET • P. O. DRAWER 159

ARTESIA, NEW MEXICO 88210

129

February 6, 1987

RE: Lease #6106
Shelly

To the Interest Owners Under the Captioned Property:

Navajo Refining Company began purchasing production from the captioned property effective February, 1986. Therefore, we have enclosed duplicate copies of our division order for your execution and return of one copy to this office for further processing.

If you are a current owner on our records your interest has been placed in a pay status. If we do not receive an executed division order by March 15, 1987, we will place your interest in suspense until such time as we receive a properly executed division order. If you are a new owner on our records, please refer to the attached instruction sheet for the proper method of executing Division orders. Upon receipt of a properly executed division order we will be in a position to process your interest for payment.

There may be certain owners that appear on the division order without an address. If you have a current address for any of these owners, it is requested that you furnish it to this office, so that we will be able to forward a division order to them. We appreciate your assistance in this matter.

Very truly yours,


Mrs. Gwenetta Lain
Division Order Supervisor

GL:d1

Enclosure

NAVAJO REFINING COMPANY
OIL DIVISION ORDER

EFFECTIVE: February, 1986

TO: NAVAJO REFINING COMPANY
P. O. BOX 159
ARTESIA, NEW MEXICO 88210

M-82414

Each of the undersigned warrants ownership of the interest, set opposit his name, in all oil (defined as crude oil and condensate) produced from Blair Royalties of Orla, Inc. - Shelly

Lease (or Unit), Reeves County, Texas described as:

E/2 Section 28, Block 56, T-3, T&P Ry. Co. Survey, Reeves County, Texas
SAVE AND EXCEPT the NE/4 NE/4 and the SW/4 NE/4; limited in depth from
the surface to 100 feet below the total depth drilled, but in no event
below the base of the Olds Sand formation,

including all substances produced with such oil. From the effective date and until further written notice, and subject to the following provisions, you, or your designated agent, are authorized to receive such production and give credit for all production received, in accordance with the division of interest shown below: (The contents of the reverse side, and any attachments hereto, shall constitute a part of this Division Order.)

Credit To	Division of Interest	P. O. ADDRESS (Give box number or street address and zip code)
-----------	----------------------	---

See attached exhibit

PLEASE DO NOT DETACH

PLEASE KEEP FOR
YOUR RECORDS

1. Oil shall become the property of the purchaser upon actual delivery to it or to its designated carrier or agent. The oil shall be graded and measured in accordance with the customary pipeline rules and regulations or standards generally accepted in the industry. If purchased by you, settlement shall be based on your posted or quoted price per barrel (42 U.S. gallons) in effect on delivery date for oil of the kind and quality for the field where produced. You are authorized to reduce such price by any charges for transporting oil by pipeline, truck and/or barge and any treating costs which in your opinion are necessary to make the oil merchantable. If oil is sold by you to another purchaser, settlement shall be based on the net proceeds realized at the well by you from such sale, after deducting any costs for transporting or treating the oil for delivery.

2. Settlements shall be made monthly by your check mailed to the undersigned parties at the addresses given on the reverse side, less any taxes required by law to be deducted and paid to you. Should the proceeds accruing to any interest hereunder for any month be less than Ten Dollars (\$10.00), you may, at your option, retain such proceeds without interest until the first regular settlement date when the proceeds accumulated total as much as Ten Dollars (\$10.00); provided that, regardless of the total, payment of the accumulated amounts shall be made in December of each year.

3. You are hereby relieved of any responsibility for determining when any interest hereunder shall change by increase, decrease, termination, revision or otherwise. You are authorized to remit pursuant to the division of interest credited hereunder until written notice to the contrary is received by you at Artesia, New Mexico, 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 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 day of the calendar month in which such written 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 unmarketable in the sole opinion of your attorney, or is not for some other reason satisfactory to you, the parties credited with such interest severally agree to furnish abstracts or other evidence of title acceptable to you, and to cure any defects which render the title of the undersigned unmarketable, without expense to you. In the event of failure to furnish such evidence of title, you are authorized to withhold payments accruing to such interest, without interest, until the claim is settled. Each of the undersigned agrees to indemnify and hold you harmless, or any other purchaser of said oil and any carrier designated by you or any other purchaser to receive the aforesaid oil 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 by reason of any and all claims of any character as to said oil adverse to the undersigned.

5. If through error, inadvertance, erroneous title information, or otherwise, you shall pay to the undersigned any sums to which the undersigned is not lawfully entitled, you shall have the right to recover the total amount of all such payments, together with interest at the rate of 10% per annum from the dates paid, by withholding the same from future money in your possession to which the undersigned is otherwise entitled to be paid, whether such withheld funds accrue from the land described herein or from other land in which the undersigned has an interest.

6. In the event the land described herein, or any part thereof, is included in one or more units now or hereafter formed or revised by order of any appropriate governmental authority, or is included in one or more authorized voluntary or declared units now or hereafter formed or revised, it is agreed that settlement shall be made in accordance with the production allocated to said land under the terms of such order or unit without the execution of additional division orders.

7. Each working interest owner warrants that the oil has been produced in accordance with all applicable laws, rules and regulations.

8. This Division Order may be excuted in counterparts, and shall be binding upon and inure to the benefit of all signers hereof, their heirs, successors and assigns, whether or not it is signed by all parties named herein.

IMPORTANT: TO AVOID DELAY IN PAYMENT — YOUR CORRECT ADDRESS AND YOUR SOCIAL SECURITY NUMBER OR TAX ACCOUNT NUMBER MUST BE SHOWN.

Under penalties of perjury, I certify (1) that the number shown on this form is my correct taxpayer identification number, and (2) that I am not subject to backup withholding.

Witness/Attest:

Interest Owner:

DATE SIGNED _____ SS # / ID # _____

SS # / ID # _____

NAVAJO REFINING COMPANY
DIVISION OF INTEREST LISTING

LEASE NO: 6106

EFFECTIVE DATE: FEBRUARY 1, 1986

LEASE NAME: SHELLY

OPERATOR: 129 BLAIR ROYALTIES OF ORLA INC

PAGE 1

OWNER NO.	CREDIT TO	DIVISION OF INTEREST	TYPE INTEREST
02529	EDWARD R KENNEDY JR P O DRAWER 432 MIDLAND TX 79702	.02000000 .01460000	DR WI
06592	J M C RITCHIE JR P O BOX 1401 MIDLAND TX 79702	.01460000	WI
09157	STATE OF TEXAS GENERAL LAND OFFICE 1700 NORTH CONGRESS AUSTIN TX 78701	.06250000	RI
12457	BLAIR ROYALTIES OF ORLA INC P O BOX 20 ORLA TX 79770	.19710000	WI
12458	OLIVER S HEARD JR 1019 TOWER LIFE BLDG SAN ANTONIO TX 78205	.08760000	WI
12459	STEPHEN BLAIR 830 LITTLEFIELD BLDG AUSTIN TX 78701	.03650000	WI
12460	TOM GOGGAN 830 LITTLEFIELD BLDG AUSTIN TX 78701	.03650000	WI
12464	STEVEN B MCKINNEY P O BOX 728 PECOS TX 79772	.00730000	WI
12465	RONALD E MEEKS P O BOX 43 ORLA TX 79770	.00730000	WI
12466	NATHAN W MOON P O BOX 20 ORLA TX 79770	.00730000	WI

THIS EXHIBIT IS ATTACHED TO AND MADE A PART OF
NAVAJO REFINING COMPANY DIVISION ORDER NO. 6106

(41)

M. F. 82414

CORRESPONDENCE FILE

TO

Navajo Refining

FROM

DATED 2-7-87



STUBBEMAN, MCRAE, SEALY, LAUGHLIN & BROWDER, INC.

ATTORNEYS AT LAW

MIDLAND, TEXAS
SUITE 800
TWO FIRST CITY CENTER • 79701
550 WEST TEXAS AVENUE
P. O. BOX 1540 • 79702
915/682-1616
TELECOPIER 915/682-4884

AUSTIN, TEXAS
1800 MBANK TOWER • 78701
221 WEST 6TH STREET
P. O. BOX 2286 • 78768
512/476-3502
TELECOPIER 512/476-5382

STUBBEMAN, MCRAE, SEALY,
LAUGHLIN & BROWDER

HOUSTON, TEXAS
REPUBLICBANK CENTER • 77002
700 LOUISIANA, SUITE 1700
P. O. BOX 6149 • 77208
713/237-1100
TELECOPIER 713/237-1234

March 20, 1987

LIMITED DIVISION ORDER TITLE OPINION

Orla Petco, Inc.
Post Office Box 1383
Midland, Texas 79702

Re: Ownership of production as of December 11, 1985 in the E/2 of Section 28, Block 56, T-3, T&P Ry. Co. Survey, Reeves County, Texas, SAVE AND EXCEPT the NE/4 NE/4 and the SW/4 NE/4; limited in depth from the surface to 100 feet below the total depth drilled, but in no event below the base of the Olds Sand formation, estimated to be at 3700 feet.

Gentlemen:

You have submitted the following material for our examination:

PRIOR OPINION

Original Title Opinion dated January 16, 1985, addressed to Orla Petco, Inc. by this firm, based on abstracts and other instruments, covering captioned land from sovereignty to 12-20-84 at 7:00 a.m.

ABSTRACT

132 page supplemental abstract No. 89474, certified by Elliott & Waldron Abstract Company of Pecos as covering captioned land from 12-20-84 at 7:00 a.m. to 2-7-86 at 7:00 a.m.

INSTRUMENTS

1. Copy of unrecorded Release of Judgment dated June 14, 1984, from Cawley, Gillespie & Associates, Inc. to J. J. Meeker, individually, d/b/a Meeker Investments and as Trustee of the J. J. Meeker Trust under the Will of Edna Hill Meeker.

2. Unrecorded original Release of Liens dated September 30, 1986, from NBC Bank-San Antonio, National Association (formerly National Bank of Commerce of San Antonio), to J. J. Meeker.

3. Copy of Certificate of Facts from the General Land Office of the State of Texas covering captioned land and other land from sovereignty to January 14, 1985.

4. Copy of unrecorded Subordination Agreement dated March 5, 1985, from Wells Fargo Bank, N.A. to Orla Petco, Inc.

5. Copy of unrecorded Subordination Agreement dated February 28, 1985, from Wells Fargo Bank, N.A. to Orla Petco, Inc.

6. Copy of Release of Mortgages, Deeds of Trust, Assignments and Security Agreements and Reassignment (9-1-86; 47 RR 723) from Wells Fargo Bank, N.A. to James J. Meeker.

7. Copy of Ratification of Lease (2-18-85; 470 DR 165) from Charles R. Meeker to Orla Petco, Inc.

8. Partial Release of Oil and Gas Lease (3-10-86; 47 RR 748), executed by Roden Exploration Company et al.

9. Copy of unrecorded Statement of Facts dated September 9, 1986, executed by E. F. Lawson, Jr., Vice President and Trust Officer of InterFirst Bank Fort Worth, N.A., Agent for S. R. Clark, Trustee of the Windi Phillips 1983 Trust Agency, No. 4906.

10. Copy of Partial Release of Oil and Gas Lease (6-29-84; 46 RR 438), executed by HNG Oil Company.

11. Copy of Railroad Commission of Texas Completion Report (6-28-85) for the Larry M. No. 1 Well.

12. Unrecorded Correction Assignment of Oil and Gas Leases (1-1-87; effective 12-12-85) from Orla Petco, Inc. to Blair Royalties of Orla, Inc.

Based upon an examination of the foregoing and subject to the requirements hereinafter made, we find that as of December 11, 1985, ownership of the oil and gas produced from captioned land was as set out below.

OWNERSHIP OF PRODUCTION

Royalty Interests:

James J. Meeker	1/3 of 3/16	.0625000
L. H. Meeker, Julian Wade Meeker and InterFirst Bank Fort Worth, N.A., Trustees for the lifetime benefit of L. H. Meeker u/w/o J. R. Meeker, Deceased	1/3 of 3/16	.0625000
Lawrence Hill Meeker and InterFirst Bank Fort Worth, N.A., Trustees u/w/o W. W. Meeker for the benefit of Charley R. Meeker, Trust No. 2952	1/16 of 3/16	.0117188
Lawrence Hill Meeker and InterFirst Bank Fort Worth, Trustees U/T/A dated January 2, 1956, for the Charley R. Meeker Revocable Trust, No. 3084	1/12 of 3/16	.0156250
Charles R. Meeker, as separate property	1/48 of 3/16	.0039062
InterFirst Bank Fort Worth, N.A., Trustee u/w/o W. W. Meeker for the benefit of Anne Phillips, Trust No. 2951	1/12 of 3/16	.0156250

Shirley R. Clark, Jr., Trustee of the Windi Phillips 1983 Trust	1/12 of 3/16	.0156250
The State of Texas	1/16 of 8/8	.0625000

Overriding Royalty Interests:

Ed R. Kennedy, Jr.	2% of 8/8	.0200000
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Working Interests:

Orla Petco, Inc.	100% of 13/16 less 2% of 8/8	.7925000
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OIL AND GAS LEASES

See attached Exhibit "A".

TAXES

State and county taxes are paid through 1984, and all Pecos-Barstow-Toyah Independent School District taxes are paid through 1985, except taxes assessed against the mineral interest for the years 1981, 1982, 1983, 1984 and 1985.

LIENS

None indicated.

REQUIREMENTS

1.

As noted above, taxes assessed by Pecos-Barstow-Toyah Independent School District against the mineral interest are delinquent, and the tax certificate for the county does not certify as to 1985 taxes.

REQUIREMENTS: (a) You should ensure that the above referenced delinquent taxes assessed by Pecos-Barstow-Toyah Independent School District are paid.

(b) You should obtain a certificate from the tax assessor-collector for the county certifying as to 1985 taxes.

2.

We have examined an unrecorded Release of Judgment dated June 14, 1984, executed by Cawley Gillespie & Associates, Inc. in favor of J. J. Meeker, individually, d/b/a Meeker Investments and as Trustee of the J. J. Meeker Trust u/w/o Edna Hill Meeker, releasing a judgment entered on April 17, 1984 and subsequently abstracted in Reeves County (6-4-84; 6 AJR 520). This release should be recorded in Reeves County.

REQUIREMENT: Advisory.

3.

We have examined an unrecorded original Release of Liens dated September 30, 1986, from NBC Bank-San Antonio, National Association (formerly National Bank of Commerce of San Antonio), to J. J. Meeker, releasing two Deeds of Trust (8-24-78; 110 DT 36

and 3-15-76; 101 DT 656) originally executed by J. J. Meeker in favor of Ridglea Bank, Fort Worth, Texas. This release should be recorded in Reeves County.

REQUIREMENT: Advisory.

4.

We have examined a Correction Assignment of Oil and Gas Leases (1-1-87; unrecorded) from Orla Petco, Inc. to Blair Royalties of Orla, Inc., executed in correction and in lieu of that certain Assignment of Oil and Gas Leases (12-4-85; 461 DR 628) from Orla Petco, Inc., which incorrectly designated the assignee as Blair Royalties Inc. of Orla, and that certain Correction Assignment of Oil and Gas Leases (10-27-86; 471 DR 609) from Orla Petco, Inc. to Blair Royalties of Orla, Inc., which incorrectly designated the effective date as December 4, 1985 rather than December 12, 1985 as it should have.

REQUIREMENT: The above referenced unrecorded correction assignment should be recorded in Reeves County.

5.

As noted above, this opinion covers captioned land only to December 11, 1985 for the purpose of setting out the ownership of production from captioned land for the disbursement of runs attributable to production prior to December 12, 1985.

REQUIREMENT: Advisory.

COMMENTS

(a) This opinion does not cover such matters as actual area or location on the ground, the same being determinable only upon an actual survey.

(b) The material furnished for examination has been returned herewith.

Respectfully submitted,

STUBBEMAN, McRAE, SEALY, LAUGHLIN & BROWDER, INC.

By:

Gary D. Douglas

GDD:FNC:dk

OPNS/34

EXHIBIT "A"

Oil and Gas Leases

Lease 1:

Date: January 7, 1985.

Recorded: Volume 453, page 465, Deed Records.

Lessors: L. H. Meeker and InterFirst Bank Fort Worth, N.A., Co-Trustees U/W W. W. Meeker for the benefit of Charley R. Meeker Trust No. 2952; L. H. Meeker and InterFirst Bank Fort Worth, N.A., Co-Trustees U/A for Charley Meeker Trust No. 3084; InterFirst Bank Fort Worth, N.A., Agent for Charles R. Meeker No. 4212-01.

Lessee: Orla Petco, Inc.

Land Covered: All of captioned land from the surface to 100 feet below the total depth drilled in each well, but in no event below the base of the Olds sand formation, estimated to be at 3,700 feet.

Interest Covered: 1/6 of the oil and gas in the land covered.

Primary Term: Two (2) years.

Royalties: 1/4 on oil and gas; on shut-in gas wells \$240.00 per well per annum payable on or before 90 days after the date on which the well is shut in or the date on which the lease is no longer maintained by compliance with another preservation provision therein, whichever is later. In no event shall the shut-in royalty provision maintain the lease in effect for a period exceeding two years beyond the expiration of the primary term.

Depository: InterFirst Bank Fort Worth, N.A.

Delay Rentals: \$240.00 (net payment due under lease: \$40.00).

Pooling Provisions: Lessee is granted the right to pool the acreage contained in the lease into oil units of up to forty acres plus a tolerance of 10% and gas units of up to 320 acres plus a tolerance of 10%, or into such larger units as federal or state authorities may prescribe.

Lease Form: FFW (Revised 9-15-82), a commence form of lease with provisions common to usual commercial forms.

Paragraph 3(e) of the lease recites that the lessee has agreed not to enter into any sale of production from the lease

which shall extend more than three years from the effective date of the sales contract unless the contract contains adequate price redetermination provisions at intervals not less frequent than every three years.

Hand-typed Paragraph 16 recites that the lease shall terminate at the expiration of the primary term as to all acreage not held by producing oil or gas well unless the lessee has drilled a producing well or dry hole within 120 days prior to the end of the primary term or is engaged in drilling operations on the leased premises. The lease shall remain in effect as to undeveloped acreage if, within 120 days of the completion of the well lessee commences an additional well on the leased premises and thereafter conducts a continuous development program on the undeveloped acreage with no cessation of more than 120 days between the completion of one well and the commencement of operations on the next well. An oil well is deemed to hold forty acres and a gas well is deemed to hold 160 acres, or such larger amounts as may be prescribed or permitted by the Railroad Commission of the State of Texas.

Lease 2:

Date: January 7, 1985.

Recorded: Volume 453, page 468, Deed Records.

Lessor: L. H. Meeker, Julian Wade Meeker and InterFirst Bank Fort Worth, N.A., Co-Trustees U/W of J. R. Meeker, Deceased, for Lawrence Hill Meeker No. 3675.

Lessee: Orla Petco, Inc.

Land Covered: All of captioned land from the surface to 100 feet below the total depth drilled in each well, but in no event below the base of the Olds sand formation estimated to be at 3,700 feet.

Interest Covered: 1/3 of the oil and gas in the land covered.

Delay Rentals: \$240.00 (net payment due under lease: \$80.00).

The remaining provisions are identical to those in Lease 1.

Lease 3:

Date: January 7, 1985.

Recorded: Volume 453, page 471, Deed Records.

104
Lessor: InterFirst Bank Fort Worth, N.A.,
Trustee U/W W. W. Meeker, for the
benefit of Anne W. Phillips Trust No.
2951; InterFirst Bank Fort Worth, N.A.,
Agent for S. R. Clark, Trustee of the
Windi Phillips 1983 Trust Agency No.
4906.

Lessee: Orla Petco, Inc.

Land Covered: All of captioned land from the surface
to 100 feet below the total depth
drilled in each well, but in no event
below the base of the Olds sand
formation estimated to be at 3,700 feet.

Interest Covered: 1/6 of the oil and gas in captioned
land.

Delay Rentals: \$240.00 (net payment due under lease:
\$40.00).

The remaining provisions are identical to those in Lease 1.

Lease 4:

Date: January 7, 1985.

Recorded: Volume 453, page 475, Deed Records.

Lessor: J. J. Meeker.

Lessee: Orla Petco, Inc.

Land Covered: All of captioned land from the surface
down to 100 feet below the total depth
drilled in each well, but in no event
below the base of the Olds sand
formation estimated to be at 3,700 feet.

Interest Covered: 1/3 of the minerals in the land covered.

Depository: RepublicBank Ridglea, Fort Worth, Texas.

Delay Rentals: \$240.00 (net payment due under lease:
\$80.00).

The remaining provisions are identical to those in Lease 1.

42

mf-82414

Division order

7-15-87



P.O. Box 2436
Abilene, Texas 79604
Phone (915) 674-8110



January 22, 1992

State of Texas
General Land Office
Stephen F. Austin Bldg.
Austin, TX 78701

M-82414

Re: Meeker Hill B-6/PPL #05-28932
Reeves County, Texas

Dear Interest Owner:

Please be advised of a change in the legal description on our Division Order on the above referenced lease.

The legal description should read:

The Meeker Hill B-6 being the W/30 acres of NW/4 SE/4 Section 20, Block 56, T3, T & P Ry. Co. Survey, Reeves County, Texas limited in depth from the surface to 50 feet below the deepest depth penetrated by any well on the leased premises within the primary term, but in no event below 3,600 feet below the surface of the earth.

Please acknowledge your agreement with the change by signing below and return the original of this letter to us. We have enclosed a copy for your files.

Very truly yours,

PRIDE PIPELINE COMPANY

Cindy Robertson
Division Order Analyst

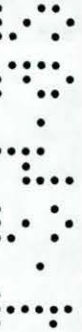
Acknowledged and agreed to this _____ day of _____, 1992.

Owner Name: State of Texas

By: _____

Title: _____

42A mf- 82414
Ltr from pride pipeline
1-22-92



Texas General
Land Office



David Dewhurst
Commissioner

January 18, 2000

LANTERN PETROLEUM
ATTN: DIVISION ORDER DEPT.
P O BOX 2281
MIDLAND TX 79702

Re: Property Name: SEE ATTACHED EXHIBIT A
Mineral File No: SEE ATTACHED EXHIBIT A
Property Number: SEE ATTACHED EXHIBIT A

Dear Sir or Madam:

We have received the division order submitted by your company for the above-referenced lease and added it to 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 affect 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 is acquiescent 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) 463-5408.

Sincerely,

Shirley Chou
Shirley Chou
Accounts Examiner
Royalty and Revenue Processing
Energy Resources

Stephen F. Austin Building

1700 North
Congress Avenue

Austin, Texas
78701-1495

512-463-5001

EXHIBIT A

<u>PROPERTY NAME</u>	<u>MINERAL FILE NUMBER</u>	<u>PROPERTY NUMBER</u>
SABRE 40	MF040154	TX65987-00
SABRE GRAY 40	MF040154	TX65986-00
SABRE GRAY HD #1	MF040154	TX65960-00
MEEKER HILL C	MF046970	TX65975-00
STATE OF TEXAS 23	MF065945	TX65964-00
STATE OF TEXAS 26	MF065945	TX65963-00
AMARILLO STATE 36 #3	MF068427	TX65967-00
AMARILLO STATE 36 #1	MF068555	TX65966-00
HILL STATE 23 #6	MF075119	TX65970-00
ARCO STATE 34 #1	MF076006	TX65969-00
HILL 32 #1	MF077533	TX65971-00
MEEKER 15 #1	MF077534	TX65973-00
MEEKER TRUST 2805	MF082414	TX65972-00

DIVISION ORDER

AM
PLEASE RETURN
ONE COPY TO:

PREPARED: 01/08/00

LANTERN PETROLEUM
A DIVISION OF COAST ENERGY GROUP
P.O. BOX 2281
MIDLAND, TX 79702

LANTERN'S TX65972-00
PROPERTY #:
EFFECTIVE 7 A.M.: 12/01/99

PROPERTY NAME: MEEKER TRUST 2805 17082414

OPERATED BY: LINOP CORPORATION

DESCRIPTION: SECTION 28, BLOCK 56, T-3, REEVES COUNTY, TEXAS.

The undersigned severally and not jointly certifies it is the legal owner of the interest set out below of all the oil/gas and related liquid /gaseous hydrocarbons produced from the property described above.

OWNER#: CREDIT TO: DECIMAL: *TI:

07034 THE COMMISSIONER OF THE GENERAL LAND .06250000 R
OFFICE OF THE STATE OF TEXAS

* TYPE INTEREST: R = ROYALTY, O = OVERRIDING ROYALTY, W = NET WORKING INTEREST,
P = PRODUCTION PAYMENT, U = UNLEASED MINERAL INTEREST

Read all covenants appearing on the reverse side hereof which are incorporated herein by reference. The undersigned agrees that each covenant shall be deemed and considered an essential part of this Division Order in like manner and with the same effect as if printed above the undersigned's signature.

SIGNATURE OF WITNESS/ATTEST SIGNATURE OF OWNER ** SOCIAL SECURITY OR
TAX I.D. # OF THIS
ACCOUNT:

BY: YOUR COPY DAYTIME PHONE #:

TITLE: (OFFICER, PARTNER, TRUSTEE, EXECUTOR, etc.)

OWNER'S REMITTANCE ADDRESS: MAIL CORRESPONDENCE TO (IF DIFFERENT):

** IN ACCORDANCE WITH FEDERAL LAW, 31% TAX WILL BE WITHHELD IF YOU DO NOT PROVIDE
YOUR CORRECT SOCIAL SECURITY NUMBER OR EMPLOYER IDENTIFICATION NUMBER.

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.

Terms of Sale: The undersigned will be paid in accordance with the division of interests set out above. The payor shall pay all parties at the price agreed to by the operator for oil to be sold pursuant to this Division Order. Payor shall compute quantity and make corrections for gravity and temperature and make deductions for impurities.

Payment: From the effective date, payment is to be made monthly by payor's check, based on this division of interest, for oil runs during the preceding calendar month from the property listed above, less taxes required by law to be deducted and remitted by payor as purchaser. Payments of less than \$25 may be accrued before disbursement until the total amount equals \$25 or more, or until December 31 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 attorney's fees or judgments in connection with any suit that affects the owner's interest to which payor is made a party.

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 changes 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 listed above 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 (where the subject property is located).

43

M.I. 082414
Correspondence File
To
From Division Order from Lantern
Dated 08/02 1-8-2000

YOUR COPY

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

July 23, 2004

CERTIFIED MAIL 70032260000303947873

RE-OP CORP
16615 SUNLIGHT WAY
HOUSTON, TX 78758-2429

COPY

RE: Notice of underpayment on State Lease MF082414

Dear Mr. Noonan:

The Royalty Audit Division of the Texas General Land Office has completed a limited review of the above-referenced lease operated by RE-OP CORP. Through this review, it was determined that \$3,947.42 has been underpaid to the State for the reporting period September 1998 through May 2001. This amount is comprised of \$2,376.89 in additional royalty, \$514.31 in penalty, and \$1,056.22 in interest, which has been computed through 8/16/2004, 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 calculation (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. 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 royalty payment, including filing a statutory first lien on all production pursuant to Texas Natural Resources Code section 52.136. 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 RE-OP CORP. 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 me at (512) 463-5408.

Sincerely,

Shirley Chou, Accounts Examiner
Royalty Management
Energy Resources 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

ATTACHMENT I
REVIEW SUMMARY

State Lease: MF082414

We have reviewed our records for the period of September 1998 through August 2001 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 the oil and gas royalties were under paid for Meeker Trust for September 1998 through May 2001.

We have concluded that additional royalty is due in the following amount.

Oil Summary

Royalty	Penalty	Interest	Total
\$2,124.90	\$239.31	\$934.11	\$3,298.32

Gas Summary

Royalty	Penalty	Interest	Total
\$251.99	\$275.00	\$122.11	\$649.10

Oil & Gas Summary

Royalty	Penalty	Interest	Total
\$2,376.89	\$514.31	\$1,056.22	\$3,947.42

RE-OP CORPORATION
 STATE LEASE M-082414
 FIELD NAME: ORLA SOUTHEAST (DELAWARE)
 LEASE NAME: MEEKER TRUST
 REEVES COUNTY, TEXAS
 RRC OIL WELL ID 08-34827,36080
 ROYALTY DECIMAL .0625

ATTACHMENT II

AUDITOR: S CHOU
 FILE NAME M-082414
 DATE: 07/23/04

PENALTY/
 INTEREST DATE:

08/16/04

(1) (2) (3) (4) (5) (6) (7)

MONTH/ YEAR	RRC OIL SALE (A)	OIL PRICE (B)	GROSS VALUE (A) X (B)	ROYALTY DUE (3) X (.0625)	NUMBER OF DAYS LATE	PENALTY DUE (C)	INTEREST DUE (C)	TOTAL DUE (4) + (5) + (6)
Oct-98	550	13.0000	7,150.00	446.88	2081	44.69	297.07	788.64
Oct-00	82	33.7200	2,765.04	172.82	1350	25.00	73.35	271.17
Nov-00	126	34.5900	4,358.34	272.40	1319	27.24	112.84	412.48
Jan-01	84	29.9800	2,518.32	157.40	1260	25.00	62.15	244.55
Feb-01	84	30.8500	2,591.40	161.96	1229	25.00	62.30	249.26
Apr-01	142	27.0000	3,834.00	239.63	1168	25.00	87.37	352.00
May-01	386	27.9300	10,780.98	673.81	1138	67.38	239.03	980.22
	1,454		33,998.08	2,124.90		239.31	934.11	3,298.32

COMMENTS

- (A) OIL SALES - REPRESENTS OIL SALE VOLUMES SHOWN ON THE RRC ANNUAL PRODUCTION LEDGER.
- (B) PRICE - PRICE ARE OBTAINED FROM THE HIGHEST OIL COUNTY PRICE REPORTED TO GLO.
- (C) SEE ATTACHMENT III, "SUMMARY OF PENALTY/INTEREST ASSESSMENT RULES", FOR EXPLANATION OF PENALTY AND INTEREST CALCULATIONS.

RE-OP CORPORATION
 STATE LEASE M-082414
 FIELD NAME- ORLA SOUTHEAST (DELAWARE)
 LEASE NAME- MEEKER TRUST
 REEVES COUNTY, TEXAS
 RRC OIL WELL 08-34827,08-36080
 ROYALTY DECIMAL: .0625

ATTACHMENT II

PENALTY/
 INTEREST DATE:
 8/16/2004

AUDITOR: S CHOU
 FILE NAME: M-082414
 DATE: 07/23/04

(1)		(2)	(3)	(4)	(5)	(6)	(7)	(8)	
MONTH/ YEAR	RRC GAS VOLUME (A)	PRICE (B)	BTU (C)	GROSS VALUE (1) X (2) X (3)	ROYALTY DUE (4) X (.0625)	NUMBER OF DAYS LATE	PENALTY DUE (D)	INTEREST DUE (D)	TOTAL DUE (5)+(6)+(7)
Sep-98	81	1.810000	1.000	146.61	9.16	2101	25.00	6.15	40.31
Oct-98	86	2.275000	1.000	195.65	12.23	2071	25.00	8.09	45.32
Apr-99	109	2.014600	1.000	219.59	13.72	1889	25.00	8.25	46.97
May-99	65	2.490230	1.000	161.86	10.12	1859	25.00	5.99	41.11
Jul-99	316	2.569518	1.000	811.97	50.75	1797	25.00	29.00	104.75
Aug-99	142	2.928414	1.000	415.83	25.99	1767	25.00	14.59	65.58
Oct-00	102	6.024151	1.000	614.46	38.40	1340	25.00	16.17	79.57
Dec-00	39	8.540000	1.000	333.06	20.82	1278	25.00	8.34	54.16
Mar-01	63	5.589851	1.000	352.16	22.01	1189	25.00	8.18	55.19
Apr-01	60	5.425520	1.000	325.53	20.35	1158	25.00	7.35	52.70
May-01	83	5.481625	1.000	454.97	28.44	1128	25.00	10.00	63.44
1,146				4031.69	251.99		275.00	122.11	649.10

COMMENTS:

(A) VOLUME - REPRESENTS GAS SALES VOLUME SHOWN ON RRC GAS PRODUCTION LEDGER.

(B) PRICE - PRICE ARE OBTAINED FROM THE HIGHEST GAS COUNTY PRICE REPORT (LAND TYPE 8) TO GLO.

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

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>			
• For delinquent royalty	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 delinquent report, affidavit, or other document	NONE	\$5.00 per document for each 30-day period of delinquency	For delinquencies of more than 30 days, the greater of 10% of the delinquent amount or \$25.00 \$10.00 per document for each 30-day period of delinquency
<u>INTEREST</u>			
• For delinquent royalty	6% per year, simple interest; accrual begins 30 days after due date (1)	6% per year, simple interest; 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.



03111
TEXAS GENERAL LAND OFFICE
JERRY PATTERSON, COMMISSIONER
P.O. Box 12873
Austin, Texas 78711-2873

CERTIFIED MAIL™



70031 2260 10003E 0394 7873

OFFICIAL BUSINESS
STATE OF TEXAS
STATE PENALTY



04 AUG 27 AM '04

MR PETER NOONAN
RE-OP CORPORATION
16615 SUNLIGHT WAY
HOUSTON TX 77058-2243

Name _____
1st Notice 7/26/04
2nd Notice 7/31/04
Return 8/11/04



UNDELIVERABLE AS ADDRESSED

77058+2243 03

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

RE-OP CORP
16615
RIGHT WAY
HIOUSTON TX 77058-2243
RETURNED TO SENDER
UNDELIVERABLE AS ADDRESSED

2. Article Number
(Transfer from service label)

7003 2260 0003 0394 7873

PS Form 3811, August 2001

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X☐ Agent☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

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

3. Service Type

☒ Certified Mail☐ Express Mail☐ Registered☐ Insured Mail☒ Return Receipt for Merchandise☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

Domestic Return Receipt

102595-02-M-1540

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

July 23, 2004

CERTIFIED MAIL 70032260000303947873

RE-OP CORP

16615 SUNLIGHT WAY
HOUSTON, TX 78758-2429

RE: Notice of underpayment on State Lease MF082414

Dear Mr. Noonan:

The Royalty Audit Division of the Texas General Land Office has completed a limited review of the above-referenced lease operated by RE-OP CORP. Through this review, it was determined that \$3,947.42 has been underpaid to the State for the reporting period September 1999 through May 2001. This amount is comprised of \$2,376.89 in additional royalty, \$514.31 in penalty, and \$1,056.22 in interest, which has been computed through 8/16/2004, 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 calculation (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. 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 royalty payment, including filing a statutory first lien on all production pursuant to Texas Natural Resources Code section 52.136. 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 RE-OP CORP. 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 me at (512) 463-5408.

Sincerely,

Shirley Chou, Accounts Examiner
Royalty Management
Energy Resources 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

ATTACHMENT I
REVIEW SUMMARY

State Lease: MF082414

We have reviewed our records for the period of September 1998 through August 2001 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.

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We have concluded that additional royalty is due in the following amount.

Oil Summary

Royalty	Penalty	Interest	Total
\$2,124.90	\$239.31	\$934.11	\$3,298.32

Gas Summary

Royalty	Penalty	Interest	Total
\$251.99	\$275.00	\$122.11	\$649.10

Oil & Gas Summary

Royalty	Penalty	Interest	Total
\$2,376.89	\$514.31	\$1,056.22	\$3,947.42

RE-OP CORPORATION
 STATE LEASE M-082414
 FIELD NAME: ORLA SOUTHEAST (DELAWARE)
 LEASE NAME: MEEKER TRUST
 REEVES COUNTY, TEXAS
 RRC OIL WELL ID 08-34827,36080
 ROYALTY DECIMAL .0625

ATTACHMENT II

AUDITOR: S CHOU
 FILE NAME M-082414
 DATE: 07/23/04

PENALTY/
 INTEREST DATE:

08/16/04

(1) (2) (3) (4) (5) (6) (7)

MONTH/ YEAR	RRC OIL SALE (A)	OIL PRICE (B)	GROSS VALUE (A) X (B)	ROYALTY DUE (3) X (.0625)	NUMBER OF DAYS LATE	PENALTY DUE (C)	INTEREST DUE (C)	TOTAL DUE (4) + (5) + (6)
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Feb-01	84	30.8500	2,591.40	161.96	1229	25.00	62.30	249.26
Apr-01	142	27.0000	3,834.00	239.63	1168	25.00	87.37	352.00
May-01	386	27.9300	10,780.98	673.81	1138	67.38	239.03	980.22
	1,454		33,998.08	2,124.90		239.31	934.11	3,298.32

COMMENTS

- (A) OIL SALES - REPRESENTS OIL SALE VOLUMES SHOWN ON THE RRC ANNUAL PRODUCTION LEDGER.
- (B) PRICE - PRICE ARE OBTAINED FROM THE HIGHEST OIL COUNTY PRICE REPORTED TO GLO.
- (C) SEE ATTACHMENT III, "SUMMARY OF PENALTY/INTEREST ASSESSMENT RULES", FOR EXPLANATION OF PENALTY AND INTEREST CALCULATIONS.

RE-OP CORPORATION
 STATE LEASE M-082414
 FIELD NAME- ORLA SOUTHEAST (DELAWARE)
 LEASE NAME- MEEKER TRUST
 REEVES COUNTY, TEXAS
 RRC OIL WELL 08-34827,08-36080
 ROYALTY DECIMAL: .0625

ATTACHMENT II

PENALTY/
 INTEREST DATE:
 8/16/2004

AUDITOR: S CHOU
 FILE NAME: M-082414
 DATE: 07/23/04

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
MONTH/ YEAR	RRC GAS VOLUME (A)	PRICE (B)	BTU (C)	GROSS VALUE (1) X (2) X (3)	ROYALTY DUE (4) X (.0625)	NUMBER OF DAYS LATE	PENALTY DUE (D)	INTEREST DUE (D)	TOTAL DUE (5)+(6)+(7)
Sep-98	81	1.810000	1.000	146.61	9.16	2101	25.00	6.15	40.31
Oct-98	86	2.275000	1.000	195.65	12.23	2071	25.00	8.09	45.32
Apr-99	109	2.014600	1.000	219.59	13.72	1889	25.00	8.25	46.97
May-99	65	2.490230	1.000	161.86	10.12	1859	25.00	5.99	41.11
Jul-99	316	2.569518	1.000	811.97	50.75	1797	25.00	29.00	104.75
Aug-99	142	2.928414	1.000	415.83	25.99	1767	25.00	14.59	65.58
Oct-00	102	6.024151	1.000	614.46	38.40	1340	25.00	16.17	79.57
Dec-00	39	8.540000	1.000	333.06	20.82	1278	25.00	8.34	54.16
Mar-01	63	5.589851	1.000	352.16	22.01	1189	25.00	8.18	55.19
Apr-01	60	5.425520	1.000	325.53	20.35	1158	25.00	7.35	52.70
May-01	83	5.481625	1.000	454.97	28.44	1128	25.00	10.00	63.44
	1,146			4031.69	251.99		275.00	122.11	649.10

COMMENTS:

(A) VOLUME - REPRESENTS GAS SALES VOLUME SHOWN ON RRC GAS PRODUCTION LEDGER.

(B) PRICE - PRICE ARE OBTAINED FROM THE HIGHEST GAS COUNTY PRICE REPORT (LAND TYPE 8) TO GLO.

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

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>			
• For delinquent royalty	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 delinquent report, affidavit, or other document	NONE	\$5.00 per document for each 30-day period of delinquency	For delinquencies of more than 30 days, the greater of 10% of the delinquent amount or \$25.00 \$10.00 per document for each 30-day period of delinquency
<u>INTEREST</u>			
• For delinquent royalty	6% per year, simple interest; accrual begins 30 days after due date (1)	6% per year, simple interest; 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.

(45)

File No. 082414
Billing letter

Date Filed: 7-23-04
Jerry E. Patterson, Commissioner

By Schoen

UNITED STATES POSTAL SERVICE



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

- Sender: Please print your name, address, and ZIP+4 in this box •

RECEIVED

JUL 29 2004

TEXAS GENERAL LAND OFFICE
P O BOX 12873
AUSTIN TX 78711-2873

GENERAL LAND OFFICE

03111

Shidey chon

Room 600

77-082414

RECEIVED

04 JUL 29 AM 10:17

ENERGY RESOURCES

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Chesapeake Op. Inc
P.O. Box 18496
Oklahoma City
OK 73154-0496

2. Article
(Transit)

PS Form

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

☐ Agent☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

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

3. Service Type

☒ Certified Mail☐ Express Mail☐ Registered☒ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

02595-02-M-1540

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

July 23, 2004

CERTIFIED MAIL 70032260000303947880

CHESAPEAKE OPERATING INC

P O BOX 18496 ATTEN MANDI PHILLIPS
OKLAHOMA CITY, OK 73154-0496

RE: Notice of underpayment on State Lease MF082414

Dear Ms.:

The Royalty Audit Division of the Texas General Land Office has completed a limited review of the above-referenced lease operated by CHESAPEAKE OPERATING INC. Through this review, it was determined that \$400.37 has been underpaid to the State for the reporting period September 1999. This amount is comprised of \$241.45 in additional royalty, \$25.00 in penalty, and \$133.92 in interest, which has been computed through 8/16/2004, 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 calculation (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. 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 royalty payment, including filing a statutory first lien on all production pursuant to Texas Natural Resources Code section 52.136. 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 CHESAPEAKE OPERATING INC. 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 me at (512) 463-5408.

Sincerely,

Shirley Chou, Accounts Examiner
Royalty Management
Energy Resources 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

ATTACHMENT I
REVIEW SUMMARY

State Lease: MF082414

We have reviewed our records for the period of September 1998 through August 2001 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 the oil royalty was under paid on Meeker for September 1999.

We have concluded that additional royalty is due in the following amount.

Oil Summary

Royalty	Penalty	Interest	Total
\$241.45	\$25.00	\$133.92	\$400.37

Gas Summary

Royalty	Penalty	Interest	Total
\$0.00	\$0.00	\$0.00	\$0.00

Oil & Gas Summary

Royalty	Penalty	Interest	Total
\$241.45	\$25.00	\$133.92	\$400.37

CHESAPEAKE OPERATING INC
 STATE LEASE M-082414
 FIELD NAME- ORLA SOUTHEAST (DELAWARE)
 LEASE NAME- MEEKER
 REEVES COUNTY, TEXAS
 RRC OIL WELL 08-26148
 ROYALTY DECIMAL: .0625

ATTACHMENT II

AUDITOR: S.CHO
 FILE NAME: M-082414
 DATE: 07/23/04

PENALTY/
 INTEREST DATE:
 08/16/04

			(1)	(2)	(3)	(4)	(7)	(8)	(9)	(10)
MONTH/ YEAR	RRC VOLUME (A)	GLO-1 VOLUME (A1)	DIFFERENCE BETWEEN (A)-(A1)	PRICE (B)	GROSS VALUE (1)X(2)	ADDITIONAL ROYALTY DUE (3)X(.0625)	NUMBER OF DAYS LATE	PENALTY DUE (C)	INTEREST DUE (C)	TOTAL DUE (4)+(8)+(9)
Sep-99	360	180	180	21.462	3,863.16	241.45	1746	25.00	133.92	400.37
	360	0	0		3,863.16	241.45		25.00	133.92	400.37

COMMENTS:

(A) RRC VOLUME - REPRESENTS OIL SALES REPORTED ON RRC OIL PRODUCTION LEDGER.

(A-1)GLO-1 VOLUME - REPRESENTS OIL SALES REPORTED ON GLO-1 REPORT.

(B) PRICE - PRICE ARE OBTAINED FROM GLO-1 (OIL REPORT) THAT WERE SUBMITTED TO GENERAL LAND OFFICE.

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

ATTACHMENT III

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

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46

File No. 082414
Billing letter

Date Filed: ~~set~~ 7-23-04
Jerry E. Patterson, Commissioner
School



☒ Approved
☐ Denied

Energy Financial Management Request for Write-Off Over \$1000

Lessee's Name Re-Op Corp BAN # _____

MF# 82414 Acct Ex./Auditor S Chou Inv. Amount \$3,298.32

Original Billing Date 7/23/04
9/30/2003 Write-Off Request Date: 5/27/2009

Billing Type

- ☐ Audit
☒ Reconciliation
☐ Energy Resources
☐ Late / Incorrect Report
☐ Late Payment

Reason for Write-Off (check all that apply)

- ☒ Debt is 3 Years old or more
☒ Lessee bankrupt / out of business
☐ Lessee cannot be located
☒ Debt is uncollectible
☐ Lessee files electronically
☐ Other

1. Attach copies of the original invoice, follow-up correspondence, telephone logs, and collection history regarding the unpaid balance.
2. Provide reason that liability should be written-off.
3. Once approved by all necessary parties are obtained, the collection packet will be returned to the EFM Director for removal from the Accounts Receivable.

Submitted by Team Leader: *Barbara Payne* 6/23/2009
(Signature and Date)

Comments: Company does not exist any more as of 2003. Mineral leasing terminated all leases in 2001

Approved by EFM Director: *Kim M. Kelly* 07-24-2009
(Signature and Date)

Comments: _____

Concurred by Legal Services: *Daniel Smith* 7-29-2009
(Signature and Date)

Comments: Company defunct 2001 Owner of Co. filed bankruptcy in 2002
Ref'd to A.G. in 2003

Return to Energy Financial Mgmt

For Amounts over \$10,000

Deputy Commissioner Financial Mgmt: _____

For Amounts over \$25,000

Chief Clerk / Deputy Land Comm.: _____

Okheel entered 8/7/09



MEMORANDUM

Texas General Land Office • Jerry Patterson • Commissioner

DATE: March 19, 2004
TO: John Monroe
FROM: Wendell Smith
SUBJECT: Accounts Receivable

A cursory review of the list that you sent over indicates tat some of the billings may have been paid or otherwise addressed, or may be in bankruptcy.

1996

Vista Resources	M-68440	Paid 3-27-96, Reg. #39239
Shoreham	M-39237	Transferred to the University of Texas

1997

Fort Worth Nat. Gas	M-54704	LERA may have paid or resolved this.
---------------------	---------	--------------------------------------

1998

Apache Corp	M-95293	Co. allowed a credit that may have resolved this.
NICOR	M-71303	Partial payment appears to have been made.
Pride Energy	M-82018	Possible overpayment

1999

Altura	M-60870	Possible paid by Occidental Petroleum in 2001
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2004

Pegco Operators	M-48575	Settlement agreement sent to company to pay off in three years
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Bankruptcy

Chartex	M-71369	Enron Oil and Gas	M-84743
Tri-Union	M-70389	Transtexas	M-87043

RE-OP M-40154, M-75119, M-75053, M-65945, M-77534 and M-75053

A lien was placed against production from M-47118. Subsequently a referral was made to the Attorney General to collect the amounts owed the State. The company may no longer exist and the amounts may be uncorrectable.

5/27/2009 ALLLOGSFY98FORWARD

Billing	COMPANY	TYPE	IF NUMBER	Per Lease	DATE	DATE	AUD	ROYALTY	PENALTY	INTEREST	TOTAL	COMMENTS	ROYALTY PAID	PENALTY PAID
OIL0359	RE-OP CORPORATION	REC	82414	No	07/23/04	07/23/04	SC	\$2,124.90	\$239.31	\$934.11	\$3,298.32	ROYALTY NOT PAID FOR 10/98, 10/00-5/01--FWD TO LEGAL 10/8/04 AFTER RETURNED AS UNDELIVERAI		

(47)

File No. MF-82414

Ltr Write-off

Date Filed: 5-27-09

Jerry E. Patterson, Commissioner

By me