MF-088676
PART 1 OF 2

UNDIVIDED INTEREST — Producing — RELINQUISHMENT ACT LEASE — M-88676 7/195

~~10-8-82~~	~~26.68~~	~~NET Ac.~~	~~$13.34~~ expired
~~8-1-83~~	~~17.78~~	~~" "~~	~~8.89 D~~ Expired
~~11-22-83~~	~~8.90~~	~~" "~~	~~4.45 B~~ (Paid up)
~~8-1-83~~	~~26.68~~	~~" "~~	~~6.67-A~~
-12-8-86	4.44	" "	2.22 C
-10-10-87	17.77	" "	8.89 D
-9-30-88	21.19	" "	10.60 E
-10-10-88	1.58	" "	.79 F
-10-17-88	1.34	" "	.67 G
-11-2-88	30.21	" "	15.11 H
~~8-1-89~~	~~15.16~~		~~7.58~~

COUNTY: Reeves
TRACT : SE/pt. N/440 ac. Sec. 12, Blk. 57 Tsp.2
PART : T&P Ry.Co. Sur.
ACRES : 80

LESSEE : Blake Oil & Gas Corporation
DATE : October 8, 1982
TERM : 3 ~~Five~~ years
BONUS : $1,333.34
RENTAL:
FILE : 142477

07-10885-4

Land BE
Revised RW
Mfd. Rec
Mfg. Map
Gas

BLAKE OIL & GAS CORP

PART 1 OF 2

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5. Y. L. Lease 12-8-83 MA
6. Ltr fr. Orla Peters 12-5-83 MA
7. Ltr to Orla Peters 12-12-83 MA
8. Lease 1-4-84 MA
9. Ltr from Jack Blake 12-29-83 MA
10. Ltr to Jack Blake 1-20-84 MA
11. Lease 5-11-84 MA
12. Assignment 5-11-84 MA
13. Assignment 5-11-84 MA
14. Ltr from Orla Peters 5-9-84 MA
15. Ltr from Orla Peters 5-4-84 MA
16. Ltr to Orla Peters 5-16-84 MA
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18. Rental Payment 8-10-84
19. Rental Payment in M-82458 7-11-85
20. Rental Payment 9-28-85
21. Rental Payment 9-26-86
22. Rental Payment (refunded) 9-27-86
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26 " to " 12-5-86
27 " from " 1-21-87
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36 Letter from Jack E Blake 12-26-87
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B. Ltr from Jack Blake 9-7-88
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52. Memorandum 9-16-88
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62. Ltr from Jack E Blake 11-30-88
63. Oil & Gas Lease 9-30-88
63.A. Oil & Gas Lease 9-30-1988
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66. Memorandum 9-16-88

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68. Memorandum 9-16-88
69. ltr to Blake 1-31-89
70. Ltr from Jack E Blake 1-30-89
71. O.L & GAS Lease 9-30-88
72. Memorandum 9-16-88
73. O.L & GAS Lease 9-30-88
74. Memorandum 9-16-88
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90. Letter from Blake O.L & Gas Corp. 12/4/89
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92. Ltr. fr. Walter Beardsley (12/4/89) w/attachm. 12/4/89
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109. ASMT ORRI 6-22-90
110. LTR FR. MICHAEL W. ROYE 6-22-90
111. LTR TO MICHAEL W. ROYE 8-27-90
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118. Ltr. from Stanley Staples with copy of 3-31-97 Deed and Will as to surface ownership	Scanned sm 10/21/2019
119. Ltr. to Stanley Staples 4-7-97	See MF065359 # 87
See Item (44) in M-88364	Assn # 11304 BPX to Amoco 7/12/23
(120) D.G. 12-23-99	(129) Assign # 11322 BPX
See MF088364 # 45	to Permian Del Expl 7/12/23
for assignment 11/27/02	Scanned sm 07/13/2023
121. CA 7200179 9-19-01 MC	see MF065359 - corrected
122 Billing Ltr to Pen 6/13/02	~~assg~~ assign # 11304
123. billing Ltr to Penn Virginia 7/26/02	scanned sm 10/16/2024
124. Bill Ltr. Reef Expl. 6/22/07	130. PSA # 00701 12-2-24
* Assignment FILED in MF 050790	scanned WH 12-3-2024
# 171. 7/2/08	(See MF088364 for inlets)
125. Reconciliation Ltr 12/9/11	scanned WH 8-26-2025
126 Reconciliation Ltr 9/10/12	
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See # 55 in M-88364 For the	
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127. Assignment from Blake to BHP 10-29-13	
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Amendment to State LRP Unit # 7199	
scanned PJ 11-13-15	
128. Division Order 7-9-18	
scanned PJ 8-14-2018	

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[redacted]al Classified Land
[redacted]Consideration Comparison

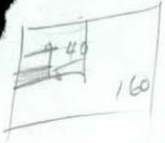
County REEVES
Area SE Pt. N/440 ac
Sec 12, Blk 57, T-2 T&P

	Acres	Lease Date	Term	Total Bonus	B/Ac	Rental	Comparison
New	(26.68) 80	10-8-82	5yrs	2666.68	100.00	1.00	3/32
FEE 88364	200	10-5-82	3yrs	15000.00	75.00	5.00	Adj's 1/4
87258	640	9-23-81	5yrs	64000.00	100.00	1.00	1mi W 3/32
24032	640	8-14-80	5yrs	96000.00	150.00	1.00	1mi E 3/32

142477

Remarks: 1½ mi N of OLDS
(Del) FLD

Consideration
Recommended 300
Not Recommended


40
160

1543

--General Land
e Lease Form Under
linquishment Act
Revised September, 1981

OIL AND GAS LEASE

THIS AGREEMENT, made and entered into this 8th day of October, 1982, by and between VIOLET SCHULER and EVELYN SCHULER, widow of Robert L. Schuler, deceased, of 632 Elgin Avenue -- Forest Park, Illinois 60130 (Give Permanent Address), herein referred to as the owner of the soil (whether one or more), individually and as agent for the State of Texas, and BLAKE OIL & GAS CORPORATION, of 400 North Main -- Midland, Texas 79701 (Give Permanent Address), hereinafter called Lessee, WITNESSETH:

1. The owner of the soil in the capacities aforesaid, for and in consideration of ONE THOUSAND THREE HUNDRED THIRTY THREE AND 34/100 ----- ---------- Dollars ($ 1,333.34), cash in hand paid, as his individual property and estate, receipt of which is hereby acknowledged, and a like amount paid to the STATE OF TEXAS, and of the covenants and agreements hereinafter contained on the part of the Lessee to be paid, kept and performed, hereby grants, leases and lets unto Lessee, for the sole and only purpose of prospecting and drilling for and producing oil and gas, laying pipe lines, building tanks, storing oil and building power stations, telephone lines and other structures thereon, to produce, save, take care of, treat and transport said products of the lease, the following lands situated in Reeves County, State of Texas, to-wit:

All of the Southeast part of the North 440 acres of Section 12, Block 57, Township-2, T&P RR Company Survey, described by metes and bounds as follows:

Expired

BEGINNING at the SE/corner of the E/2 of the NE/4 of this Section in the West line of Section 7, Block 56, Township-2, T&P RR Co. Survey, and the NE/corner of this Survey;

THENCE West 1267.2 varas with the South line of the N/2 to the NE/corner of the NW/part of the S/2 and the NW corner of this Survey;

THENCE South 356.4 varas with the East line of said NW part of the S/2 to its SE/corner in the North line of the South part of the SW/corner of this Survey;

THENCE East 1267.2 varas with the North line of said South part to its NE/corner in the West line of Section 7, Block 56, Township-2, T&P RR Company Survey, and the SE/corner of this Survey;

THENCE North 356.4 varas with the West line of said Section 7, to the place of beginning.

[illegible] provided;

THREE-SIXTEENTHS (3/16ths) ---------- part of the gross

*Not to exceed five (5) years.
**The total royalty payable under the lease should be inserted in paragraphs 3(a), 3(b), 3(c) and 3(d).

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

(b) As a royalty on any gas (including flared gas), which is defined as all hydrocarbons and gaseous substances not defined as oil in subparagraph (a) above, produced from any well on said land (except as provided herein with respect to gas processed in a plant for the extraction of gasoline, liquid hydrocarbons or other products) THREE-SIXTEENTHS (3/16ths) ---------- part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality for the field where produced and when run, or the gross price paid or offered to the producer, whichever is greater; provided that the maximum pressure base in measuring the gas under this lease contract shall not at any time exceed 14.65 pounds per square inch absolute, and the standard base temperature shall be sixty (60) degrees Fahrenheit, correction to be made for pressure according to Boyle's Law, and for specific gravity according to test made by the Balance Method or by the most approved method of testing being used by the industry at the time of testing.

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

(c) As a royalty on any gas processed in a gasoline plant or other plant for the recovery of gasoline or other liquid hydrocarbons, THREE-SIXTEENTHS (3/16ths) ---------- part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease, and on fifty percent (50%) or that percent accruing to Lessee, whichever is greater, of the total plant production of liquid hydrocarbons attributable to the gas produced from this lease; provided that if liquid hydrocarbons are recovered from gas processed in a plant in which Lessee (or its parent, subsidiary or affiliate) owns an interest, then the percentage applicable to liquid hydrocarbons shall be fifty percent (50%) or the highest percent accruing to a third party processing gas through such plant under a processing agreement negotiated at arms' length (or if there is no such third party, the highest percent then being specified in processing agreements or contracts in the industry), whichever is greater. The respective royalties on residue gas and on liquid hydrocarbons shall be determined by 1) the highest market price paid or offered for any gas (or liquid hydrocarbons) of comparable quality in the general area, or 2) the gross price paid or offered for such residue gas (or the weighted average gross selling price for the respective grades of liquid hydrocarbons, F.O.B. at the plant in which said gas is processed), whichever is greater.

(d) As a royalty on carbon black, sulphur or any other products produced or manufactured from gas (excepting liquid hydrocarbons) whether said gas be "casinghead", "dry" or any other gas, by fractionating, burning or any other processing, THREE-SIXTEENTH (3/16ths) part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows:

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

(2) on the basis of the average gross sale price of each product for the same month in which such produce is sold, whichever is greater.

4. Notwithstanding anything contained herein to the contrary, the owner of the soil or the Commissioner of the General Land Office may, at the option of either, at any time or from time to time, upon not less than sixty (60) days notice to the holder of the lease, require the payment of any royalties accruing to such royalty owner under this lease be made in kind.

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

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

7. All royalties which are required to be paid hereunder to the Commissioner of the General Land Office shall be due and payable in the following manner: Royalty on oil shall be due and payable on or before the 5th day of the second month succeeding the month of production, and royalty on gas shall be due and payable on or before the 15th day of the second month succeeding the month of production, accompanied by an affidavit completed in the form and manner prescribed by the General Land Office and showing the gross amount and disposition of all oil and gas produced and the market value of the oil and gas, together with a copy of all supporting documents and records required by law to confirm the gross production, disposition and market value. A copy of all contracts under which gas is sold or processed and all subsequent agreements and amendments to such contracts shall be filed with the General Land Office within thirty (30) days after entering into or making such contracts, agreements or amendments. The books, accounts and all other records pertaining to production, transportation, sale and marketing shall at any time be subject to inspection and examination by the Land Commissioner. Each royalty payment shall be accompanied by a check stub, schedule, summary or other remittance advice showing by the assigned General Land Office lease number the amount of royalty being paid. Any royalty not paid or affidavits and supporting documents not filed when due shall be come delinquent and shall have added to the sum owing a delinquency penalty of one percent (1%) of such sum for each thirty (30) day period of delinquency or a fractional period thereof; provided, however, that each such penalty shall never be less than Five Dollars ($5.00). Lessee shall bear all responsibility for paying or causing royalties to be paid as prescribed by the

due date provided herein. Payment of the delinquency penalty shall in no way operate to prohibit the State's right of forfeiture as provided by law. The State shall have a first lien upon all oil and gas produced from the area covered by this lease to secure the payment of all unpaid royalty and other sums of money that may become due to the State hereunder.

8. If no well be commenced on said land on or before one (1) year from this date, this lease shall terminate as to both parties, unless on or before such anniversary date Lessee shall pay or tender to the owner of the soil or to his credit in the Forest Park National ✓ Bank, at 7348 W. Madison ✓ Forest Park, Illinois 60130, or its successors (which shall continue as the depository regardless of changes in the ownership of said land), the sum of FORTY AND NO/100 ---------- Dollars ($ 40.00), and in addition shall pay to the COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS, AT AUSTIN, TEXAS, a like sum on or before said date, which shall operate as a rental and cover the privilege of deferring the commencement of a well for one (1) year from said date. In like manner and upon like payments or tenders annually, the commencement of a well may be further deferred for successive periods of one (1) year each during the primary term.

9. All payments or tenders of rental to the owner of the soil may be made by check or draft of Lessee, or any assignee hereof, and delivered on or before the rental paying date. If said bank (or any successor bank) should cease to exist, suspend business, liquidate, fail or be succeeded by another bank, or for any reason fail or refuse to accept rental, Lessee shall not be held in default for failure to make such payments or tenders of rental until thirty (30) days after the owner of the soil shall deliver to Lessee a proper recordable instrument naming another bank as agent to receive such payments or tenders.

10. During any year beginning with the anniversary date of this lease, if this lease is maintained by production, the royalties paid hereunder in no event shall be less than an amount equal to the total annual delay rental herein provided; otherwise, there shall be due and payable on or before the last day of the month succeeding the anniversary date of this lease a sum equal to the total annual delay rental less the amount of royalties paid during the preceding year. If no amount of delay rental is specified in this lease, then for the purpose of this paragraph and paragraph 28, rental shall be construed to be one dollar ($1.00) per acre which shall be in addition to the statutory minimum rental provided in paragraph 11 hereof.

11. It is understood and agreed that notwithstanding the fact that development may be in progress or production secured and royalty being paid hereunder the owner or operator of the leased premises shall continue to make annual rental payments to the State which, under such conditions, shall be the minimum of ten cents (10¢) per acre as provided by Section 52.172 of the Natural Resources Code (hereinafter called N.R.C.).

12. If, during the primary term hereof and prior to discovery and production of oil or gas on said land, Lessee should drill a dry hole or holes thereon, or if, after discovery and production of oil or gas, the production thereof should cease from any cause, this lease shall not terminate if on or before the rental paying date next ensuing after the expiration of sixty (60) days from date of completion of said dry hole or cessation of production Lessee commences additional drilling or reworking operations thereon, or commences or resumes the payment of annual delay

rental in the same manner as provided in Paragraph Number 8 of this lease. If a dry hole be completed and abandoned during the last year of the primary term, Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in oil or gas well within the primary term hereof, Lessee may resume payment of annual rental in the same manner as provided in Paragraph Number 8 in this lease on or before the rental paying date next ensuing after sixty (60) days from the date of completion of such shut-in oil or gas well and upon the failure to make such annual rental payment, this lease shall ipso facto terminate. If at the expiration of the primary term or at any time thereafter a shut-in oil or gas well is located on the leased premises, payments may be made in accordance with the provisions of Paragraph Number 28 hereof.

13. If, at the expiration of the primary term, neither oil nor gas is being produced on said land, but Lessee is then engaged in drilling or reworking operations thereon, or if, after the expiration of the primary term, production of oil or gas on the leased premises after once obtained should cease from any cause, this lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted with no cesstion of more than sixty (60) consecutive days, and if they result in the production of oil and/or gas, so long thereafter as oil and/or gas is produced in paying quantities from said land, or payment of shut-in oil or gas well royalties or compensatory royalties is made as hereinafter provided.

14. Lessee shall adequately protect the oil and gas under the above described land from drainage from the adjacent lands or leases. Neither the bonus, delay rentals, nor royalties paid or to be paid hereunder shall relieve Lessee from the obligations herein expressed, and for such purpose Lessee shall be required to drill as many wells as the facts may justify and to the depth or depths necessary for effective protection against undue drainage by other wells on adjacent lands or leases.

15. Written notice of operations hereunder shall be submitted to the Commissioner of the General Land Office by Lessee within five (5) days of spud date, cessation of production, workover, re-entry, temporary abandonment or abandonment of any well and shall include copies of Railroad Commission forms for application to drill, completion tests and plugging reports. The Commissioner of the General Land Office reserves the right to require Lessee to furnish logs on all wells drilled on said land and to annually furnish the said Commissioner with its best possible estimate of oil and gas reserves underlying this lease or allocable to this lease.

16. Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling operations thereon, or from producing oil or gas therefrom, after effort made in good faith, by reason of war, rebellion, riots, strikes, acts of God, or any valid order, rule or regulation of government authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended; and this lease shall be extended while and so long as Lessee is prevented, by any such cause, from drilling, reworking operations or producing oil or gas from the leased premises; provided, however, that nothing herein shall be construed to suspend the payment of delay rentals in order to maintain this lease in effect during the primary or extended term in the absence of such drilling or reworking operations or production of oil or gas.

17. The owner of the soil hereby warrants and agrees to defend the title to the land herein described, and agrees that Lessee shall have the right at any time to redeem for said owner of the soil, by payment, any mortgage, taxes or other liens on the above described land, in the event of default of payment by said owner of the soil, and be subrogated to the rights of the holder thereof, to the extent that Lessee may apply any rental or royalty due the owner of the soil from Lessee until any obligation thus incurred by the owner of the soil is discharged.

If the owner of the soil owns a less interest in the above described land than the entire and undivided surface estate therein (or a greater or lesser interest than the recited interest therein) then the royalties and rental herein provided to be paid to the owner of the soil shall be paid to him in the proportion which his interest bears to the whole and undivided surface estate and the royalties and rental herein provided to be paid to the Commissioner of the General Land Office of the State of Texas shall be likewise proportionately reduced. The Commissioner of the General Land Office shall be paid the value of the whole production allocable to all of the undivided interest not covered by any lease, less the proportionate development and production costs allocable to such undivided interest, but in no event shall the Commissioner of the General Land Office receive as a royalty on the gross production allocable to the undivided interest not leased an amount less than the value of one-sixteenth (1/16) of such gross production. Provided, however, before any adjustment of royalty or rental due the Commissioner of the General Land Office, Lessee shall furnish the Commissioner of the General Land Office of the State of Texas, at Austin, Texas, a statement in writing executed by Lessee, or its duly authorized representative, setting forth the facts relative to the interest of the owner of the soil and the interest which Lessee claims under this lease.

18. Lessee shall have the right to use water produced on said land necessary for operations hereunder except water from wells or tanks of the owner of the soil; provided, however, Lessee shall not use potable water or water suitable for livestock or irrigation purposes for waterflood operations without the prior consent of the owner of the soil.

19. When requested by the owner of the soil, Lessee shall bury its pipe lines below plow depth.

20. No well shall be drilled nearer than two hundred (200) feet to the house or barn now on said premises without the written consent of the owner of the soil.

21. Lessee shall have the exclusive right to build, operate and maintain pits, reservoirs, pickup stations and plants for the purpose of picking up and conserving waste oil that flows down the creeks, ravines and across the land embraced in the lease, whether said oil is produced from said land covered by this lease or other lands, provided the royalties herein specified are paid on said oil at the same rate under the same conditions provided for oil regularly produced.

22. Lessee shall pay the owner of the soil for damages caused by its operations to all personal property, improvements, livestock and crops on said land.

23. Lessee shall have the right at any time until one hundred twenty (120) days after the expiration or termination of this lease to remove all machinery and fixtures placed by Lessee on said premises, including the right to draw and remove all casing; provided, however, that casing shall not be drawn and removed until after thirty (30) days written notice to the Commissioner of the General Land Office and to the owner of the soil and, provided further, that Lessee shall not remove casing with respect to any well thereon capable of producing oil and/or gas in paying quantities. Any machinery, fixtures and casing subject to removal as above set forth, which are allowed to remain on the premises, shall become the property of the owner of the soil on expiration of said one hundred twenty (120) day period, or such extension thereof as may be granted by the owner of the soil.

24. The rights and estates of either party hereto may be assigned, in whole or in part, and the provisions hereof shall extend to and be binding upon their heirs, devisees, legal representatives, successors and assigns; but no change or division in the ownership of the land, rentals or royalties, however accomplished, shall operate to enlarge the obligations, nor to diminish

the rights, privileges and estates of Lessee, nor to impair the effectiveness of any payment made by, nor of any act performed by, Lessee hereunder. And no such change or division in the ownership of said land, the rentals or royalties, however accomplished, shall ever be binding upon Lessee for any purpose until thirty (30) days after Lessee has been furnished by the owner of the soil, or by his heirs, devisees, legal representatives or assigns, with satisfactory written evidence thereof, including (if such change is effected by conveyance) the original recorded muniments of title or certified copies thereof. An assignment of this lease, in whole or in part, shall, as to the extent of such assignment, relieve and discharge Lessee of all subsequent obligations hereunder. If this lease is assigned in its entirety as to only part of the acreage, the right and option to pay rentals shall be apportioned as between the several owners ratably, according to the surface area of each, and failure by one or more of them to pay his share of the rental shall not affect this lease on the part of the land upon which pro rata rentals are timely paid or tendered, unless the assignor or assignee shall fail to file a certified copy of such assignment in the General Land Office prior to the next rental paying date, in which event the entire lease shall terminate for failure to pay the entire rental due as provided in Paragraph Number 8 hereof.

25. Lessee may at any time, and from time to time, execute and deliver to the owner of the soil or place of record, a release or releases covering any portion or portions of the above described premises, and thereby surrender this lease as to such portion or portions, and be relieved of all subsequent obligations as to acreage surrendered. In the event any part of this lease is surrendered, as above provided, the delay rental then payable hereunder shall thereupon be reduced in the proportion that the acreage surrendered bears to the acreage which was covered by this lease immediately prior to such surrender, provided such release shall not thereby relieve the Lessee of any liabilities which may have accrued in connection with the lease prior to the surrender of such acreage.

26. Provided further that if all or any part of this lease is assigned or released, such assignment or release shall be recorded in the county where the land is situated and the recorded instrument, or a copy of the recorded instrument certified to by the County Clerk of the County in which the instrument is recorded, shall be filed in the GENERAL LAND OFFICE accompanied by a filing fee of Ten Dollars ($10.00). If any such assignment is not so filed, the rights acquired under this lease shall be subject to forfeiture by the Commissioner of the General Land Office.

27. It is recognized that before this lease is effective a certified copy thereof (which is construed as meaning a certified copy made by the County Clerk from his records) shall be filed in the General Land Office in accordance with Section 52.183, N.R.C., and this lease shall not be binding upon the State unless it recites the actual and true consideration paid or promised therefor. The bonus due the State and a filing fee of Ten Dollars ($10.00) shall accompany such certified copy to the General Land Office.

28. If at the expiration of the primary term or at any time after the expiration of the primary term a well or wells capable of producing oil or gas in paying quantities are located on the leased premises but oil or gas is not being produced for lack of suitable production facilities or a suitable market and the lease is not being maintained in force and effect, before the expiration of the primary term or if the primary term has expired, within 60 days after Lessee ceases to produce oil or gas from the well, Lessee may pay as a shut-in oil or gas royalty an amount equal to double the annual rental provided in the lease but not less than $1,200 a year for each well capable of producing oil or gas in paying quantities, such payment shall be made one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the

owner of the soil; if the shut-in oil or gas royalty is paid, the lease shall be considered to be a producing lease and the payment shall extend the term of the lease for a period of one year from the end of the primary term or from the first day of the month next succeeding the month in which production ceased and after that if no suitable production facilities or suitable market for the oil or gas exists, Lessee may extend the lease for four additional and successive periods of one year by paying the same amount each year on or before the expiration of the extended term; if, during the period the lease is kept in effect by payment of the shut-in oil or gas royalty, oil or gas is sold and delivered in paying quantities from a well located within 1,000 feet of the leased premises and completed in the same producing reservoir or in any case in which drainage is occurring, the right to continue to extend the lease by paying the shut-in oil or gas royalty shall cease, but the lease shall remain effective for the remainder of the year for which the royalty has been paid and for an additional period of not more than five years from the expiration of the primary term by Lessee paying compensatory royalty at the royalty rate provided in the lease of the value at the well or production from the well which is causing the drainage or which is completed in the same producing reservoir and within 1,000 feet of the leased premises; the compensatory royalty is to be paid monthly one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil beginning on or before the last day of the month next succeeding the month in which the oil or gas is sold and delivered from the well located within 1,000 feet of or draining the leased premises and completed in the same reservoir; if the compensatory royalty paid in any 12-month period is in an amount less than the annual shut-in oil or gas royalty, Lessee shall pay an amount equal to the difference within 30 days from the end of the 12-month period; and none of these provisions will relieve Lessee of the obligation of reasonable development nor the obligation to drill offset wells as provided in Section 52.034 of the N.R.C.

29. No natural gas or casinghead gas, including both associated and nonassociated gas, produced from the mineral estate subject to this lease may be sold or contracted for sale to any person for ultimate use outside the State of Texas unless the Railroad Commission of Texas, after notice and hearing as provided in Title 3 of the N.R.C., finds that:

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

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

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

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

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

(f) no person who resides in this state and who relies on natural gas or casinghead gas to provide in whole or part his existing needs for fuel or raw material requires the natural gas or casinghead gas to meet those needs;

provided, however, after notice and hearing as provided in Title 3 of the N.R.C. the Railroad Commission of Texas may grant exceptions to these provisions if it finds and determines that enforcement of such provisions:

(1) would cause physical waste as defined in Title 3 of the N.R.C; or

(2) would unreasonably deny to the lessee an opportunity to produce economically hydrocarbons from the land subject to this lease.

30. This lease is issued under the provisions of Sections 52.171 through 52.182, N.R.C., commonly known as the Relinquishment Act, Sections 52.183 and 52.184, N.R.C., and other applicable statutes and amendments thereto, and should there be any provision herein not in conformity with said statutes, the law is recognized and understood to prevail notwithstanding anything in this lease to the contrary.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

Violet Schuler ✓
Individually and as agent
for the State of Texas

VIOLET SCHULER
SS# [redacted]

Evelyn E. Schuler ✓
Individually and as agent
for the State of Texas

EVELYN SCHULER, widow of Robert L. Schuler, deceased
SS# [redacted] ✓

Individually and as agent
for the State of Texas

Individually and as agent
for the State of Texas

STATE OF ILLINOIS
COUNTY OF COOK

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

known to me to be the person _____ whose name _____ ~~xxx~~/is subscribed to the foregoing instrument, and acknowledged to me that _____s 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, this the 22nd day of October, A. D., 1982.

MARY ANN THOMPSON NOTARY PUBLIC COOK COUNTY, ILL.

Mary Ann Thompson ✓
Notary Public in and for Cook
County, ~~Texas~~ ILLINOIS
My commission expires: 4-14-85

STATE OF ILLINOIS
COUNTY OF COOK

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

known to me to be the person _____ whose name _____ ~~xxx~~/is subscribed to the foregoing instrument, and acknowledged to me that _____S 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, this the 22nd day of October, A. D., 19 82.

Mary Ann Thompson

Notary Public in and for Cook County, ~~Texas~~
My commission expires: 4-14-85

STATE OF
COUNTY OF

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

known to me to be the person _____ whose name _____ are/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, this the _____ day of _____, A. D., 19_____.

_____

Notary Public in and for _____ County, Texas

Filed for record on the 30th day of November, A.D. 1982 at 11:13 A.M. Duly recorded on the 30th day of November, A.D. 1982 at 4:00 P.M.

By s/ Billie JO Freeman, Deputy

CATHERINE ASHLEY, COUNTY CLERK,
Reeves County, Texas.

FOR SALE BY STAFFORD-LOWDON CO. FORT WORTH 35322

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 }

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 OIL AND GAS LEASE FROM VIOLET SCHULER, ET AL TO BLAKE OIL & GAS CORPORATION,

as the same appears of record in my office in book 427 page 397, Deed Records.

Given under my Hand and Seal of said Court, at office in Pecos, Texas this 2nd day of December 19 82.

CATHERINE ASHLEY Clerk,

By Billie Jo Freeman Deputy.
(Billie JO Freeman)

No. 88676

U. I. Lease

File Date 12-21-82

Bob Armstrong, Commissioner ES

RECEIVED AS STATED
$1,333.34
Date 12-21-82
Reg. No. 43586

GENERAL LAND OFFICE

RECEIVED AS STATED
$10.00
Date 12-21-82
Reg. No. 43585

GENERAL LAND OFFICE

JACK E. BLAKE
400 NORTH MAIN
MIDLAND, TEXAS 79701-4780

OFF. (915) 684-7888 RES. (915) 684-7745

December 13, 1982

Ms. Barbara Epstein, Attorney
General Land Office
Austin, Texas 78701

Re: Section 12, Block 57, Twp-2,
T&P RR Company Survey, Reeves
County, Texas

X- 10.00 43585

Dear Ms. Epstein:

Enclosed herewith please find certified copy of Oil and Gas Lease, as above referenced, and Bank Money Order in the amount of $1,333.34 to cover the State's One-Half Interest in the captioned property. Also enclosed is a $10.00 check to cover the filing fees.

Please acknowledge receipt for this lease at your earliest convenience.

X- 1,333.34 43586

Very truly yours,

Jack E. Blake
up

Jack E. Blake

JEB/bdp
Enclosures

✓ Blake Oil & Gas Corp.
✓ Midland, Tex.

171

(2.)

M. F. 88676

CORRESPONDENCE FILE

FR. Jack E. Blake

TO

Dated 12-21-82

ES

15-51-85

General Land Office

AUSTIN, TEXAS 78701
BOB ARMSTRONG, COMMISSIONER

December 30, 1982

Jack E. Blake
400 North Main
Midland, Texas 79701-4780

Attn:

Re: Oil and Gas Lease
M-88676; SE/pt. N/440 ac. Sec. 12, Blk. 57
T-2, T&P Ry. Co. Sur.
Reeves County, Texas

Gentlemen:

The certified copy of Oil and Gas Lease, affecting the above captioned tract, has been approved and filed in our records under M-88676 , to which mineral file number you should refer to in all future correspondence concerning this lease.

Your remittances in the amounts of $1333.34 and $10.00 have been applied as the State's portion of the cash bonus and filing fee due thereon. A receipt for the total amount is enclosed herewith.

Sincerely yours,

Bob Armstrong

By:
Barbara Epstein, Attorney
Oil and Gas Division
Legal Department
512/475-4246

BE/es

Encl.

M. F. 88676 (3)

CORRESPONDENCE FILE

To Jack E. Blake

Dated 12-30-82

ES

RENTAL RECEIPT

DUPLICATE

ORLA PETCO, INC.
NAME OF OWNER OF LEASE

P. O. Box 1383, Midland, Texas 79702
ADDRESS

Commissioner of the General Land Office
1700 North Congress Avenue
Austin, TX 78701

Date September 7, 1983

Gentlemen:

We enclose herewith our check in the amount of $13.34 payable to yourselves to be deposited to the credit of the following parties:

Commissioner of the General Land Office
1700 North Congress Avenue
Austin, TX 78701

The above amount is in payment of delay rentals for the period from October 8, 1983 to October 8, 1984 due under that certain oil and gas lease executed October 8, 1982 in favor of Blake Oil and Gas Corporation insofar as said lease covers and includes the following described tract of land located in Reeves County, Texas to-wit:

See Attached Exhibit "A"

PLEASE SIGN IN THE SPACE PROVIDED BELOW AND RETURN THE ORIGINAL AND ONE COPY OF THIS RENTAL RECEIPT TO US.

Yours very truly,
ORLA PETCO, INC.

Adalbert von Gontard, III
Vice President

Receipt is hereby acknowledged of the above amount and the same has been credited according to your instructions.

Dated _____

Commissioner of the General Land Office

By _____

LEASE NO. _____

_____ Title.

EXHIBIT "A"

All of the Southeast part of the North 440 acres of Section 12, Block 57, Township-2, T&P RR Company Survey, described by metes and bounds as follows:

BEGINNING at the SE/corner of the E/2 of the NE/4 of this Section in the West line of Section 7, Block 56, Township-2, T&P RR Co. Survey, and the NE/corner of this Survey;

THENCE West 1267.2 varas with the South line of the N/2 to the NE/corner of the NW/part of the S/2 and the NW corner of this Survey;

THENCE South 356.4 varas with the East line of said NW part of the S/2 to its SE/corner in the North line of the South part of the SW/corner of this Survey;

THENCE East 1267.2 varas with the North line of said South part to its NE/corner in the West line of Section 7, Block 56, Township-2, T&P RR Company Survey, and the SE/corner of this Survey;

THENCE North 356.4 varas with the West line of said Section 7, to the place of beginning.

(4) M-88676

RENTAL PAYMENT

9-16-83

3-10-83

[redacted]

Mineral Classified Land
Lease Consideration Comparison

N.
County REEVES
Area SEC 12, BLK 57, T-2, T&P

CE TO 7000' ONLY

M. F.	Acres	Lease Date	Term	Total Bonus	B/Ac	Rental	Comparison
New	(17.78) 80	8-1-83	3yrs	1334.00	75.00	1.00	
FEE 88364	200	10-5-82	3yrs	15000.00	75.00	5.00	Adj'k mi S 1/4
87258	640	9-23-81	5yrs	64,000.00	100.00	1.00	1 mi W. 3/32
87169	320	8-17-81	3yrs	12800.00	200.00	1.00	2½ mi 1/10
88789	640	2-8-83	3yrs	32,000.00	200.00	1.00	3 mi SE 1/8
88676 4T	(26.66) 80	10-8-82	5yrs	2666.68	100.00	1.00	Adj's 3/32

Remarks: 3 mi S.E. of JESS BURNER Fld (Del-oil) & 3 Mi W of Tunstill field. 1 mi NW of Olds (Del) Field

142477

Consideration Recommended RVP
Not Recommended

No. 5567--Gulf

Office Lease Form Under
Relinquishment Act
Revised June, 1983

3650

OIL AND GAS LEASE

THIS AGREEMENT, made and entered into this 1st day of August, 1983, by and between R. W. BLAKE, whose marital status has not changed since acquiring the hereinafter described property of P. O. Box 2584, Lubbock, Texas 79408, (Give Permanent Address), herein referred to as the owner of the soil (whether one or more), individually and as agent for the State of Texas, and ORLA PETCO, INC., of P. O. Box 1383, Midland, Texas 79702, (Give Permanent Address), hereinafter called Lessee, WITNESSETH: Expired

1. The owner of the soil in the capacities aforesaid, for and in consideration of Six hundred sixty seven and no/100---------- ---------- Dollars ($ 667.00), cash in hand paid, as his individual property and estate, receipt of which is hereby acknowledged, and a like amount paid to the STATE OF TEXAS, and of the covenants and agreements hereinafter contained on the part of the Lessee to be paid, kept and performed, hereby grants, leases and lets unto Lessee, for the sole and only purpose of prospecting and drilling for and producing oil and gas, laying pipe lines, building tanks, storing oil and building power stations, telephone lines and other structures thereon, to produce, save, take care of, treat and transport said products of the lease, the following lands situated in Reeves County, State of Texas, to-wit:

All of the Southeast part of the North 440 acres of Section 12, Block 57, Township-2, T&P RR Company Survey, described by metes and bounds as follows:

BEGINNING at the SE/corner of the E/2 of the NE/4 of this section in the West line of Section 7, Block 56, Township-2, T&P RR Company Survey, and the NE/corner of this Survey;

THENCE West 1267.2 varas with the South line of the N/2 to the NE/corner of the NW/part of the S/2 and the NW/corner of this Survey;

THENCE South 356.4 varas with the East line of said NW part of the S/2 to its SE/corner in the North line of the South part and the SW/corner of this Survey;

THENCE East 1267.2 varas with the North line of said South part to its NE/corner in the West line of Section 7, Block 56, Township-2, T&P RR Company Survey, and the SE/corner of this Survey;

THENCE North 356.4 varas with the West line of said Section 7 to the place of beginning, containing 80 acres, more or less.

One-Fourth (1/4th)----------part of the gross

*Not to exceed five (5) years.
**The total royalty payable under the lease should be inserted in paragraphs 3(a), 3(b), 3(c) and 3(d).

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

(b) As a royalty on any gas (including flared gas), which is defined as all hydrocarbons and gaseous substances not defined as oil in subparagraph (a) above, produced from any well on said land (except as provided herein with respect to gas processed in a plant for the extraction of gasoline, liquid hydrocarbons or other products) ----------

One-Fourth (1/4th)---------- part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality for the field where produced and when run, or the gross price paid or offered to the producer, whichever is greater; provided that the maximum pressure base in measuring the gas under this lease contract shall not at any time exceed 14.65 pounds per square inch absolute, and the standard base temperature shall be sixty (60) degrees Fahrenheit, correction to be made for pressure according to Boyle's Law, and for specific gravity according to test made by the Balance Method or by the most approved method of testing being used by the industry at the time of testing.

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

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

One-Fourth (1/4th)---------- part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease, and on fifty percent (50%) or that percent accruing to Lessee, whichever is greater, of the total plant production of liquid hydrocarbons attributable to the gas produced from this lease; provided that if liquid hydrocarbons are recovered from gas processed in a plant in which Lessee (or its parent, subsidiary or affiliate) owns an interest, then the percentage applicable to liquid hydrocarbons shall be fifty percent (50%) or the highest percent accruing to a third party processing gas through such plant under a processing agreement negotiated at arms' length (or if there is no such third party, the highest percent then being specified in processing agreements or contracts in the industry), whichever is greater. The respective royalties on residue gas and on liquid hydrocarbons shall be determined by 1) the highest market price paid or offered for any gas (or liquid hydrocarbons) of comparable quality in the general area, or 2) the gross price paid or offered for such residue gas (or the weighted average gross selling price for the respective grades of liquid hydrocarbons, F.O.B. at the plant in which said gas is processed), whichever is greater.

(d) As a royalty on carbon black, sulphur or any other products produced or manufactured from gas (excepting liquid hydrocarbons) whether said gas be "casinghead", "dry" or any other gas, by fractionating, burning or any other processing, One-Fourth (1/4th)---------- part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows:

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

(2) on the basis of the average gross sale price of each product for the same month in which such product is sold, whichever is greater.

4. Notwithstanding anything contained herein to the contrary, the owner of the soil or the Commissioner of the General Land Office may, at the option of either, at any time or from time to time, upon not less than sixty (60) days notice to the holder of the lease, require the payment of any royalties accruing to such royalty owner under this lease be made in kind.

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

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

7. All royalties which are required to be paid hereunder to the Commissioner of the General Land Office shall be due and payable in the following manner: Royalty on oil shall be due and payable on or before the 5th day of the second month succeeding the month of production, and royalty on gas shall be due and payable on or before the 15th day of the second month succeeding the month of production, accompanied by an affidavit completed in the form and manner prescribed by the General Land Office and showing the gross amount and disposition of all oil and gas produced and the market value of the oil and gas, together with a copy of all supporting documents and records required by law to confirm the gross production, disposition and market value. A copy of all contracts under which gas is sold or processed and all subsequent agreements and amendments to such contracts shall be filed with the General Land Office within thirty (30) days after entering into or making such contracts, agreements or amendments. The books, accounts and all other records pertaining to production, transportation, sale and marketing shall at any time be subject to inspection and examination by the Land Commissioner. Each royalty payment shall be accompanied by a check stub, schedule, summary or other remittance advice showing by the assigned General Land Office lease number the amount of royalty being paid. Any royalty not paid or affidavits and supporting documents not filed when due shall become delinquent and shall have added to the sum owing a delinquency penalty of one percent (1%) of such sum for each thirty (30) day period of delinquency or a fractional period thereof; provided, however, that each such penalty shall never be less than Five Dollars ($5.00). Lessee shall bear all responsibility for paying or causing royalties to be paid as prescribed by the

due date provided herein. Payment of the delinquency penalty shall in no way operate to prohibit the State's right of forfeiture as provided by law. The State shall have a first lien upon all oil and gas produced from the area covered by this lease to secure the payment of all unpaid royalty and other sums of money that may become due to the State hereunder.

8. If no well be commenced on said land on or before one (1) year from this date, this lease shall terminate as to both parties, unless on or before such anniversary date Lessee shall pay or tender to the owner of the soil or to his credit in the First National Bank, at Lubbock, Texas, or its successors (which shall continue as the depository regardless of changes in the ownership of said land), the sum of Six and 67/100---------- Dollars ($ 6.67), and in addition shall pay to the COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS, AT AUSTIN, TEXAS, a like sum on or before said date, which shall operate as a rental and cover the privilege of deferring the commencement of a well for one (1) year from said date. In like manner and upon like payments or tenders annually, the commencement of a well may be further deferred for successive periods of one (1) year each during the primary term.

9. All payments or tenders of rental to the owner of the soil may be made by check or draft of Lessee, or any assignee hereof, and delivered on or before the rental paying date. If said bank (or any successor bank) should cease to exist, suspend business, liquidate, fail or be succeeded by another bank, or for any reason fail or refuse to accept rental, Lessee shall not be held in default for failure to make such payments or tenders of rental until thirty (30) days after the owner of the soil shall deliver to Lessee a proper recordable instrument naming another bank as agent to receive such payments or tenders.

10. During any year beginning with the anniversary date of this lease, if this lease is maintained by production, the royalties paid hereunder in no event shall be less than an amount equal to the total annual delay rental herein provided; otherwise, there shall be due and payable on or before the last day of the month succeeding the anniversary date of this lease a sum equal to the total annual delay rental less the amount of royalties paid during the preceding year. If no amount of delay rental is specified in this lease, then for the purpose of this paragraph and paragraph 28, rental shall be construed to be one dollar ($1.00) per acre which shall be in addition to the statutory minimum rental provided in paragraph 11 hereof.

11. It is understood and agreed that notwithstanding the fact that development may be in progress or production secured and royalty being paid hereunder the owner or operator of the leased premises shall continue to make annual rental payments to the State which, under such conditions, shall be the minimum of ten cents (10¢) per acre as provided by Section 52.172 of the Natural Resources Code (hereinafter called N.R.C.).

12. If, during the primary term hereof and prior to discovery and production of oil or gas on said land, Lessee should drill a dry hole or holes thereon, or if, after discovery and production of oil or gas, the production thereof should cease from any cause, this lease shall not terminate if on or before the rental paying date next ensuing after the expiration of sixty (60) days from date of completion of said dry hole or cessation of production Lessee commences additional drilling or reworking operations thereon, or commences or resumes the payment of annual delay

rental in the same manner as provided in Paragraph Number 8 of this lease. If a dry hole be completed and abandoned during the last year of the primary term, Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in oil or gas well within the primary term hereof, Lessee may resume payment of annual rental in the same manner as provided in Paragraph Number 8 in this lease on or before the rental paying date next ensuing after sixty (60) days from the date of completion of such shut-in oil or gas well and upon the failure to make such annual rental payment, this lease shall ipso facto terminate. If at the expiration of the primary term or at any time thereafter a shut-in oil or gas well is located on the leased premises, payments may be made in accordance with the provisions of Paragraph Number 28 hereof.

13. If, at the expiration of the primary term, neither oil nor gas is being produced on said land, but Lessee is then engaged in drilling or reworking operations thereon, or if, after the expiration of the primary term, production of oil or gas on the leased premises after once obtained should cease from any cause, this lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted with no cessation of more than sixty (60) consecutive days, and if they result in the production of oil and/or gas, so long thereafter as oil and/or gas is produced in paying quantities from said land, or payment of shut-in oil or gas well royalties or compensatory royalties is made as hereinafter provided.

14. Lessee shall adequately protect the oil and gas under the above described land from drainage from the adjacent lands or leases. Neither the bonus, delay rentals, nor royalties paid or to be paid hereunder shall relieve Lessee from the obligations herein expressed, and for such purpose Lessee shall be required to drill as many wells as the facts may justify and to the depth or depths necessary for effective protection against undue drainage by other wells on adjacent lands or leases.

15. Written notice of operations hereunder shall be submitted to the Commissioner of the General Land Office by Lessee within five (5) days of spud date, cessation of production, workover, re-entry, temporary abandonment or abandonment of any well and shall include copies of Railroad Commission forms for application to drill, completion tests and plugging reports. The Commissioner of the General Land Office reserves the right to require Lessee to furnish logs on all wells drilled on said land and to annually furnish the said Commissioner with its best possible estimate of oil and gas reserves underlying this lease or allocable to this lease.

16. Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling operations thereon, or from producing oil or gas therefrom, after effort made in good faith, by reason of war, rebellion, riots, strikes, acts of God, or any valid order, rule or regulation of government authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended; and this lease shall be extended while and so long as Lessee is prevented, by any such cause, from drilling, reworking operations or producing oil or gas from the leased premises; provided, however, that nothing herein shall be construed to suspend the payment of delay rentals in order to maintain this lease in effect during the primary or extended term in the absence of such drilling or reworking operations or production of oil or gas.

17. The owner of the soil hereby warrants and agrees to defend the title to the land herein described, and agrees that Lessee shall have the right at any time to redeem for said owner of the soil, by payment, any mortgage, taxes or other liens on the above described land, in the event of default of payment by said owner of the soil, and be subrogated to the rights of the holder thereof, to the extent that Lessee may apply any rental or royalty due the owner of the soil from Lessee until any obligation thus incurred by the owner of the soil is discharged.

If the owner of the soil owns a less interest in the above described land than the entire and undivided surface estate therein (or a greater or lesser interest than the recited interest therein) then the royalties and rental herein provided to be paid to the owner of the soil shall be paid to him in the proportion which his interest bears to the whole and undivided surface estate and the royalties and rental herein provided to be paid to the Commissioner of the General Land Office of the State of Texas shall be likewise proportionately reduced. The Commissioner of the General Land Office shall be paid the value of the whole production allocable to all of the undivided interest not covered by any lease, less the proportionate development and production costs allocable to such undivided interest, but in no event shall the Commissioner of the General Land Office receive as a royalty on the gross production allocable to the undivided interest not leased an amount less than the value of one-sixteenth (1/16) of such gross production. Provided, however, before any adjustment of royalty or rental due the Commissioner of the General Land Office, Lessee shall furnish the Commissioner of the General Land Office of the State of Texas, at Austin, Texas, a statement in writing executed by Lessee, or its duly authorized representative, setting forth the facts relative to the interest of the owner of the soil and the interest which Lessee claims under this lease.

18. Lessee shall have the right to use water produced on said land necessary for operations hereunder except water from wells or tanks of the owner of the soil; provided, however, Lessee shall not use potable water or water suitable for livestock or irrigation purposes for waterflood operations without the prior consent of the owner of the soil.

19. When requested by the owner of the soil, Lessee shall bury its pipe lines below plow depth.

20. No well shall be drilled nearer than two hundred (200) feet to the house or barn now on said premises without the written consent of the owner of the soil.

21. Lessee shall have the exclusive right to build, operate and maintain pits, reservoirs, pickup stations and plants for the purpose of picking up and conserving waste oil that flows down the creeks, ravines and across the land embraced in the lease, whether said oil is produced from said land covered by this lease or other lands, provided the royalties herein specified are paid on said oil at the same rate under the same conditions provided for oil regularly produced.

22. Lessee shall pay the owner of the soil for damages caused by its operations to all personal property, improvements, livestock and crops on said land.

23. Lessee shall have the right at any time until one hundred twenty (120) days after the expiration or termination of this lease to remove all machinery and fixtures placed by Lessee on said premises, including the right to draw and remove all casing; provided, however, that casing shall not be drawn and removed until after thirty (30) days written notice to the Commissioner of the General Land Office and to the owner of the soil and, provided further, that Lessee shall not remove casing with respect to any well thereon capable of producing oil and/or gas in paying quantities. Any machinery, fixtures and casing subject to removal as above set forth, which are allowed to remain on the premises, shall become the property of the owner of the soil on expiration of said one hundred twenty (120) day period, or such extension thereof as may be granted by the owner of the soil.

24. (a) The rights and estates of either party hereto may be assigned, in whole or in part, and the provisions hereof shall extend to and be binding upon their heirs, devisees, legal representatives, successors and assigns; but no change or division in the ownership of the land, rentals or royalties, however accomplished, shall operate to enlarge the obligations, nor to diminish the rights, privileges and estates of Lessee, nor to impair the effectiveness of any payment made by, nor of any act performed by, Lessee hereunder. And no such change or division in the ownership of said land, the rentals or royalties, however accomplished, shall ever be binding upon Lessee for any purpose until thirty (30) days after Lessee has been furnished by the owner of the soil, or by his heirs, devisees, legal representatives or assigns, with satisfactory written evidence thereof,

including (if such change is effected by conveyance) the original recorded muniments of title or certified copies thereof. An assignment of this lease, in whole or in part, shall, as to the extent of such assignment, relieve and discharge Lessee of all subsequent obligations hereunder. If this lease is assigned in its entirety as to only part of the acreage, the right and option to pay rentals shall be apportioned as between the several owners ratably, according to the surface area of each, and failure by one or more of them to pay his share of the rental shall not affect this lease on the part of the land upon which pro rata rentals are timely paid or tendered, unless the assignor or assignee shall fail to file a certified copy of such assignment in the General Land Office prior to the next rental paying date, in which event the entire lease shall terminate for failure to pay the entire rental due as provided in Paragraph Number 8 hereof.

(b) Notwithstanding any provision in Paragraph 24(a) to the contrary, if the owner of the soil, or his nominee, or any corporation or subsidiary in which he is a principal stockholder, or a partnership in which he is a partner, acquires this lease in whole or in part by assignment without the prior written approval of the Commissioner of the General Land Office, the assignment shall be of no force and effect and the lease may be forfeited by the Commissioner. If after receiving written approval from the Commissioner, the owner of the soil, or any of the above-named entities in the stated capacities, acquires the lease in whole or in part by assignment and within three (3) years thereafter assigns the lease for a valuable consideration, the State shall share equally in the total consideration received therefor. Failure of the State to share in such consideration shall subject the lease to forfeiture at the option of the Commissioner.

25. Lessee may at any time, and from time to time, execute and deliver to the owner of the soil or place of record, a release or releases covering any portion or portions of the above described premises, and thereby surrender this lease as to such portion or portions, and be relieved of all subsequent obligations as to acreage surrendered. In the event any part of this lease is surrendered, as above provided, the delay rental then payable hereunder shall thereupon be reduced in the proportion that the acreage surrendered bears to the acreage which was covered by this lease immediately prior to such surrender, provided such release shall not thereby relieve the Lessee of any liabilities which may have accrued in connection with the lease prior to the surrender of such acreage.

26. Provided further that if all or any part of this lease is assigned or released, such assignment or release shall be recorded in the county where the land is situated and the recorded instrument, or a copy of the recorded instrument certified to by the County Clerk of the county in which the instrument is recorded, shall be filed in the GENERAL LAND OFFICE accompanied by the prescribed filing fee. If any such assignment is not so filed, the rights acquired under this lease shall be subject to forfeiture by the Commissioner of the General Land Office.

27. It is recognized that before this lease is effective a certified copy thereof (which is construed as meaning a certified copy made by the County Clerk from his records) shall be filed in the General Land Office in accordance with Section 52.183, N.R.C., and this lease shall not be binding upon the State unless it recites the actual and true consideration paid or promised therefor. The bonus due the State and the prescribed filing fee shall accompany such certified copy to the General Land Office.

28. If at the expiration of the primary term or at any time after the expiration of the primary term a well or wells capable of producing oil or gas in paying quantities are located on the leased premises but oil or gas is not being produced for lack of suitable production facilities or a suitable market and the lease is not being maintained in force and effect, before the expiration of the primary term or if the primary term has expired, within 60 days after Lessee ceases to produce oil or gas from the well, Lessee may pay as a shut-in oil or gas royalty an amount equal to double the annual rental provided in the lease but not less than $1,200 a year for each well capable of producing oil or gas in paying quantities, such payment shall be made one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the

owner of the soil; if the shut-in oil or gas royalty is paid, the lease shall be considered to be a producing lease and the payment shall extend the term of the lease for a period of one year from the end of the primary term or from the first day of the month next succeeding the month in which production ceased and after that if no suitable production facilities or suitable market for the oil or gas exists, Lessee may extend the lease for four additional and successive periods of one year by paying the same amount each year on or before the expiration of the extended term; if, during the period the lease is kept in effect by payment of the shut-in oil or gas royalty, oil or gas is sold and delivered in paying quantities from a well located within 1,000 feet of the leased premises and completed in the same producing reservoir or in any case in which drainage is occurring, the right to continue to extend the lease by paying the shut-in oil or gas royalty shall cease, but the lease shall remain effective for the remainder of the year for which the royalty has been paid and for an additional period of not more than five years from the expiration of the primary term by Lessee paying compensatory royalty at the royalty rate provided in the lease of the value at the well of production from the well which is causing the drainage or which is completed in the same producing reservoir and within 1,000 feet of the leased premises; the compensatory royalty is to be paid monthly one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil beginning on or before the last day of the month next succeeding the month in which the oil or gas is sold and delivered from the well located within 1,000 feet of or draining the leased premises and completed in the same reservoir; if the compensatory royalty paid in any 12-month period is in an amount less than the annual shut-in oil or gas royalty, Lessee shall pay an amount equal to the difference within 30 days from the end of the 12-month period; and none of these provisions will relieve Lessee of the obligation of reasonable development nor the obligation to drill offset wells as provided in Section 52.034 of the N.R.C.

29. No natural gas or casinghead gas, including both associated and nonassociated gas, produced from the mineral estate subject to this lease may be sold or contracted for sale to any person for ultimate use outside the State of Texas unless the Railroad Commission of Texas, after notice and hearing as provided in Title 3 of the N.R.C., finds that:

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

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

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

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

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

(f) no person who resides in this state and who relies on natural gas or casinghead gas to provide in whole or part his existing needs for fuel or raw material requires the natural gas or casinghead gas to meet those needs;

provided, however, after notice and hearing as provided in Title 3 of the N.R.C. the Railroad Commission of Texas may grant exceptions to these provisions if it finds and determines that enforcement of such provisions:

(1) would cause physical waste as defined in Title 3 of the N.R.C; or

(2) would unreasonably deny to the lessee an opportunity to produce economically hydrocarbons from the land subject to this lease.

30. This lease is issued under the provisions of Sections 52.171 through 52.182, N.R.C., commonly known as the Relinquishment Act, Sections 52.183 and 52.184, N.R.C., and other applicable statutes and amendments thereto, and should there by any provision herein not in conformity with said statutes, the law is recognized and understood to prevail notwithstanding anything in this lease to the contrary.

31. Lessee is hereby granted the right to pool or unitize the royalty interest of the owner of the soil under this lease with any other leasehold or mineral interest for the exploration, development and production of oil and gas or either of them upon the same terms as shall be approved by the School Land Board and executed by the owner of the soil and the Commissioner of the General Land Office for the pooling or unitizing of the interest of the State under this lease pursuant to Subchapter E, Chapter 52, of the Natural Resources Code and other applicable laws.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

R. W. Blake ✓

R. W. BLAKE, Individually and as agent for the State of Texas

SS# [redacted]

STATE OF TEXAS §
COUNTY OF LUBBOCK §

Before me, the undersigned authority, on this day personally appeared R. W. BLAKE,

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, this the 6th day of September, A.D., 1983.

(SEAL)

Jean Heathman

Notary Public in and for LUBBOCK County, Texas
Notary please type or print name and date commission expires: 10/31/84

JEAN HEATHMAN

Filed for record on the 17th day of November, A.D. 1983 at 11:19 A.M. Duly recorded on the 17th day of November, A.D. 1983 at 4:00 P.M.

CATHERINE ASHLEY, COUNTY CLERK,
REEVES COUNTY, TEXAS.

By s/ Billie JO Freeman, Deputy

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 } 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 OIL AND GAS LEASE FROM R. W. INDIVIDUALLY AND AS AGENT FOR THE STATE OF TEXAS TO ORLA PETCO, INC.,

as the same appears of record in my office in book 437 page 740, Deed Records.

Given under my Hand and Seal of said Court, at office in Pecos, Texas

this 18th day of November 19 83.

CATHERINE ASHLEY Clerk,

By Billie Jo Freeman Depu

(Billie JO Freeman)

M 88676
Lease
File dated 12-8-83
Garry Mauro, Commissioner

RECEIVED AS STATED
$10.00
Date 12-08-83
Reg No 413353
GENERAL LAND OFFICE

RECEIVED AS STATED
$667.00
Date 12-08-83
Reg No 413353
GENERAL LAND OFFICE

(5)

ORLA PETCO, INC.

P. O. BOX 1383, MIDLAND, TEXAS 79702
TELEPHONE 915 684-4762

December 5, 1983

Miss Barbara Epstein
General Land Office
Oil and Gas Division - Legal Dept.
1700 North Congress Avenue
Austin, TX 78701

171 TE.

X-677.00 41353

Re: Undivided Interest in Oil and Gas Lease covering all of the Southeast part of the North 440 acres of Section 12, Block 57, T-2, T&P RR Co. Survey, Reeves County Texas
R. W. BLAKE LEASE

Dear Miss Epstein:

Please find enclosed the following:

1. A certified copy of the above-captioned oil and gas lease which has been filed for record in Reeves County, Texas.

2. Our check #496 in the amount of $677.00 covering the State's one-half bonus consideration for $667.00 and the sum of $10.00 to cover the required filing fee.

The bonus consideration on a per acre basis was $100.00.

Yours very truly,

Adalbert von Gontard, III

AvG/g

(6)

M. F. 88676
CORRESPONDENCE FILE
Orla Peters
From
Dated 12-5-83

15. 8.83

Garry Mauro
Commissioner
General Land Office

December 12, 1983

Orla Petco, Inc.
P. O. Box 1383
Midland, Texas 79702

Attn: Adalbert von Gontard, III

Re: Undivided Interest Oil and Gas Lease
M-88676; SE/pt. N/440 ac. Sec. 12, Blk. 57, T-2, T&P RR Co. Sur.
Reeves County, Texas
(R. W. Blake)

Gentlemen:

The certified copy of an oil and gas lease covering the captioned tract has been approved and filed in our records under the captioned mineral file number. Please refer to this file number in all future correspondence concerning this lease.

Your remittance of $677.00 has been applied as the state's portion of the cash bonus and required filing fee. A receipt for this amount is enclosed.

Sincerely,

Garry Mauro

By:
Barbara Epstein, Attorney
Oil and Gas Division
Legal Department
512 475-4246

BE/ma

Enclosure

Stephen F. Austin Building
1700 North Congress Avenue
Austin, Texas 78701
(512) 475-2071

(7)

M. F. 88676
CORRESPONDENCE FILE
TO Arla Peters
~~From~~
Dated 12-12-83

Mineral Classified Land
Lease Consideration Comparison NORTH



County REEVES

Area Sec 12, BLK 57, Twp 2 T & P RR

M. F.	Acres	Lease Date	Term	Total Bonus	B/Ac	Rental	Comparison
New	(8.9) 80	11-22-83	3yrs.	888.90	100.00	1.00	1/8
FEE 88369	200	10-5-82	3yrs	15,000.00	75.00	5.00	Adj ¼ mi S 1/4
87258	640	9-23-81	5yrs	64,000.00	100.00	1.00	1 mi W 3/32
88676	(13.33) 80	10-8-82	5yrs	1333.31	100.00	1.00	Same tract 3/32

142477

Remarks: 3 mile S.E. of Jess Burner Fld (Del-oil) & 3 mi W of Imstead field 1 mile N.W. of Ods

Consideration Recommended RVP

Not Recommended _____

FILE NO. 4017 ROBERT A. SCHULER, ET AL TO BLAKE OIL & GAS CORPORATION

No. 5367--General Land
Office Lease Form Under
Relinquishment Act
Revised June, 1983

OIL AND GAS LEASE

THIS AGREEMENT, made and entered into this 22nd day of November, 19 83, by and between ROBERT A. SCHULER and JAMES N. SCHULER, of 515 Park Blvd., Glen Ellyn, Illinois 60137 (Give Permanent Address), herein referred to as the owner of the soil (whether one or more), individually and as agent for the State of Texas, and BLAKE OIL & GAS CORPORATION, of 400 North Main, Midland, Texas 79701 (Give Permanent Address), hereinafter called Lessee, WITNESSETH: expired

1. The owner of the soil in the capacities aforesaid, for and in consideration of FOUR HUNDRED FORTY FOUR AND 45/100---------- ---------- Dollars ($444.45), cash in hand paid, as his individual property and estate, receipt of which is hereby acknowledged, and a like amount paid to the STATE OF TEXAS, and of the covenants and agreements hereinafter contained on the part of the Lessee to be paid, kept and performed, hereby grants, leases and lets unto Lessee, for the sole and only purpose of prospecting and drilling for and producing oil and gas, laying pipe lines, building tanks, storing oil and building power stations, telephone lines and other structures thereon, to produce, save, take care of, treat and transport said products of the lease, the following lands situated in Reeves County, State of Texas, to-wit:

All of the Southeast part of the North 440 acres of Section 12, Block 57, Township-2, T&P RR Company Survey, described by metes and bounds as follows:

BEGINNING at the SE/corner of the E/2 of the NE/4 of this section in the West line of Section 7, Block 56, Township-2, T&P RR Company Survey, and the NE/corner of this Survey;

THENCE West 1267.2 varas with the South line of the N/2 to the NE/corner of the NW/part of the S/2 and the NW/corner of this Survey;

THENCE South 356.4 varas with the East line of said NW part of the S/2 to its SE/corner in the North line of the South part and the SW/corner of this Survey;

THENCE East 1267.2 varas with the North line of said South part to its NE/corner in the West line of Section 7, Block 56, Township-2, T&P RR Company Survey, and the SE/corner of this Survey;

THENCE North 356.4 varas with the West line of said Section 7 to the place of beginning, containing 80 acres, more or less.

containing 80 acres, more or less.
Lessors hereby waive their rights to the bonus consideration described in Paragraph 1 above.

2. Subject to the other provisions herein contained, this lease shall be for a term of *Three (3) years from this date (herein called "primary term") and as long thereafter as oil and gas, or either of them, is produced in paying quantities from said land.

**3. When production of oil and/or gas is secured, Lessee agrees to pay or cause to be paid one-half (1/2) to the Commissioner of the General Land Office of the State of Texas, at Austin, Texas, and one-half (1/2) to the owner of the soil, during the term hereof:

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

One-Fourth (1/4th)---------- part of the gross

*Not to exceed five (5) years.
**The total royalty payable under the lease should be inserted in paragraphs 3(a), 3(b), 3(c) and 3(d).

G.L.O.-L-19-(1-82)

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

(b) As a royalty on any gas (including flared gas), which is defined as all hydrocarbons and gaseous substances not defined as oil in subparagraph (a) above, produced from any well on said land (except as provided herein with respect to gas processed in a plant for the extraction of gasoline, liquid hydrocarbons or other products) ----------

One-Fourth (1/4th)---------- part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality for the field where produced and when run, or the gross price paid or offered to the producer, whichever is greater; provided that the maximum pressure base in measuring the gas under this lease contract shall not at any time exceed 14.65 pounds per square inch absolute, and the standard base temperature shall be sixty (60) degrees Fahrenheit, correction to be made for pressure according to Boyle's Law, and for specific gravity according to test made by the Balance Method or by the most approved method of testing being used by the industry at the time of testing.

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

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

One-Fourth (1/4th)----------part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease, and on fifty percent (50%) or that percent accruing to Lessee, whichever is greater, of the total plant production of liquid hydrocarbons attributable to the gas produced from this lease; provided that if liquid hydrocarbons are recovered from gas processed in a plant in which Lessee (or its parent, subsidiary or affiliate) owns an interest, then the percentage applicable to liquid hydrocarbons shall be fifty percent (50%) or the highest percent accruing to a third party processing gas through such plant under a processing agreement negotiated at arms' length (or if there is no such third party, the highest percent then being specified in processing agreements or contracts in the industry), whichever is greater. The respective royalties on residue gas and on liquid hydrocarbons shall be determined by 1) the highest market price paid or offered for any gas (or liquid hydrocarbons) of comparable quality in the general area, or 2) the gross price paid or offered for such residue gas (or the weighted average gross selling price for the respective grades of liquid hydrocarbons, F.O.B. at the plant in which said gas is processed), whichever is greater.

(d) As a royalty on carbon black, sulphur or any other products produced or manufactured from gas (excepting liquid hydrocarbons) whether said gas be "casinghead", "dry" or any other gas, by fractionating, burning or any other processing, One-Fourth (1/4th)---------- part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows:

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

(2) on the basis of the average gross sale price of each product for the same month in which such product is sold, whichever is greater.

4. Notwithstanding anything contained herein to the contrary, the owner of the soil or the Commissioner of the General Land Office may, at the option of either, at any time or from time to time, upon not less than sixty (60) days notice to the holder of the lease, require the payment of any royalties accruing to such royalty owner under this lease be made in kind.

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

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

7. All royalties which are required to be paid hereunder to the Commissioner of the General Land Office shall be due and payable in the following manner: Royalty on oil shall be due and payable on or before the 5th day of the second month succeeding the month of production, and royalty on gas shall be due and payable on or before the 15th day of the second month succeeding the month of production, accompanied by an affidavit completed in the form and manner prescribed by the General Land Office and showing the gross amount and disposition of all oil and gas produced and the market value of the oil and gas, together with a copy of all supporting documents and records required by law to confirm the gross production, disposition and market value. A copy of all contracts under which gas is sold or processed and all subsequent agreements and amendments to such contracts shall be filed with the General Land Office within thirty (30) days after entering into or making such contracts, agreements or amendments. The books, accounts and all other records pertaining to production, transportation, sale and marketing shall at any time be subject to inspection and examination by the Land Commissioner. Each royalty payment shall be accompanied by a check stub, schedule, summary or other remittance advice showing by the assigned General Land Office lease number the amount of royalty being paid. Any royalty not paid or affidavits and supporting documents not filed when due shall become delinquent and shall have added to the sum owing a delinquency penalty of one percent (1%) of such sum for each thirty (30) day period of delinquency or a fractional period thereof; provided, however, that each such penalty shall never be less than Five Dollars ($5.00). Lessee shall bear all responsibility for paying or causing royalties to be paid as prescribed by the

due date provided herein. Payment of the delinquency penalty shall in no way operate to prohibit the State's right of forfeiture as provided by law. The State shall have a first lien upon all oil and gas produced from the area covered by this lease to secure the payment of all unpaid royalty and other sums of money that may become due to the State hereunder.

8. If no well be commenced on said land on or before one (1) year from this date, this lease shall terminate as to both parties, unless on or before such anniversary date Lessee shall pay or tender to the owner of the soil or to his credit in the DUPAGE BANK AND TRUST CO. Acc.No 130-627-8 Bank, at 466 MAIN ST. GLEN ELLYN, ILL 60137, or its successors (which shall continue as the depository regardless of changes in the ownership of said land), the sum of This is a paid up lease see paragraph 30 ---------- Dollars ($----------), and in addition shall pay to the COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS, AT AUSTIN, TEXAS, a like sum on or before said date, which shall operate as a rental and cover the privilege of deferring the commencement of a well for one (1) year from said date. In like manner and upon like payments or tenders annually, the commencement of a well may be further deferred for successive periods of one (1) year each during the primary term.

9. All payments or tenders of rental to the owner of the soil may be made by check or draft of Lessee, or any assignee hereof, and delivered on or before the rental paying date. If said bank (or any successor bank) should cease to exist, suspend business, liquidate, fail or be succeeded by another bank, or for any reason fail or refuse to accept rental, Lessee shall not be held in default for failure to make such payments or tenders of rental until thirty (30) days after the owner of the soil shall deliver to Lessee a proper recordable instrument naming another bank as agent to receive such payments or tenders.

10. During any year beginning with the anniversary date of this lease, if this lease is maintained by production, the royalties paid hereunder in no event shall be less than an amount equal to the total annual delay rental herein provided; otherwise, there shall be due and payable on or before the last day of the month succeeding the anniversary date of this lease a sum equal to the total annual delay rental less the amount of royalties paid during the preceding year. If no amount of delay rental is specified in this lease, then for the purpose of this paragraph and paragraph 28, rental shall be construed to be one dollar ($1.00) per acre which shall be in addition to the statutory minimum rental provided in paragraph 11 hereof.

11. It is understood and agreed that notwithstanding the fact that development may be in progress or production secured and royalty being paid hereunder the owner or operator of the leased premises shall continue to make annual rental payments to the State which, under such conditions, shall be the minimum of ten cents (10¢) per acre as provided by Section 52.172 of the Natural Resources Code (hereinafter called N.R.C.).

12. If, during the primary term hereof and prior to discovery and production of oil or gas on said land , Lessee should drill a dry hole or holes thereon, or if, after discovery and production of oil or gas, the production thereof should cease from any cause, this lease shall not terminate if on or before the rental paying date next ensuing after the expiration of sixty (60) days from date of completion of said dry hole or cessation of production Lessee commences additional drilling or reworking operations thereon, or commences or resumes the payment of annual delay

rental in the same manner as provided in Paragraph Number 8 of this lease. If a dry hole be completed and abandoned during the last year of the primary term, Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in oil or gas well within the primary term hereof, Lessee may resume payment of annual rental in the same manner as provided in Paragraph Number 8 in this lease on or before the rental paying date next ensuing after sixty (60) days from the date of completion of such shut-in oil or gas well and upon the failure to make such annual rental payment, this lease shall ipso facto terminate. If at the expiration of the primary term or at any time thereafter a shut-in oil or gas well is located on the leased premises, payments may be made in accordance with the provisions of Paragraph Number 28 hereof.

13. If, at the expiration of the primary term, neither oil nor gas is being produced on said land, but Lessee is then engaged in drilling or reworking operations thereon, or if, after the expiration of the primary term, production of oil or gas on the leased premises after once obtained should cease from any cause, this lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted with no cessation of more than sixty (60) consecutive days, and if they result in the production of oil and/or gas, so long thereafter as oil and/or gas is produced in paying quantities from said land, or payment of shut-in oil or gas well royalties or compensatory royalties is made as hereinafter provided.

14. Lessee shall adequately protect the oil and gas under the above described land from drainage from the adjacent lands or leases. Neither the bonus, delay rentals, nor royalties paid or to be paid hereunder shall relieve Lessee from the obligations herein expressed, and for such purpose Lessee shall be required to drill as many wells as the facts may justify and to the depth or depths necessary for effective protection against undue drainage by other wells on adjacent lands or leases.

15. Written notice of operations hereunder shall be submitted to the Commissioner of the General Land Office by Lessee within five (5) days of spud date, cessation of production, workover, re-entry, temporary abandonment or abandonment of any well and shall include copies of Railroad Commission forms for application to drill, completion tests and plugging reports. The Commissioner of the General Land Office reserves the right to require Lessee to furnish logs on all wells drilled on said land and to annually furnish the said Commissioner with its best possible estimate of oil and gas reserves underlying this lease or allocable to this lease.

16. Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling operations thereon, or from producing oil or gas therefrom, after effort made in good faith, by reason of war, rebellion, riots, strikes, acts of God, or any valid order, rule or regulation of government authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended; and this lease shall be extended while and so long as Lessee is prevented, by any such cause, from drilling, reworking operations or producing oil or gas from the leased premises; provided, however, that nothing herein shall be construed to suspend the payment of delay rentals in order to maintain this lease in effect during the primary or extended term in the absence of such drilling or reworking operations or production of oil or gas.

17. The owner of the soil hereby warrants and agrees to defend the title to the land herein described, and agrees that Lessee shall have the right at any time to redeem for said owner of the soil, by payment, any mortgage, taxes or other liens on the above described land, in the event of default of payment by said owner of the soil, and be subrogated to the rights of the holder thereof, to the extent that Lessee may apply any rental or royalty due the owner of the soil from Lessee until any obligation thus incurred by the owner of the soil is discharged.

If the owner of the soil owns a less interest in the above described land than the entire and undivided surface estate therein (or a greater or lesser interest than the recited interest therein) then the royalties and rental herein provided to be paid to the owner of the soil shall be paid to him in the proportion which his interest bears to the whole and undivided surface estate and the royalties and rental herein provided to be paid to the Commissioner of the General Land Office of the State of Texas shall be likewise proportionately reduced. The Commissioner of the General Land Office shall be paid the value of the whole production allocable to all of the undivided interest not covered by any lease, less the proportionate development and production costs allocable to such undivided interest, but in no event shall the Commissioner of the General Land Office receive as a royalty on the gross production allocable to the undivided interest not leased an amount less than the value of one-sixteenth (1/16) of such gross production. Provided, however, before any adjustment of royalty or rental due the Commissioner of the General Land Office, Lessee shall furnish the Commissioner of the General Land Office of the State of Texas, at Austin, Texas, a statement in writing executed by Lessee, or its duly authorized representative, setting forth the facts relative to the interest of the owner of the soil and the interest which Lessee claims under this lease.

18. Lessee shall have the right to use water produced on said land necessary for operations hereunder except water from wells or tanks of the owner of the soil; provided, however, Lessee shall not use potable water or water suitable for livestock or irrigation purposes for waterflood operations without the prior consent of the owner of the soil.

19. When requested by the owner of the soil, Lessee shall bury its pipe lines below plow depth.

20. No well shall be drilled nearer than two hundred (200) feet to the house or barn now on said premises without the written consent of the owner of the soil.

21. Lessee shall have the exclusive right to build, operate and maintain pits, reservoirs, pickup stations and plants for the purpose of picking up and conserving waste oil that flows down the creeks, ravines and across the land embraced in the lease, whether said oil is produced from said land covered by this lease or other lands, provided the royalties herein specified are paid on said oil at the same rate under the same conditions provided for oil regularly produced.

22. Lessee shall pay the owner of the soil for damages caused by its operations to all personal property, improvements, livestock and crops on said land.

23. Lessee shall have the right at any time until one hundred twenty (120) days after the expiration or termination of this lease to remove all machinery and fixtures placed by Lessee on said premises, including the right to draw and remove all casing; provided, however, that casing shall not be drawn and removed until after thirty (30) days written notice to the Commissioner of the General Land Office and to the owner of the soil and, provided further, that Lessee shall not remove casing with respect to any well thereon capable of producing oil and/or gas in paying quantities. Any machinery, fixtures and casing subject to removal as above set forth, which are allowed to remain on the premises, shall become the property of the owner of the soil on expiration of said one hundred twenty (120) day period, or such extension thereof as may be granted by the owner of the soil.

24. (a) The rights and estates of either party hereto may be assigned, in whole or in part, and the provisions hereof shall extend to and be binding upon their heirs, devisees, legal representatives, successors and assigns; but no change or division in the ownership of the land, rentals or royalties, however accomplished, shall operate to enlarge the obligations, nor to diminish the rights, privileges and estates of Lessee, nor to impair the effectiveness of any payment made by, nor of any act performed by, Lessee hereunder. And no such change or division in the ownership of said land, the rentals or royalties, however accomplished, shall ever be binding upon Lessee for any purpose until thirty (30) days after Lessee has been furnished by the owner of the soil, or by his heirs, devisees, legal representatives or assigns, with satisfactory written evidence thereof,

including (if such change is effected by conveyance) the original recorded muniments of title or certified copies thereof. An assignment of this lease, in whole or in part, shall, as to the extent of such assignment, relieve and discharge Lessee of all subsequent obligations hereunder. If this lease is assigned in its entirety as to only part of the acreage, the right and option to pay rentals shall be apportioned as between the several owners ratably, according to the surface area of each, and failure by one or more of them to pay his share of the rental shall not affect this lease on the part of the land upon which pro rata rentals are timely paid or tendered, unless the assignor or assignee shall fail to file a certified copy of such assignment in the General Land Office prior to the next rental paying date, in which event the entire lease shall terminate for failure to pay the entire rental due as provided in Paragraph Number 8 hereof.

(b) Notwithstanding any provision in Paragraph 24(a) to the contrary, if the owner of the soil, or his nominee, or any corporation or subsidiary in which he is a principal stockholder, or a partnership in which he is a partner, acquires this lease in whole or in part by assignment without the prior written approval of the Commissioner of the General Land Office, the assignment shall be of no force and effect and the lease may be forfeited by the Commissioner. If after receiving written approval from the Commissioner, the owner of the soil, or any of the above-named entities in the stated capacities, acquires the lease in whole or in part by assignment and within three (3) years thereafter assigns the lease for a valuable consideration, the State shall share equally in the total consideration received therefor. Failure of the State to share in such consideration shall subject the lease to forfeiture at the option of the Commissioner.

25. Lessee may at any time, and from time to time, execute and deliver to the owner of the soil or place of record, a release or releases covering any portion or portions of the above described premises, and thereby surrender this lease as to such portion or portions, and be relieved of all subsequent obligations as to acreage surrendered. In the event any part of this lease is surrendered, as above provided, the delay rental then payable hereunder shall thereupon be reduced in the proportion that the acreage surrendered bears to the acreage which was covered by this lease immediately prior to such surrender, provided such release shall not thereby relieve the Lessee of any liabilities which may have accrued in connection with the lease prior to the surrender of such acreage.

26. Provided further that if all or any part of this lease is assigned or released, such assignment or release shall be recorded in the county where the land is situated and the recorded instrument, or a copy of the recorded instrument certified to by the County Clerk of the county in which the instrument is recorded, shall be filed in the GENERAL LAND OFFICE accompanied by the prescribed filing fee. If any such assignment is not so filed, the rights acquired under this lease shall be subject to forfeiture by the Commissioner of the General Land Office.

27. It is recognized that before this lease is effective a certified copy thereof (which is construed as meaning a certified copy made by the County Clerk from his records) shall be filed in the General Land Office in accordance with Section 52.183, N.R.C., and this lease shall not be binding upon the State unless it recites the actual and true consideration paid or promised therefor. The bonus due the State and the prescribed filing fee shall accompany such certified copy to the General Land Office.

28. If at the expiration of the primary term or at any time after the expiration of the primary term a well or wells capable of producing oil or gas in paying quantities are located on the leased premises but oil or gas is not being produced for lack of suitable production facilities or a suitable market and the lease is not being maintained in force and effect, before the expiration of the primary term or if the primary term has expired, within 60 days after Lessee ceases to produce oil or gas from the well, Lessee may pay as a shut-in oil or gas royalty an amount equal to double the annual rental provided in the lease but not less than $1,200 a year for each well capable of producing oil or gas in paying quantities, such payment shall be made one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the

owner of the soil; if the shut-in oil or gas royalty is paid, the lease shall be considered to be a producing lease and the payment shall extend the term of the lease for a period of one year from the end of the primary term or from the first day of the month next succeeding the month in which production ceased and after that if no suitable production facilities or suitable market for the oil or gas exists, Lessee may extend the lease for four additional and successive periods of one year by paying the same amount each year on or before the expiration of the extended term; if, during the period the lease is kept in effect by payment of the shut-in oil or gas royalty, oil or gas is sold and delivered in paying quantities from a well located within 1,000 feet of the leased premises and completed in the same producing reservoir or in any case in which drainage is occurring, the right to continue to extend the lease by paying the shut-in oil or gas royalty shall cease, but the lease shall remain effective for the remainder of the year for which the royalty has been paid and for an additional period of not more than five years from the expiration of the primary term by Lessee paying compensatory royalty at the royalty rate provided in the lease of the value at the well of production from the well which is causing the drainage or which is completed in the same producing reservoir and within 1,000 feet of the leased premises; the compensatory royalty is to be paid monthly one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil beginning on or before the last day of the month next succeeding the month in which the oil or gas is sold and delivered from the well located within 1,000 feet of or draining the leased premises and completed in the same reservoir; if the compensatory royalty paid in any 12-month period is in an amount less than the annual shut-in oil or gas royalty, Lessee shall pay an amount equal to the difference within 30 days from the end of the 12-month period; and none of these provisions will relieve Lessee of the obligation of reasonable development nor the obligation to drill offset wells as provided in Section 52.034 of the N.R.C.

29. No natural gas or casinghead gas, including both associated and nonassociated gas, produced from the mineral estate subject to this lease may be sold or contracted for sale to any person for ultimate use outside the State of Texas unless the Railroad Commission of Texas, after notice and hearing as provided in Title 3 of the N.R.C., finds that:

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

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

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

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

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

(f) no person who resides in this state and who relies on natural gas or casinghead gas to provide in whole or part his existing needs for fuel or raw material requires the natural gas or casinghead gas to meet those needs;

provided, however, after notice and hearing as provided in Title 3 of the N.R.C. the Railroad Commission of Texas may grant exceptions to these provisions if it finds and determines that enforcement of such provisions:

(1) would cause physical waste as defined in Title 3 of the N.R.C; or

(2) would unreasonably deny to the lessee an opportunity to produce economically hydrocarbons from the land subject to this lease.

30. This is a paid up lease and the rental sum of Eight dollars and 90/100 ($8.90) covering the full three year term has been paid to owner of the soil and like amount to the state and no further rental is due hereunder.

31. This lease is issued under the provisions of Sections 52.171 through 52.182, N.R.C., commonly known as the Relinquishment Act, Sections 52.183 and 52.184, N.R.C., and other applicable statutes and amendments thereto, and should there by any provision herein not in conformity with said statutes, the law is recognized and understood to prevail notwithstanding anything in this lease to the contrary.

32. Lessee is hereby granted the right to pool or unitize the royalty interest of the owner of the soil under this lease with any other leasehold or mineral interest for the exploration, development and production of oil and gas or either of them upon the same terms as shall be approved by the School Land Board and executed by the owner of the soil and the Commissioner of the General Land Office for the pooling or unitizing of the interest of the State under this lease pursuant to Subchapter E, Chapter 52, of the Natural Resources Code and other applicable laws.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

Robert A. Schuler

ROBERT A. SCHULER, Individually and as agent for the State of Texas

SS# [redacted]

James N. Schuler

JAMES N. SCHULER, Individually and as agent for the State of Texas

SS# [redacted]

ILLINOIS
STATE OF ~~TEXAS~~ }
COUNTY OF Cook }

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

ROBERT A. SCHULER,

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, this the 8 day of Dec, A.D., 1983.

Charlene Curry

Notary Public in and for Cook County, ~~TEXAS~~ ILLINOIS. Notary please type or print name and date commission expires:

March 31-1987

CHARLENE CURRY

STATE OF ILLINOIS }
COUNTY OF Cook }

BEFORE ME, the undersigned authority, on this day personally appeared

JAMES N. SCHULER, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me the 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, this the 8th day of Dec, A.D., 1983.

Charlene Curry
Notary Public in and for Cook County, Illinois. Notary please type or print name and date commission expires: March 31-1987

CHARLENE CURRY

Filed for record on the 19th day of December, A.D. 1983 at 11:53A. M.

Duly recorded on the 19th day of December, A.D. 1983 at 4:00P. M.

By Billie Jo Freeman DEPUTY

CATHERINE ASHLEY, COUNTY CLERK, REEVES COUNTY, TEXAS.

FOR SALE BY STAFFORD-LOWDON CO. FORT WORTH 25237

E 503—CERTIFICATE OF TRUE COPY OF PAPERS RECORDED—Class 1. (Arts. 6600-6625-6684, 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 OIL AND GAS LEASE FROM ROBERT A. SCHULER, ET AL TO BLAKE OIL & GAS CORPORATION,

as the same appears of record in my office in book 438 page 691, Deed Records.

Given under my Hand and Seal of said Court, at office in Pecos, Texas this 20th day of December 1983.

CATHERINE ASHLEY Clerk,

By Billie Jo Freeman Deputy.
(Billie JO Freeman)

(8)

M 88676
Lease
File dated 1-4-84
Garry Mauro, Commissioner

RECEIVED AS STATED
25.00
Date 1-4-84 & 1-20-84
Rec No 46785 & FF0354
GENERAL LAND OFFICE

RECEIVED AS STATED
445.45
Date 1-4-84
Rec No 46787
GENERAL LAND OFFICE

JACK E. BLAKE
400 NORTH MAIN
MIDLAND, TEXAS 79701-4780

OFF. (915) 684-7888 RES. (915) 684-7745

December 29, 1983

General Land Office
Austin, Texas 78701

Attention: Ms. Barbara Epstein, Attorney

171
2.M.

Re: Section 12, Block 57, Twp-2, T&P RR Company Survey, Reeves County, Texas

Dear Sirs or Madam: X-454.35 XX 46785

As discussed with your office enclosed please find certified copy of oil and gas lease covering the above captioned tract. The terms are $100.00 per acre bonus consideration, 1/4th royalty, $1.00 per acre rental for a three (3) year paid-up oil and gas lease. A Bank Money Order in the amount of $454.35 ($445.45 lease bonus + 8.90 paid-up rentals) is enclosed to cover the State's one-half interest in the above captioned tract. Please bill our account No. 1042 for the $10.00 filing fee.

Please acknowledge receipt of this lease at your earliest convenience. I you have any questions concerning this matter, please let me know.

Very truly yours,

Tim P. Boyle
Landman

TPB/bdp
Enclosures

Blake Oil & Gas Corp

(9)

M. F. 88676
CORRESPONDENCE FILE
From Jack E. Blake
Dated 12-29-83

Garry Mauro
Commissioner
General Land Office

January 20, 1984

Jack E. Blake
400 North Main
Midland, Texas 79701-4780

Re: Undivided Interest Oil and Gas Lease (Paid-Up)
M-88676; SE/pt N/440 ac. Sec. 12, Blk. 57, T-2, T&P Ry. Co. Sur.
Reeves County, Texas (Robert A. Schuler et. al.)

Dear Mr. Blake:

The certified copy of an oil and gas lease covering the captioned tract has been approved and filed in our records under the captioned mineral file number. Please refer to this file number in all future correspondence concerning this lease.

We have applied $444.45 of your remittance as the state's portion of the cash bonus and $8.90 as paid-up rentals. The remaining $1.00 has been applied towards the required filing fee. We have charged your Account No. 1042 for the additional amount required for the filing fee. Our Invoice No. FF-0354 indicating this charge is enclosed.

Sincerely,

Garry Mauro

By:
Barbara Epstein, Attorney
Oil and Gas Section
Legal Division
512 475-4246

BE/ma

Enclosure

Stephen F. Austin Building
1700 North Congress Avenue
Austin, Texas 78701
(512) 475-2071

(10)

M. F. 88676
CORRESPONDENCE FILE
TO Jack E. Blake
From
Dated 1-20-84

Mineral Classified Land
Lease Consideration Comparison

County REEVES
Area SE/pt N/4400 SEC 12, BLK 57, T-2, T&P

UE Surface to 7000' only

M. F.	Acres	Lease Date	Term	Total Bonus	B/Ac	Rental	Comparison	
New	(13.34) 80	8-1-83	3yrs	1334.00	100.00	1.00		
FEE 88364	200	10-5-82	3yrs	15000.00	75.00	5.00	Adj 1/4 mi's	1/4
87258	640	9-23-81	5yrs	64,000.00	100.00	1.00	1 mi W.	3/32
87169	320	8-17-81	3yrs	12800.00	200.00	1.00	2½ mi	1/10
88789	640	2-8-83	3yrs	32,000.00	200.00	1.00	3 mi SE	1/8
88676 UE	(26.66) 80	10-8-82	5yrs	2666.68	100.00	1.00	Adj's	3/32

Remarks: 3 mi S.E. of JESS BURNER Fld (Dol-oil) & 3 Mi W of Tunstill field. 1 mi NW of Olds (Dol) Field

142477

Consideration Recommended RVP

Not Recommended

No. 1576

No. 5367--General Land
Office Lease Form Under
Relinquishment Act
Revised, December, 1983

OIL AND GAS LEASE

THIS AGREEMENT, made and entered into this 1st day of August, 1983, by and between JACK E. BLAKE and wife, CAROL JO BLAKE,

of 400 North Main, Midland, Texas 79701,
(Give Permanent Address)

herein referred to as the owner of the soil (whether one or more), individually and as agent for the State of Texas, and

ORLA PETCO, INC.,

of P. O. Box 1383, Midland, Texas 79702,
(Give Permanent Address)

hereinafter called Lessee, WITNESSETH: Expired

1. The owner of the soil in the capacities aforesaid, for and in consideration of SIX HUNDRED SIXTY SEVEN AND NO/100---------- Dollars ($ 667.00), cash in hand paid, as his individual property and estate, receipt of which is hereby acknowledged, and a like amount paid to the STATE OF TEXAS, and of the covenants and agreements hereinafter contained on the part of the Lessee to be paid, kept and performed, hereby grants, leases and lets unto Lessee, for the sole and only purpose of prospecting and drilling for and producing oil and gas, laying pipe lines, building tanks, storing oil and building power stations, telephone lines and other structures thereon, to produce, save, take care of, treat and transport said products of the lease, the following lands situated in Reeves County, State of Texas, to-wit:

All of the Southeast Part of the North 440 acres of Section 12, Block 57, Township-2, T&P RR Company Survey, described by metes and bounds as follows:

BEGINNING at the SE/corner of the E/2 of the NE/4 of this Section in the West Line of Section 7, Block 56, Township-2, T&P RR Company Survey, and the NE/ corner of this Survey;

THENCE West 1267.2 varas with the South line of the N/2 to the NE/corner of the NW/Part of the S/2 and the NW/corner of this Survey;

THENCE South 356.4 varas with the East line of said NW/Part of the S/2 of its SE/corner in the North line of the South part and the SW/corner of this Survey;

THENCE East 1267.2 varas with the North line of said South part to its NE/ corner in the West line of Section 7, Block 56, Township-2, T&P RR Company Survey, and the SE/corner of this Survey;

THENCE North 356.4 varas with the West line of said Section 7 to the place of beginning, containing 80 acres, more or less.

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

One-Fourth (1/4th)---------- part of the gross

*Not to exceed five (5) years.
**The total royalty payable under the lease should be inserted in paragraphs 3(a), 3(b), 3(c) and 3(d).

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

(b) As a royalty on any gas (including flared gas), which is defined as all hydrocarbons and gaseous substances not defined as oil in subparagraph (a) above, produced from any well on said land (except as provided herein with respect to gas processed in a plant for the extraction of gasoline, liquid hydrocarbons or other products) _____

One-Fourth (1/4th)---------- part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality for the field where produced and when run, or the gross price paid or offered to the producer, whichever is greater; provided that the maximum pressure base in measuring the gas under this lease contract shall not at any time exceed 14.65 pounds per square inch absolute, and the standard base temperature shall be sixty (60) degrees Fahrenheit, correction to be made for pressure according to Boyle's Law, and for specific gravity according to test made by the Balance Method or by the most approved method of testing being used by the industry at the time of testing.

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

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

One-Fourth (1/4th)---------- part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease, and on fifty percent (50%) or that percent accruing to Lessee, whichever is greater, of the total plant production of liquid hydrocarbons attributable to the gas produced from this lease; provided that if liquid hydrocarbons are recovered from gas processed in a plant in which Lessee (or its parent, subsidiary or affiliate) owns an interest, then the percentage applicable to liquid hydrocarbons shall be fifty percent (50%) or the highest percent accruing to a third party processing gas through such plant under a processing agreement negotiated at arms' length (or if there is no such third party, the highest percent then being specified in processing agreements or contracts in the industry), whichever is greater. The respective royalties on residue gas and on liquid hydrocarbons shall be determined by 1) the highest market price paid or offered for any gas (or liquid hydrocarbons) of comparable quality in the general area, or 2) the gross price paid or offered for such residue gas (or the weighted average gross selling price for the respective grades of liquid hydrocarbons, F.O.B. at the plant in which said gas is processed), whichever is greater.

(d) As a royalty on carbon black, sulphur or any other products produced or manufactured from gas (excepting liquid hydrocarbons) whether said gas be "casinghead", "dry" or any other gas, by fractionating, burning or any other processing, One-fourth (1/4th)---------- part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows:

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

(2) on the basis of the average gross sale price of each product for the same month in which such product is sold, whichever is greater.

4. Notwithstanding anything contained herein to the contrary, the owner of the soil or the Commissioner of the General Land Office may, at the option of either, at any time or from time to time, upon not less than sixty (60) days notice to the holder of the lease, require the payment of any royalties accruing to such royalty owner under this lease be made in kind.

5. Lessee agrees that all royalties accruing under this lease (including those paid in kind) shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and otherwise making the oil, gas and other products hereunder ready for sale or use. Lessee agrees to compute and pay royalties on the gross value received including any reimbursements for severance taxes and production related costs.

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

7. All royalties which are required to be paid hereunder to the Commissioner of the General Land Office shall be due and payable in the following manner: Royalty on oil shall be due and payable on or before the 5th day of the second month succeeding the month of production, and royalty on gas shall be due and payable on or before the 15th day of the second month succeeding the month of production, accompanied by an affidavit completed in the form and manner prescribed by the General Land Office and showing the gross amount and disposition of all oil and gas produced and the market value of the oil and gas, together with a copy of all supporting documents and records required by law to confirm the gross production, disposition and market value. A copy of all contracts under which gas is sold or processed and all subsequent agreements and amendments to such contracts shall be filed with the General Land Office within thirty (30) days after entering into or making such contracts, agreements or amendments. The books, accounts and all other records pertaining to production, transportation, sale and marketing shall at any time be subject to inspection and examination by the Land Commissioner. Each royalty payment shall be accompanied by a check stub, schedule, summary or other remittance advice showing by the assigned General Land Office lease number the amount of royalty being paid. Any royalty not paid or affidavits and supporting documents not filed when due shall become delinquent and shall have added to the sum owing a delinquency penalty of one percent (1%) of such sum for each thirty (30) day period of delinquency or a fractional period thereof; provided, however, that each such penalty shall never be less than Five Dollars ($5.00). Lessee shall bear all responsibility for paying or causing royalties to be paid as prescribed by the

due date provided herein. Payment of the delinquency penalty shall in no way operate to prohibit the State's right of forfeiture as provided by law. The State shall have a first lien upon all oil and gas produced from the area covered by this lease to secure the payment of all unpaid royalty and other sums of money that may become due to the State hereunder.

8. If no well be commenced on said land on or before one (1) year from this date, this lease shall terminate as to both parties, unless on or before such anniversary date Lessee shall pay or tender to the owner of the soil or to his credit in the RepublicBank First National Midland Bank, at Midland, Texas, or its successors (which shall continue as the depository regardless of changes in the ownership of said land), the sum of

(This is a PAID-UP Lease, see Paragraph 32, Page 9) Dollars

($_____), and in addition shall pay or tender to the COMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS, AT AUSTIN, TEXAS, a like sum on or before said date, which shall operate as a rental and cover the privilege or deferring the commencement of a well for one (1) year from said date. In like manner and upon like payments or tenders annually, the commencement of a well may be further deferred for successive period of one (1) year each during the primary term .

9. All payments or tenders of rental to the owner of the soil may be made by check or draft of Lessee, or any assignee hereof, and delivered on or before the rental paying date. If said bank (or any successor bank) should cease to exist, suspend business, liquidate, fail or be succeeded by another bank, or for any reason fail or refuse to accept rental, Lessee shall not be held in default for failure to make such payments or tenders of rental until thirty (30) days after the owner of the soil shall deliver to Lessee a proper recordable instrument naming another bank as agent to receive such payments or tenders.

10. During any year beginning with the anniversary date of this lease, if this lease is maintained by production, the royalties paid hereunder in no event shall be less than an amount equal to the total annual delay rental herein provided; otherwise, there shall be due and payable on or before the last day of the month succeeding the anniversary date of this lease a sum equal to the total annual delay rental less the amount of royalties paid during the preceding year. If no amount of delay rental is specified in this lease, then for the purpose of this paragraph and paragraph 28, rental shall be construed to be one dollar ($1.00) per acre which shall be in addition to the statutory minimum rental provided in paragraph 11 hereof.

11. It is understood and agreed that notwithstanding the fact that development may be in progress or production secured and royalty being paid hereunder the owner or operator of the leased premises shall continue to make annual rental payments to the State which, under such conditions, shall be the minimum of ten cents (10¢) per acre as provided by Section 52.172 of the Natural Resources Code (hereinafter called N.R.C.).

12. If, during the primary term hereof and prior to discovery and production of oil or gas on said land , Lessee should drill a dry hole or holes thereon, or if, after discovery and production of oil or gas, the production thereof should cease from any cause, this lease shall not terminate if on or before the rental paying date next ensuing after the expiration of sixty (60) days from date of completion of said dry hole or cessation of production Lessee commences additional drilling or reworking operations thereon, or commences or resumes the payment of annual delay

rental in the same manner as provided in Paragraph Number 8 of this lease. If a dry hole be completed and abandoned during the last year of the primary term, Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in oil or gas well within the primary term hereof, Lessee may resume payment of annual rental in the same manner as provided in Paragraph Number 8 in this lease on or before the rental paying date next ensuing after sixty (60) days from the date of completion of such shut-in oil or gas well and upon the failure to make such annual rental payment, this lease shall ipso facto terminate. If at the expiration of the primary term or at any time thereafter a shut-in oil or gas well is located on the leased premises, payments may be made in accordance with the provisions of Paragraph Number 29 hereof.

13. If, at the expiration of the primary term, neither oil nor gas is being produced on said land, but Lessee is then engaged in drilling or reworking operations thereon, or if, after the expiration of the primary term, production of oil or gas on the leased premises after once obtained should cease from any cause, this lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted with no cessation of more than sixty (60) consecutive days, and if they result in the production of oil and/or gas, so long thereafter as oil and/or gas is produced in paying quantities from said land, or payment of shut-in oil or gas well royalties or compensatory royalties is made as hereinafter provided.

14. Lessee shall adequately protect the oil and gas under the above described land from drainage from the adjacent lands or leases. Neither the bonus, delay rentals, nor royalties paid or to be paid hereunder shall relieve Lessee from the obligations herein expressed, and for such purpose Lessee shall be required to drill as many wells as the facts may justify and to the depth or depths necessary for effective protection against undue drainage by other wells on adjacent lands or leases.

15. Written notice of operations hereunder shall be submitted to the Commissioner of the General Land Office by Lessee within five (5) days of spud date, cessation of production, workover, re-entry, temporary abandonment or abandonment of any well and shall include copies of Railroad Commission forms for application to drill, completion tests and plugging reports. The Commissioner of the General Land Office reserves the right to require Lessee to furnish logs on all wells drilled on said land and to annually furnish the said Commissioner with its best possible estimate of oil and gas reserves underlying this lease or allocable to this lease.

16. Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling operations thereon, or from producing oil or gas therefrom, after effort made in good faith, by reason of war, rebellion, riots, strikes, acts of God, or any valid order, rule or regulation of government authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended; and this lease shall be extended while and so long as Lessee is prevented, by any such cause, from drilling, reworking operations or producing oil or gas from the leased premises; provided, however, that nothing herein shall be construed to suspend the payment of delay rentals in order to maintain this lease in effect during the primary or extended term in the absence of such drilling or reworking operations or production of oil or gas.

17. The owner of the soil hereby warrants and agrees to defend the title to the land herein described, and agrees that Lessee shall have the right at any time to redeem for said owner of the soil, by payment, any mortgage, taxes or other liens on the above described land, in the event of default of payment by said owner of the soil, and be subrogated to the rights of the holder thereof, to the extent that Lessee may apply any rental or royalty due the owner of the soil from Lessee until any obligation thus incurred by the owner of the soil is discharged.

If the owner of the soil owns a less interest in the above described land than the entire and undivided surface estate therein (or a greater or lesser interest than the recited interest therein) then the royalties and rental herein provided to be paid to the owner of the soil shall be paid to him in the proportion which his interest bears to the whole and undivided surface estate and the royalties and rental herein provided to be paid to the Commissioner of the General Land Office of the State of Texas shall be likewise proportionately reduced. The Commissioner of the General Land Office shall be paid the value of the whole production allocable to all of the undivided interest not covered by any lease, less the proportionate development and production costs allocable to such undivided interest, but in no event shall the Commissioner of the General Land Office receive as a royalty on the gross production allocable to the undivided interest not leased an amount less than the value of one-sixteenth (1/16) of such gross production. Provided, however, before any adjustment of royalty or rental due the Commissioner of the General Land Office, Lessee shall furnish the Commissioner of the General Land Office of the State of Texas, at Austin, Texas, a statement in writing executed by Lessee, or its duly authorized representative, setting forth the facts relative to the interest of the owner of the soil and the interest which Lessee claims under this lease.

18. Lessee shall have the right to use water produced on said land necessary for operations hereunder except water from wells or tanks of the owner of the soil; provided, however, Lessee shall not use potable water or water suitable for livestock or irrigation purposes for waterflood operations without the prior consent of the owner of the soil.

19. When requested by the owner of the soil, Lessee shall bury its pipe lines below plow depth.

20. No well shall be drilled nearer than two hundred (200) feet to the house or barn now on said premises without the written consent of the owner of the soil.

21. Lessee shall have the exclusive right to build, operate and maintain pits, reservoirs, pickup stations and plants for the purpose of picking up and conserving waste oil that flows down the creeks, ravines and across the land embraced in the lease, whether said oil is produced from said land covered by this lease or other lands, provided the royalties herein specified are paid on said oil at the same rate under the same conditions provided for oil regularly produced.

22. Lessee shall pay the owner of the soil for damages caused by its operations to all personal property, improvements, livestock and crops on said land.

23. Lessee shall have the right at any time until one hundred twenty (120) days after the expiration or termination of this lease to remove all machinery and fixtures placed by Lessee on said premises, including the right to draw and remove all casing; provided, however, that casing shall not be drawn and removed until after thirty (30) days written notice to the Commissioner of the General Land Office and to the owner of the soil and, provided further, that Lessee shall not remove casing with respect to any well thereon capable of producing oil and/or gas in paying quantities. Any machinery, fixtures and casing subject to removal as above set forth, which are allowed to remain on the premises, shall become the property of the owner of the soil on expiration of said one hundred twenty (120) day period, or such extension thereof as may be granted by the owner of the soil.

24. (a) The rights and estates of either party hereto may be assigned, in whole or in part, and the provisions hereof shall extend to and be binding upon their heirs, devisees, legal representatives, successors and assigns; but no change or division in the ownership of the land, rentals or royalties, however accomplished, shall operate to enlarge the obligations, nor to diminish the rights, privileges and estates of Lessee, nor to impair the effectiveness of any payment made by, nor of any act performed by, Lessee hereunder. And no such change or division in the ownership of said land, the rentals or royalties, however accomplished, shall ever be binding upon Lessee for any purpose until thirty (30) days after Lessee has been furnished by the owner of the soil, or by his heirs, devisees, legal representatives or assigns, with satisfactory written evidence thereof,

including (if such change is effected by conveyance) the original recorded muniments of title or certified copies thereof. An assignment of this lease, in whole or in part, shall, as to the extent of such assignment, relieve and discharge Lessee of all subsequent obligations hereunder. If this lease is assigned in its entirety as to only part of the acreage, the right and option to pay rentals shall be apportioned as between the several owners ratably, according to the surface area of each, and failure by one or more of them to pay his share of the rental shall not affect this lease on the part of the land upon which pro rata rentals are timely paid or tendered, unless the assignor or assignee shall fail to file a certified copy of such assignment in the General Land Office prior to the next rental paying date, in which event the entire lease shall terminate for failure to pay the entire rental due as provided in Paragraph Number 8 hereof.

(b) Notwithstanding any provision in Paragraph 24(a) to the contrary, if the owner of the soil, or his nominee, or any corporation or subsidiary in which he is a principal stockholder, or a partnership in which he is a partner, acquires this lease in whole or in part by assignment without the prior written approval of the Commissioner of the General Land Office, the assignment shall be of no force and effect and the lease may be forfeited by the Commissioner. If after receiving written approval from the Commissioner, the owner of the soil, or any of the above-named entities in the stated capacities, acquires the lease in whole or in part by assignment and within three (3) years thereafter assigns the lease for a valuable consideration, the State shall share equally in the total consideration received therefor. Failure of the State to share in such consideration shall subject the lease to forfeiture at the option of the Commissioner.

25. Lessee may at any time, and from time to time, execute and deliver to the owner of the soil or place of record, a release or releases covering any portion or portions of the above described premises, and thereby surrender this lease as to such portion or portions, and be relieved of all subsequent obligations as to acreage surrendered. In the event any part of this lease is surrendered, as above provided, the delay rental then payable hereunder shall thereupon be reduced in the proportion that the acreage surrendered bears to the acreage which was covered by this lease immediately prior to such surrender, provided such release shall not thereby relieve the Lessee of any liabilities which may have accrued in connection with the lease prior to the surrender of such acreage.

26. Provided further that if all or any part of this lease is assigned or released, such assignment or release shall be recorded in the county where the land is situated and the recorded instrument, or a copy of the recorded instrument certified to by the County Clerk of the county in which the instrument is recorded, shall be filed in the GENERAL LAND OFFICE accompanied by the prescribed filing fee. If any such assignment is not so filed, the rights acquired under this lease shall be subject to forfeiture by the Commissioner of the General Land Office.

27. It is recognized that before this lease is effective a certified copy thereof (which is construed as meaning a certified copy made by the County Clerk from his records) shall be filed in the General Land Office in accordance with Section 52.183, N.R.C., and this lease shall not be binding upon the State unless it recites the actual and true consideration paid or promised therefor. The bonus due the State and the prescribed filing fee shall accompany such certified copy to the General Land Office.

28. All provisions pertaining to the lease of the above described land have been included in this instrument, including the statement of the true consideration to be paid and the rights and duties of the parties. Any collateral agreements containing provisions not authorized by the Relinquishment Act and not contained in this agreement render this lease invalid.

29. If at the expiration of the primary term or at any time after the expiration of the primary term a well or wells capable of producing oil or gas in paying quantities are located on the leased premises but oil or gas is not being produced for lack of suitable production facilities or a suitable market and the lease is not being maintained in force and effect, before the expiration of the primary term or if the primary term has expired, within 60 days after Lessee ceases to produce oil or gas from the well, Lessee may pay as a shut-in oil or gas royalty an amount equal to double the annual rental provided in the lease but not less than $1,200 a year for each well capable of producing oil or gas in paying quantities, such payment shall be made one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the

owner of the soil; if the shut-in oil or gas royalty is paid, the lease shall be considered to be a producing lease and the payment shall extend the term of the lease for a period of one year from the end of the primary term or from the first day of the month next succeeding the month in which production ceased and after that if no suitable production facilities or suitable market for the oil or gas exists, Lessee may extend the lease for four additional and successive periods of one year by paying the same amount each year on or before the expiration of the extended term; if, during the period the lease is kept in effect by payment of the shut-in oil or gas royalty, oil or gas is sold and delivered in paying quantities from a well located within 1,000 feet of the leased premises and completed in the same producing reservoir or in any case in which drainage is occurring, the right to continue to extend the lease by paying the shut-in oil or gas royalty shall cease, but the lease shall remain effective for the remainder of the year for which the royalty has been paid and for an additional period of not more than five years from the expiration of the primary term by Lessee paying compensatory royalty at the royalty rate provided in the lease of the value at the well of production from the well which is causing the drainage or which is completed in the same producing reservoir and within 1,000 feet of the leased premises; the compensatory royalty is to be paid monthly one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil beginning on or before the last day of the month next succeeding the month in which the oil or gas is sold and delivered from the well located within 1,000 feet of or draining the leased premises and completed in the same reservoir; if the compensatory royalty paid in any 12-month period is in an amount less than the annual shut-in oil or gas royalty, Lessee shall pay an amount equal to the difference within 30 days from the end of the 12-month period; and none of these provisions will relieve Lessee of the obligation of reasonable development nor the obligation to drill offset wells as provided in Section 52.034 of the N.R.C.

30. No natural gas or casinghead gas, including both associated and nonassociated gas, produced from the mineral estate subject to this lease may be sold or contracted for sale to any person for ultimate use outside the State of Texas unless the Railroad Commission of Texas, after notice and hearing as provided in Title 3 of the N.R.C., finds that:

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

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

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

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

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

(f) no person who resides in this state and who relies on natural gas or casinghead gas to provide in whole or part his existing needs for fuel or raw material requires the natural gas or casinghead gas to meet those needs;

provided, however, after notice and hearing as provided in Title 3 of the N.R.C. the Railroad Commission of Texas may grant exceptions to these provisions if it finds and determines that enforcement of such provisions:

(1) would cause physical waste as defined in Title 3 of the N.R.C; or

(2) would unreasonably deny to the lessee an opportunity to produce economically hydrocarbons from the land subject to this lease.

31. This lease is issued under the provisions of Sections 52.171 through 52.182 N.R.C., commonly known as the Relinquishment Act, Sections 52.183 and 52.184, N.R.C., and other applicable statutes and amendments thereto, and should there be any provision herein not in conformity with said statutes, the law is recognized and understood to prevail notwithstanding anything in this lease to the contrary.

32. This is a PAID-UP lease and the rental in the sum of Thirteen and 34/100---------- Dollars ($ 13.34) covering the full Three (3) year term has been paid to the owner of the soil and a like amount to the State and no further rental is due hereunder.

33. Lessee is hereby granted the right to pool or unitize the royalty interest of the owner of the soil under this lease with any other leasehold or mineral interest for the exploration, development and production of oil and gas or either of them upon the same terms as shall be approved by the School Land Board and the Commissioner of the General Land Office for the pooling or unitizing of the interest of the State under this lease pursuant to Section 52.151--52.153 of the Natural Resources Code and other applicable laws.

The owner of the soil agrees that the inclusion of this provision in this lease satisfies the execution requirement stated in Section 52.152 of the Natural Resources Code.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

Jack E. Blake

JACK E. BLAKE
Individually and as agent
for the State of Texas

Tax ID# [redacted]

Carol Jo Blake

CAROL JO BLAKE
Individually and as agent
for the State of Texas

SS# [redacted]

STATE OF TEXAS §
§
COUNTY OF MIDLAND §

Before me, the undersigned authority, on this day personally appeared JACK E. BLAKE and wife, CAROL JO BLAKE, known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed, and in the capacities therein stated.

Given under my hand and seal of office, this the 24th day of April, 1984.

Tim P Boyle

Notary Public in and for Midland
County, Texas

Tim P Boyle
my commission expires 9-4-85

Filed for record on the 1st day of May, A.D. 1984 at 1:06 P.M. Duly recorded on the 2nd day of May, A.D. 1984 at 2:00 P.M.

By s/ Billie JO Freeman, Deputy

CATHERINE ASHLEY, COUNTY CLERK,
REEVES COUNTY, TEXAS.

FOR SALE BY STAFFORD-LOWDON CO. FORT WORTH 25237

E 503—CERTIFICATE OF TRUE COPY OF PAPERS RECORDED—Class 1. (Arts. 6600-6625-6684, 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 OIL AND GAS LEASE FROM JACK E. BLAKE, ET UX TO ORLA PETCO, INC.,

as the same appears of record in my office in book 443 page 618, Deed Records.

Given under my Hand and Seal of said Court, at office in Pecos, Texas

this 7th day of May 19 84.

CATHERINE ASHLEY Clerk,

By Billie Jo Freeman Deputy.
(Billie Jo Freeman)

M 88676
Reese
File dated 5-11-84
Garry Mauro, Commissioner

RECEIVED AS STATED
25.00
Date 5-11-84
Reg No 121057
GENERAL LAND OFFICE

RECEIVED AS STATED
667.00
Date 5-11-84
Reg No 121057
GENERAL LAND OFFICE

11

P 3678

LIMITED TERM

Assignment of Oil and Gas Lease

WHEREAS, on the 8th day of October 1982, a certain oil and gas mining lease was made and entered into by and between VIOLET SCHULER and EVELYN SCHULER, widow of Robert L. Schuler, deceased, Lessor and BLAKE OIL & GAS CORPORATION, Lessee covering the following described land in the County of Reeves and State of Texas, to-wit:

All of the Southeast part of the North 440 acres of Section 12, Block 57, Township-2, T&P RR Company Survey, described by metes and bounds as follows:

BEGINNING at the SE/corner of the E/2 of the NE/4 of this Section in the West Line of Section 7, Block 56, Township-2, T&P RR Co. Survey, and the NE/corner of this survey;

THENCE West 1267.2 varas with the South Line of the N/2 to the NE/corner of the NW/part of the S/2 and the NW/corner of this Survey;

THENCE South 356.4 varas with the East Line of said NW part of the S/2 to its SE/corner in the North Line of the South part and the SW/corner of this Survey;

THENCE East 1267.2 varas with the North Line of said South part to its NE/corner in the West Line of Section 7, Block 56, Township-2, T&P RR Company Survey, and the SE/corner of this Survey;

THENCE North 356.4 varas with the West Line of said Section 7, to place of beginning.

Said lease being recorded in the office of the County Clerk in and for said County in Book 427, Page 397, and

Whereas, The said lease and all rights thereunder or incident thereto are now owned by BLAKE OIL & GAS CORPORATION.

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 lease and present owner in and to said lease and rights thereunder insofar, and only insofar, as said lease covers to depths above, BUT NOT BELOW 7,000 feet beneath the surface of the ground together with all personal property used or obtained in connection therewith to ORLA PETCO, INC., P. O. Box 1383, Midland, Texas 79702 and its successors and assigns.

It is expressly understood and agreed between Assignor and Assignee that this is a limited term partial assignment continuing only for a period of Three (3) years from the date hereof, and so long thereafter as oil and/or gas in commercial quantities is being produced from the assigned premises, a shut-in gas well exists thereon, or drilling or reworking operations, whether on the same or different wells, are conducted thereon with no cessation of more than sixty (60) consecutive days. If, after establishment of commercial production from the assigned premises, such production should cease from any cause, this assignment shall not terminate if Assignee commences reworking or additional drilling operations on the assigned premises within sixty (60) days thereafter and continues such operations with due diligence until commercial production is restored.

And for the same consideration, the undersigned for itself and its ~~xxxxx~~ successors and representatives, do es covenant with the said assignee its ~~xxxx~~, successors, or assigns, that BLAKE OIL & GAS CORPORATION 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.

In Witness Whereof, The undersigned owner and assignor has signed this instrument this 4th day of August, 19 83

(CORP. SEAL)

ATTEST:

Carolyn Blake Johnston

CAROLYN BLAKE JOHNSTON
Secretary/Treasurer

BLAKE OIL & GAS CORPORATION

By: Jack E. Blake

JACK E. BLAKE, President

WEST TEXAS OFFICE SUPPLY

SINGLE ACKNOWLEDGMENT

THE STATE OF TEXAS, }
COUNTY OF }

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

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 this the day of A. D. 19

(L. S.)

Notary Public in and for County, Texas

WIFE'S SEPARATE ACKNOWLEDGMENT

THE STATE OF TEXAS, }
COUNTY OF }

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared , wife of , known to me to be the person whose name is subscribed to the foregoing instrument, and having been examined by me privily and apart from her husband, and having the same fully explained to her, she, the said acknowledged such instrument to be her act and deed, and she declared that she had willingly signed the same for the purposes and consideration therein expressed, and that she did not wish to retract it.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the day of A. D. 19

(L. S.)

Notary Public in and for County, Texas

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 JACK E. BLAKE, 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 BLAKE OIL & GAS 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 the 4th day of August A. D. 19 83

(L. S.) Belinda Pool

Notary Public in and for Midland County, Texas

BELINDA POOL
Notary Public State of Texas
My Commission Expires 12-14-85

86

No.....

Assignment of
Oil and Gas Lease

TO

Filed for record on the 16th day of November, A.D. 1983 at 11:42 A.M. Duly recorded on the 16th day of November, A.D. 1983 at 4:00 P.M.

By s/ Billie JO Freeman, Deputy

CATHERINE ASHLEY, COUNTY CLERK,
REEVES COUNTY, TEXAS.

$7.00

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 }

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 LEASE FROM BLAKE OIL & GAS CORPORATION TO ORLA PETCO, INC.

as the same appears of record in my office in book 437 page 718, Deed Records.

Given under my Hand and Seal of said Court, at office in Pecos, Texas

this 17th day of November 19 83.

CATHERINE ASHLEY Clerk,

By Billie Jo Freeman Deputy.

(Billie JO Freeman)

(12)

M 88676
Assignment
File dated 5-11-84
Garry Mauro, Commissioner

RECEIVED AS STATED
25,00
Date 5-11-84
Rec No 121059
GENERAL LAND OFFICE

FILE NO. 1571 BLAKE OIL & GAS CORPORATION TO ORLA PETCO, INC.

86 — ASSIGNMENT OF OIL AND GAS LEASE TEXAS STANDARD FORM

Assignment of Oil and Gas Lease

WHEREAS, on the 22nd day of November 19 83, a certain oil and gas mining lease was made and entered into by and between ROBERT A. SCHULER and JAMES N. SCHULER

, Lessor

and BLAKE OIL & GAS CORPORATION ,Lessee

covering the following described land in the County of Reeves and State of Texas, to-wit:

All of the Southeast part of the North 440 acres of Section 12, Block 57, Township-2, T&P RR Company Survey, described by metes and bounds as follows:

BEGINNING at the SE/corner of the E/2 of the NE/4 of this section in the West line of Section 7, Block 56, Township-2, T&P RR Company Survey, and the NE/corner of this Survey;
THENCE West 1267.2 varas with the South line of the N/2 to the NE/corner of the NW/part of the S/2 and the NW/corner of this Survey;
THENCE South 356.4 varas with the East line of said NW part of the S/2 to its SE/corner in the North line of the South part and the SW/corner of this Survey;
THENCE East 1267.2 varas with the North line of said South part to its NE/corner in the West line of Section 7, Block 56, Township-2, T&P RR Company Survey, and the SE/corner of this Survey;
THENCE North 356.4 varas with the West line of said Section 7 to the place of beginning, containing 80 acres, more or less.

Said lease being recorded in the office of the County Clerk in and for said County in book 438 page 691 , and

Whereas, The said lease and all rights thereunder or incident thereto are now owned by

BLAKE OIL & GAS CORPORATION

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, do es 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 ORLA PETCO, INC. and its successors and assigns. [P. O. Box 1383, Midland, Texas 79702

And for the same consideration, the undersigned for itself and its successors and representatives, do es covenant with the said assignee its successors, or assigns, that BLAKE OIL & GAS CORPORATION 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.

In Witness Whereof, The undersigned owner and assignor has signed this instrument this 3rd day of January , 19 84

ATTEST: BLAKE OIL & GAS CORPORATION

CAROLYN BLAKE JOHNSTON
Secretary/Treasurer

By: Jack E. Blake
JACK E. BLAKE, President

WEST TEXAS OFFICE SUPPLY

FOR SALE BY STAFFORD-LOWDON CO. FORT WORTH 25237

E 503—CERTIFICATE OF TRUE COPY OF PAPERS RECORDED—Class 1. (Arts. 6600-6625-6684, 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 ASSIGNMENT OF OIL AND GAS LEASE FROM BLAKE OIL & GAS CORPORATION TO ORLA PETCO, INC.

as the same appears of record in my office in book 443 page 610, Deed Records.

Given under my Hand and Seal of said Court, at office in Pecos, Texas

this 7th day of May 19 84.

CATHERINE ASHLEY Clerk,

By Billie Jo Freeman Deputy.

(Billie JO Freeman)

SINGLE ACKNOWLEDGMENT

THE STATE OF TEXAS, }
COUNTY OF }

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared 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 this the day of A. D. 19

(L. S.)

Notary Public in and for County, Texas

WIFE'S SEPARATE ACKNOWLEDGMENT

THE STATE OF TEXAS, }
COUNTY OF }

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared , wife of , known to me to be the person whose name is subscribed to the foregoing instrument, and having been examined by me privily and apart from her husband, and having the same fully explained to her, she, the said acknowledged such instrument to be her act and deed, and she declared that she had willingly signed the same for the purposes and consideration therein expressed, and that she did not wish to retract it.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the day of A. D. 19

(L. S.)

Notary Public in and for County, Texas

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 JACK E. BLAKE, 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 BLAKE OIL & GAS 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 the 3rd day of January A. D. 19 84

(L. S.)

Belinda Pool

Notary Public in and for Midland County, Texas

BELINDA POOL
Notary Public State of Texas
My Commission Expires 12-14-85

Filed for record on the 1st day of May ,A.D. 1984 at 1:02P. M.

Duly recorded on the 2nd day of May ,A.D. 1984 at 2:00P. M.

By Billie Jo Freeman Deputy

CATHERINE ASHLEY, COUNTY CLERK,
REEVES COUNTY, TEXAS

(13)

M 88676
Assignment
File dated 5-11-84
Garry Mauro, Commissioner

RECEIVED AS STATED
25.00
Date 5-11-84
Reg No 121059

GENERAL LAND OFFICE

ORLA PETCO, INC.

P. O. BOX 1383, MIDLAND, TEXAS 79702
TELEPHONE 915 684-4762

May 9. 1984

Mr. V. C. Morelle
General Land Office
Oil and Gas Division
1700 North Congress Avenue
Austin, Texas 78701

X 50.00 121059

Re: Southeast part of the North 440 acres of Section 12, Block 57, T-2, T&P RR Co. Survey, Reeves County, Texas
Jack E. Blake and wife, Carol Jo Blake Lease

171

Dear Virgil:

Enclosed for your files please find certified copies of the following covering the above-referenced mineral classified acreage: Orla Petco, Inc.

1. Assignment of Oil and Gas Lease dated August 4, 1983, from Blake Oil and Gas Corporation to Orla Petco, Inc. (Re: Violet Schuler and Evelyn Schuler, widow of Robert L. Schuler, deceased, lease dated October 8, 1982).

2. Assignment of Oil and Gas Lease dated January 3, 1984, from Blake Oil and Gas Corporation to Orla Petco, Inc. (Re: Robert A. Schuler and James N. Schuler lease dated November 22, 1983).

3. Our check no. 679 in the amount of $50.00 as payment for the required filing fees for the two assignments.

Very truly yours,

Adalbert von Gontard, III

AvG/g

(14)

M. F. 88676
CORRESPONDENCE FILE
Orla Peters
From
Dated 5-9-84

2-11-94

ORLA PETCO, INC.

P. O. BOX 1383, MIDLAND, TEXAS 79702
TELEPHONE 915 684-4762

May 9, 1984

Mr. V. C. Morelle
General Land Office
Oil and Gas Division
1700 North Congress Avenue
Austin, Texas 78701

X 692.00 121057

X 13.34 121058

Re: Paid-up Undivided Interest in Oil & Gas Lease dated 8/1/83, covering all of the SE Part of the N. 440 acres of Section 12, Block 57, T-2, T&P RR Co. Survey, Reeves County, Texas
Jack E. Blake and wife, Carol Jo Blake Lease

Dear Virgil:

Please find enclosed the following: Orla Petco, Inc.

1. One certified copy of the above-captioned oil and gas lease which has been filed of record in Reeves County, Texas. 171

2. Our check no. 677 in the amount of $692.00 covering the State's one-half bonus consideration of $667.00 and the sum of $25.00 as payment for the required filing fee.

3. Our check no. 678 in the amount of $13.34 as payment for the delay rental covering the full three-year term of the lease.

The bonus consideration and the delay rental on a per acre basis were $100.00 and $1.00 respectively.

Very truly yours,

Adalbert von Gontard, III

AvG/g

(15)

M. F. 88676
CORRESPONDENCE FILE
To Orla Peters
From
Dated 5-9-84

2-11-94

Garry Mauro
Commissioner
General Land Office

May 16, 1984

Mr. Adalbert von Gontard, III
Orla Petco, Inc.
P. O. Box 1383
Midland, Texas 79702

Re: Undivided Interest Relinquishment Act Lease
Assignment of Relinquishment Act Lease from Blake Oil and Gas Corporation to Orla Petco, Inc.
Assignment of Relinquishment Act Lease from Blake Oil and Gas Corporation to Orla Petco, Inc.
M-88676; SE/pt N/440/ac Sec. 12, Blk. 57, T-2, T&P RR Co. Sur.
Pecos County, Texas
(Jack E. Blake and Carol Jo Blake)

Dear Mr. von Gontard:

The certified copy of an undivided interest relinquishment act lease and assignments covering the captioned tract has been approved and filed in our records under the captioned mineral file number. Please refer to this file number in all future correspondence concerning this lease.

Your remittances of $692.00, $50.00 and $13.34 have been applied as the state's portion of the cash bonus, required filing fees and rentals. A receipt for this amount is enclosed.

Sincerely,

Robert A. Caine, Attorney
Oil and Gas Section
Legal Division
512 475-4246

RAC/ma

Enclosure

Stephen F. Austin Building
1700 North Congress Avenue
Austin, Texas 78701
(512) 475-2071

(56) M-88676
Ltr & Orla Petco Inc
5-16-84

RENTAL RECEIPT DUPLICATE

ORLA PETCO, INC.
NAME OF OWNER OF LEASE

P. O. Box 1383, Midland, Texas 79702
ADDRESS

Commissioner of the General Land Office
1700 North Congress Avenue
Austin, Texas 78701

Date June 1, 1984

Gentlemen:

We enclose herewith our check in the amount of $6.67 payable to yourselves to be deposited to the credit of the following parties:

Commissioner of the General Land Office $6.67 130677
1700 North Congress Avenue
Austin, Texas 78701

The above amount is in payment of delay rentals for the period from August 1, 1984 to August 1, 1985 due under that certain oil and gas lease executed August 1, 1983 in favor of Orla Petco, Inc., insofar as said lease covers and includes the following described tract of land located in Reeves County, Texas to-wit:

See Attached Exhibit "A"

M-88676

(Blake lease)

PLEASE SIGN IN THE SPACE PROVIDED BELOW AND RETURN THE ORIGINAL AND ONE COPY OF THIS RENTAL RECEIPT TO US.

Yours very truly,
ORLA PETCO, INC.

Adalbert von Gontard, III
Vice President

Receipt is hereby acknowledged of the above amount and the same has been credited according to your instructions.

Dated _____

Commissioner of the General Land Office

_____

By _____

LEASE NO. _____ _____ Title.

(17) M-88676
Rental Payment
6-9-84

RENTAL RECEIPT DUPLICATE

ORLA PETCO, INC.
NAME OF OWNER OF LEASE

P. O. Box 1383, Midland, Texas 79702
ADDRESS

Commissioner of the General Land Office
1700 North Congress Avenue
Austin, TX 78701

Date August 2, 1984

Gentlemen:

We enclose herewith our check in the amount of $13.34 payable to yourselves to be deposited to the credit of the following parties:

Commissioner of the General Land Office $13.34
1700 North Congress Avenue
Austin, TX 78701

166484

The above amount is in payment of delay rentals for the period from October 8, 1984 to October 8, 1985 due under that certain oil and gas lease executed October 8, 1982 in favor of Blake Oil and Gas Corporation, insofar as said lease covers and includes the following described tract of land located in Reeves County, Texas to-wit:

See Attached Exhibit "A"

M-88676

PLEASE SIGN IN THE SPACE PROVIDED BELOW AND RETURN THE ORIGINAL AND ONE COPY OF THIS RENTAL RECEIPT TO US.

Yours very truly,

ORLA PETCO, INC.

Adalbert von Gontard, III, Vice President

Receipt is hereby acknowledged of the above amount and the same has been credited according to your instructions.

Dated _____

Commissioner of the General Land Office

_____

By _____

LEASE NO. _____

_____ Title.

(18) M-88676

Rental Payment

8-10-84

RENTAL RECEIPT DUPLICATE

ORLA PETCO, INC.
NAME OF OWNER OF LEASE

P. O. Box 1383, Midland, Texas 79702
ADDRESS

Commissioner of the General Land Office
1700 North Congress Avenue
Austin, TX 78701

Date September 12, 1985

Gentlemen:

We enclose herewith our check in the amount of $13.34 payable to yourselves to be deposited to the credit of the following parties:

Commissioner of the General Land Office $13.34 06592
1700 North Congress Avenue
Austin, TX 78701

The above amount is in payment of delay rentals for the period from October 8, 1985 to October 8, 1986 due under that certain oil and gas lease executed October 8, 1982 in favor of Blake Oil and Gas Corporation, insofar as said lease covers and includes the following described tract of land located in Reeves County, Texas to-wit:

M-88676

See Attached Exhibit "A"

PLEASE SIGN IN THE SPACE PROVIDED BELOW AND RETURN THE ORIGINAL AND ONE COPY OF THIS RENTAL RECEIPT TO US.

Yours very truly,

ORLA PETCO, INC.

By David M. Ritchie, Vice President

Receipt is hereby acknowledged of the above amount and the same has been credited according to your instructions.

Dated _____

Commissioner of the General Land Office

By _____

LEASE NO. _____ _____ Title.

(20) M-88676
Rental Payment
9-28-85

RENTAL RECEIPT

Commissioner of the General Land Office
1700 No. Congress Avenue
Austin, Texas 78701

Midland, Texas, September 17, 19 86

File No.

Check No. 9918

GENTLEMEN:

We are attaching our above numbered check in your favor for the sum of $ 13.34, including $ -0- service charge, with the request that $ 13.34 be deposited by you to the credit of 04887

Commissioner of the General Land Office
1700 No. Congress Avenue
Austin, Texas 78701

in full payment of the rental, for the period from October 8, 1986 to October 8, 1987 due under that certain oil and gas lease executed on October 8, 1982, by Blake Oil and Gas Corp.

in favor of in so far as said lease covers the following described acreage in the County of Reeves, State of Texas, to-wit:

M-88676

See Attached Exhibit "A"

and recorded in Volume , page , Records of said county.

This letter is sent to you in triplicate. Kindly execute and return the original and duplicate to us for our receipt and retain the triplicate for your files.

Very truly yours, Orla Petco, Inc.

By

The above described check has this day been received and deposited by us as above requested.

TO BE RETURNED TO

By
Title or Position.

Date

THE ODEE COMPANY, Publishers, Dallas, 75240

TRIPLICATE

(21) M—88676
Rental payment
9-26-86

RENTAL RECEIPT

BLAKE OIL & GAS CORPORATION
NAME OF OWNER OF LEASE

400 North Main, Midland, TX 79701-4780
ADDRESS

GENERAL Land Office
Austin, TX 78701

Date September 24, 1986

05273

Gentlemen:

We enclose herewith our check in the amount of $13.34 payable to yourselves to be deposited to the credit of the following parties:

COMMISSIONER, GENERAL LAND OFFICE

M-88676

The above amount is in payment of delay rentals for the period from October 8, 1986 to October 8, 1987 due under that certain oil and gas lease executed October 8, 1982 in favor of Blake Oil & Gas Corporation, insofar as said lease covers and includes the following described tract of land located in Reeves County, Texas to-wit:

All of the Southeast-Part of the North 440 acres of Section 12, Block 57, TWP-2, T&P RR Co., Survey, Reeves County, Texas

Duplicate rental payment refund requested 10-3-86 ns

PLEASE SIGN IN THE SPACE PROVIDED BELOW AND RETURN THE ORIGINAL AND ONE COPY OF THIS RENTAL RECEIPT TO US.

Yours very truly,
BLAKE OIL & GAS CORPORATION

By: JACK E. BLAKE, President

Receipt is hereby acknowledged of the above amount and the same has been credited according to your instructions.

Dated _____

Commissioner, General Land Office
Austin, TX 78701

By _____

LEASE NO. _____

_____ Title.

(22) 87-88676
Rental Payment (refunded)
9-27-86

BLAKE OIL & GAS CORPORATION

Oil and Gas Lease Robert A. Schuler, et al to Blake Oil and Gas
Blk. 57, T2, T&P RR Co. Survey, Sec. 12, SE/part of North 440 Acres
Reeves County, Texas

153-224 358.00

87031923

171

DETACH AND RETAIN THIS STATEMENT
The attached check is in payment of items described above. If not correct please notify us promptly

MF - 88676

Surface Owner Name	Net Acres	State's Royalty	Net Acres/80 acres	Net State's Royalty
Schuler, R.A & James	8.88	0.09375	0.111	0.01040625
Schuler, Evelyn	4.44	0.09375	0.0555	0.005203125
Schuler, Viiolet	13.33	0.09375	0.166625	0.015621094
Oestrich, Lois & Clint	0.296	0.09375	0.0037	0.000346875
Max, Mildred	0.89	0.09375	0.011125	0.001042969
Kiel, Richard	0.444	0.09375	0.00555	0.000520313
Gehle, Richard	0.89	0.09375	0.011125	0.001042969
Gehle, Mary C.	1.34	0.09375	0.01675	0.001570313
Farwell, Altha M.	1.34	0.09375	0.01675	0.001570313
Kiel, Donald	0.296	0.09375	0.0037	0.000346875
Rybacheck, L.J.	0.296	0.09375	0.0037	0.000346875
Novallo, Algo A.	1.34	0.09375	0.01675	0.001570313
Campbell, Shirley	1.34	0.09375	0.01675	0.001570313
Wurm ,E. I.	0.89	0.09375	0.011125	0.001042969
Wagner, Carol & Arthur	0.444	0.09375	0.00555	0.000520313
Blake, Jack & Carol	16.884	0.115	0.21105	0.02427075
Staples, B.J.	13.33	0.115	0.166625	0.019161875
Blake, Robert & Marion	13.33	0.115	0.166625	0.019161875
	80			0.105316375

FILE NO. 344 ROBERT A. SCHULER, ET AL, INDIVI. & AS REMAINDERMAN UNDER EVELYN SCHULER, LIFE ESTATE TO BLAKE OIL & GAS CORPORATION

No. 5367--General Land
Office Lease Form Under
Relinquishment Act
Revised, August 1986

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 8th day of December 19 86, between the State of Texas, acting by and through its agent, Robert A. Schuler and James N. Schuler, both individually and as Remainderman under Evelyn Schuler, Life Estate, c/o Violet Schuler 623 Elgin Avenue, Forest Park, Illinois 60130 4100002947 9, said agent
(Give Permanent Address)
herein referred to as the owner of the soil (whether one or more), and Blake Oil & Gas Corporation
of 400 N. Main, Midland, Texas 79701 2403011301 7,
(Give Permanent Address)
hereinafter called Lessee.

1. GRANTING CLAUSE. For and in consideration of the amounts stated below and of the covenants and agreements to be paid, kept and performed by Lessee under this lease, the State of Texas acting by and through the owner of the soil, hereby grants, leases and lets unto Lessee, for the sole and only purpose of prospecting and drilling for and producing oil and gas, laying pipe lines, building tanks, storing oil and building power stations, telephone lines and other structures thereon, to produce, save, take care of, treat and transport said products of the lease, the following lands situated in Reeves County, State of Texas, to-wit: All of the Southeast part of the North 440 acres of Section 12, Block 57, Township 2, T&P RR Company Survey, described by metes and bounds as follows: BEGINNING at the SE/corner of the E/2 of the NE/4 of this section in the West line of Section 7, Block 56, Township-2, T&P RR Company Survey, and the NE/corner of this Survey; THENCE West 1267.2 varas with the South line of the N/2 to the NE/corner of the NW/part of the S/2 and the NW/corner of this Survey; THENCE South 356.4 varas with the East line of said NW part of the S/2 to its SE/corner in the North line of the South part and the SW/corner of this Survey; THENCE East 1267.2 varas with the North line of said South part to its NE/corner in the West line of Section 7, Block 56, Township-2, T&P RR Company Survey, and the SE/corner of this Survey; THENCE North 356.4 varas with the West line of said Section 7 to the place of BEGINNING, containing 80 acres, more or less.

containing 80 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Three Hundred Thirty-Three and no/100---------- Dollars ($ 333.00)

To the owner of the soil: Three Hundred Thirty-Three and no/100---------- Dollars ($ 333.00)

Total bonus consideration: Six Hundred Sixty-Six and no/100---------- Dollars ($ 666.00)

The total bonus consideration paid represents a bonus of Seventy-Five and no/100---------- Dollars ($75.00----) per acre, on 8.88 net acres.

2. TERM. Subject to the other provisions in this lease, this lease shall be for a term of Three (3) years from this date (herein called "primary term") and as long thereafter as oil and gas, or either of them, is produced in paying quantities* from said land.

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

To the owner of the soil: Four and 44/100---------- Dollars ($4.44)

To the State of Texas: Four and 44/100---------- Dollars ($4.44)

Total Rental: Eight and 88/100---------- Dollars ($8.88)

*As used in this lease the term, "produced in paying quantities," means that the receipts from the sale or other authorized commercial use of the substance(s) covered exceed out of pocket expenses of operation for the six months last past.

G.L.O.-L-19-(12-85)

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

4. **PRODUCTION ROYALTIES.** When production of oil and/or gas is secured during the term of this lease, Lessee agrees to pay or cause to be paid one-half (1/2) to the Commissioner of the General Land Office of the State of Texas, at Austin, Texas, and one-half (1/2) to the owner of the soil:

(a) **OIL.** As a royalty on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, Three Sixteenths (3/16) part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be determined by 1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity in the general area where produced and when run, or 2) the highest market price thereof offered or paid in the general area where produced and when run, or 3) the gross proceeds of the sale thereof, whichever is greater. Lessee agrees that before any gas produced from the leased premises is sold, used or processed in a plant, it will be run free of cost to the parties entitled to royalties through an adequate oil and gas separator of conventional type or other equipment at least as efficient so that all liquid hydrocarbons recoverable from the gas by such means will be recovered. The requirement that such gas be run through a separator or other equipment may be waived in writing by the royalty owners upon such terms and conditions as they prescribe.

(b) **NON PROCESSED GAS.** As a royalty on any gas (including flared gas), which is defined as all hydrocarbons and gaseous substances not defined as oil in subparagraph (a) above, produced from any well on said land (except as provided herein with respect to gas processed in a plant for the extraction of gasoline, liquid hydrocarbons or other products) Three Sixteenths (3/16)---------- part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality in the general area where produced and when run, or the gross price paid or offered to the producer, whichever is greater; provided that the maximum pressure base in measuring the gas under this lease contract shall not at any time exceed 14.65 pounds per square inch absolute, and the standard base temperature shall be sixty (60) degrees Fahrenheit, correction to be made for pressure according to Boyle's Law, and for specific gravity according to tests made by the Balance Method or by the most approved method of testing being used by the industry at the time of testing.

(c) **PROCESSED GAS.** As a royalty on any gas processed in a gasoline plant or other plant for the recovery of gasoline or other liquid hydrocarbons, Three Sixteenths (3/16)---------- part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease, and on fifty percent (50%) or that percent accruing to Lessee, whichever is greater, of the total plant production of liquid hydrocarbons attributable to the gas produced from this lease; provided that if liquid hydrocarbons are recovered from gas processed in a plant in which Lessee (or its parent, subsidiary or affiliate) owns an interest, then the percentage applicable to liquid hydrocarbons shall be fifty percent (50%) or the highest percent accruing to a third party processing gas through such plant under a processing agreement negotiated at arms' length (or if there is no such third party, the highest percent then being specified in processing agreements or contracts in the industry), whichever is greater. The respective royalties on residue gas and on liquid hydrocarbons shall be determined by 1) the highest market price paid or offered for any gas (or liquid hydrocarbons) of comparable quality in the general area, or 2) the gross price paid or offered for such residue gas (or the weighted average gross selling price for the respective grades of liquid hydrocarbons, F.O.B. at the plant in which said gas is processed), whichever is greater.

(d) **OTHER PRODUCTS.** As a royalty on carbon black, sulphur or any other products produced or manufactured from gas (excepting liquid hydrocarbons) whether said gas be "casinghead," "dry" or any other gas, by fractionating, burning or any other processing, Three Sixteenths (3/16)---------- part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows: 1) on the basis of the highest market price of each product for the same month in which such product is produced, or 2) on the basis of the average gross sale price of each product for the same month in which such product is sold, whichever is greater.

5. **MINIMUM ROYALTY.** For each calendar year following the date of the expiration of the primary term when this lease is held for any part of such calendar year by production, the royalty received under this lease must not be less than an amount equal to the total annual delay rental provided for in Paragraph 3. If Paragraph 3 of this lease does not specify a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre.

6. **ROYALTY IN KIND.** Notwithstanding any other provision in this lease, at any time or from time to time, the owner of the soil or the Commissioner of the General Land Office may, at the option of either, upon not less than sixty (60) days notice to the holder of the lease, require that the payment of any royalties accruing to such royalty owner under this lease be made in kind.

7. **NO DEDUCTIONS.** Lessee agrees that all royalties accruing under this lease (including those paid in kind) shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and otherwise making the oil, gas and other products hereunder ready for sale or use. Lessee agrees to compute and pay royalties on the gross value received, including any reimbursements for severance taxes and production related costs.

8. PLANT FUEL AND RECYCLED GAS. No royalty shall be payable on any gas as may represent this lease's proportionate share of any fuel used to process gas produced hereunder in any processing plant. Notwithstanding any other provision of this lease, and subject to the written consent of the owner of the soil and the Commissioner of the General Land Office, Lessee may recycle gas for gas lift purposes on the leased premises or for injection into any oil or gas producing formation underlying the leased premises after the liquid hydrocarbons contained in the gas have been removed; no royalties shall be payable on the recycled gas until it is produced and sold or used by Lessee in a manner which entitles the royalty owners to a royalty under this lease.

9. ROYALTY PAYMENTS AND REPORTS. All royalties which are required to be paid to the Commissioner of the General Land Office under this lease shall be due and payable in the following manner: Royalty on oil is due and must be received in the General Land Office on or before the 5th day of the second month succeeding the month of production, and royalty on gas is due and must be received in the General Land Office on or before the 15th day of the second month succeeding the month of production, accompanied by the affidavit of the owner, manager or other authorized agent, completed in the form and manner prescribed by the General Land Office and showing the gross amount and disposition of all oil and gas produced and the market value of the oil and gas, together with a copy of all documents, records or reports confirming the gross production, disposition and market value including gas meter readings, pipeline receipts, gas line receipts and other checks or memoranda of amount produced and put into pipelines, tanks, or pools and gas lines or gas storage, and any other reports or records which the General Land Office may require to verify the gross production, disposition and market value. Each royalty payment shall be accompanied by a check stub, schedule, summary or other remittance advice showing by the assigned General Land Office lease number the amount of royalty being paid on each lease. If Lessee pays his royalty on or before thirty (30) days after the royalty payment was due, then Lessee owes a penalty of 5% of the royalty or $25.00, whichever is greater. A royalty payment which is over thirty (30) days late shall accrue a penalty of 10% of the royalty due or $25.00, whichever is greater. In addition to a penalty, royalties shall accrue interest at a rate of 12% per year; such interest will begin accruing when the royalty is sixty (60) days overdue. Affidavits and supporting documents which are not filed when due shall incur a penalty in an amount set by the General Land Office administrative rule which is effective on the date when the affidavits or supporting documents were due. The Lessee shall bear all responsibility for paying or causing royalties to be paid in the manner prescribed in this paragraph. Payment of the delinquency penalty shall in no way operate to prohibit the State's right of forfeiture as provided by law nor act to postpone the date on which royalties were originally due. The above penalty provisions shall not apply in cases of title dispute as to the State's portion of the royalty or to that portion of the royalty in dispute as to fair market value. Penalties due under this paragraph are subject to change in order to conform to any future penalty statutes. The State shall have a first lien upon all oil and gas produced from the area covered by this lease to secure the payment of all unpaid royalty and other sums of money that may become due to the State under this lease.

10. PERMITS, REPORTS, AND RESERVES. Lessee shall file all drilling permits in the name of the " State" and require each well and/or tank battery on the leased premises to be designated by the word "State" for identification and reporting to the Railroad Commission or any other governmental agency. Written notice of operations under this lease shall be submitted to the Commissioner of the General Land Office by Lessee five (5) days before spud date, cessation of production, workover, re-entry, temporary abandonment or abandonment of any well and shall include copies of Railroad Commission forms for application to drill, well tests, completion reports and plugging records. Lessee shall supply the General Land Office with any records, memoranda, accounts, reports, cuttings and cores, or other information relative to the operation of the above described premises, which may be requested by the General Land Office, in addition to those herein expressly provided for. Lessee shall have an electrical and/or radioactivity survey made on the bore-hole section, from the base of the surface casing to the total depth of well, of all wells drilled on the above described premises and shall transmit a true copy of the log of each survey on each well to the General Land Office within fifteen (15) days after the making of said survey. The Commissioner of the General Land Office reserves the right to require Lessee to annually furnish logs on all wells drilled on said land and to annually furnish the said Commissioner with its best possible estimate of oil and gas reserves underlying this lease or allocable to this lease.

11. DRY HOLE CLAUSE. If, during the primary term hereof and prior to discovery and production of oil or gas on said land, Lessee should drill a dry hole or holes thereon, or if, after discovery and production of oil or gas, the production thereof should cease from any cause, this lease shall not terminate if on or before the rental paying date next ensuing after the expiration of sixty (60) days from date of completion of said dry hole or cessation of production Lessee commences additional drilling or reworking operations thereon, or commences or resumes the payment of annual delay rental in the same manner as provided in Paragraph 3 of this lease. If a dry hole be completed and abandoned during the last year of the primary term, Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in oil or gas well within the primary term hereof, Lessee may resume payment of annual rental in the same manner as provided in Paragraph 3 in this lease on or before the rental paying date next ensuing after sixty (60) days from the date of completion of such shut-in oil or gas well and upon the failure to make such annual rental payment, this lease shall ipso facto terminate. If at the expiration of the primary term or at any time thereafter a shut-in oil or gas well is located on the leased premises, payments may be made in accordance with the provisions of Paragraph 14 of this lease.

12. DRILLING AND REWORKING AT EXPIRATION OF PRIMARY TERM. If, at the expiration of the primary term, neither oil nor gas is being produced on said land, but Lessee is then engaged in drilling or reworking operations thereon, this lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted in good faith and in workmanlike manner without interruptions totaling more than sixty (60) days during any one such operation, and if they result in the production of oil and/or gas, so long thereafter as oil and/or gas is produced in paying quantities from said land, or payment of shut-in oil or gas well royalties or compensatory royalties is made as provided in this lease.

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

14. **SHUT IN ROYALTIES.** If, at the expiration of the primary term or at any time thereafter, a well or wells capable of producing oil or gas in paying quantities is located on the leased premises but oil or gas is not being produced for lack of suitable production facilities or a suitable market, and the lease is not being maintained in force and effect, Lessee may pay as a shut-in oil or gas royalty an amount equal to double the annual rental provided in Paragraph 3 of this lease but not less than $1,200 a year for each well capable of producing oil or gas in paying quantities. If Paragraph 3 of this lease does not specify a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre. To be timely such shut-in oil or gas royalty payment must be made as follows: If the well or wells are shut-in within 30 days before the expiration of the primary term, then such payment is to be made within 30 days following the expiration of the primary term; if the well or wells are shut in at any other time during the primary term, then such payment is to be made on or before the expiration of the primary term; if the well or wells are shut-in after the expiration of the primary term, then such payment is to be made within 60 days from the date that this lease ceases to be maintained by production or by a reworking operation or by a drilling operation. Such payment shall be made one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil. If the shut-in oil or gas royalty is paid, the lease shall be considered to be a producing lease and the payment shall extend the term of the lease for a period of one year from the end of the primary term or from the first day of the month next succeeding the month in which production ceased and after that, if no suitable production facilities or suitable market for the oil or gas exists, Lessee may extend the lease for four additional and successive periods of one year by paying the same amount each year on or before the expiration of the extended term. If Paragraph 3 of this lease does not specify a delay rental amount, then, for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre. If, during the period the lease is kept in effect by payment of the shut-in oil or gas royalty, oil or gas is sold and delivered in paying quantities from a well located within 1,000 feet of the leased premises and completed in the same producing reservoir or, in any case in which drainage is occurring, the right to continue to extend the lease by paying the shut-in oil or gas royalty shall cease. The lease shall remain effective for the remainder of the year for which the royalty has been paid and for an additional period of not more than five years by Lessee paying compensatory royalty at the royalty rate provided in the lease of the value at the well of production from the well which is causing the drainage or which is completed in the same producing reservoir and within 1,000 feet of the leased premises. The compensatory royalty is to be paid monthly, one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil, beginning on or before the last day of the month next succeeding the month in which the oil or gas is sold and delivered from the well. If the compensatory royalty paid in any 12-month period is in an amount less than the annual shut-in oil or gas royalty, Lessee shall pay an amount equal to the difference within 30 days from the end of the 12-month period. None of these provisions will relieve Lessee of the obligation of reasonable development or the obligation to drill offset wells as provided in Texas Natural Resources Code §52.034.

15. **DEVELOPMENT.** Notwithstanding any provision of this lease to the contrary, after a well producing, or capable of producing, oil or gas has been completed on the leased premises, Lessee shall exercise the diligence of a reasonably prudent operator in drilling such additional well or wells as may be reasonably necessary for the proper development of the leased premises and in marketing the oil and gas produced. In the event this lease is in force and effect three (3) years after the expiration date of the primary term, it shall then terminate as to all of the leased premises, EXCEPT: 1) 40 acres surrounding each producing oil well and 320 acres surrounding each producing gas well (including a shut-in oil or gas well as provided in Paragraph 14 of this lease), or a well upon which Lessee is then engaged in continuous drilling or reworking operations, or 2) the number of acres included in a producing pooled unit pursuant to Texas Natural Resources Code § 52.151-§ 52.153, or 3) such greater or lesser number of acres as may then be allocated for production purposes to a proration unit for each such producing well under the rules and regulations of the Railroad Commission, of Texas, or any successor agency, or other governmental authority having jurisdiction. "Producing" as used in this lease means producing in paying quantities. The acreage retained under this provision as to each well shall, as nearly as practical, be in the form of a square with the well located in the center or in such other shape as may be approved by the Commissioner of the General Land Office. Lessee shall execute and record a release or releases containing a satisfactory description of the acreage terminated under this provision, and the recorded release, or a certified copy of same, shall be filed in the General Land Office, accompanied by the prescribed filing fee.

16. **OFFSET WELLS.** Neither the bonus, delay rentals, nor royalties paid or to be paid under this lease, shall relieve Lessee of his obligation to protect the oil and gas under the above-described land from being drained. To prevent drainage, Lessee is obligated to drill as many wells as the facts may justify and to the depth or depths necessary for effective protection against undue drainage. In addition, if a draining well which is not on Relinquishment Act property and which is producing in commercial quantities is located within 1000 feet of the above-described land, Lessee is statutorily obligated to drill an offset well on the leased premises within 100 days after the draining well begins production in commercial quantities. Failure to satisfy the statutory offset obligation may subject this lease and the owner of the soil's agency rights to forfeiture.

17. **FORCE MAJEURE.** If, after a good faith effort, Lessee is prevented from complying with any express or implied covenant of this lease, from conducting drilling operations on the leased premises, or from producing oil or gas from the leased premises by reason of war, rebellion, riots, strikes, acts of God, or any valid order, rule or regulation of government authority, then while so prevented, Lessee's obligation to comply

with such covenant shall be suspended and Lessee shall not be liable for damages for failure to comply with such covenants; additionally, this lease shall be extended while Lessee is prevented, by any such cause, from conducting drilling and reworking operations or from producing oil or gas from the leased premises. However, nothing in this paragraph shall suspend the payment of delay rentals in order to maintain this lease in effect during the primary term in the absence of such drilling or reworking operations or production of oil or gas.

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

19. **PROPORTIONATE REDUCTION CLAUSE.** If the owner of the soil owns less than the entire undivided surface estate in the above described land, whether or not Lessee's interest is specified herein, then the royalties and rental herein provided to be paid to the owner of the soil shall be paid to him in the proportion which his interest bears to the entire undivided surface estate and the royalties and rental herein provided to be paid to the Commissioner of the General Land Office of the State of Texas shall be likewise proportionately reduced. However, before Lessee adjusts the royalty or rental due to the Commissioner of the General Land Office, Lessee or his authorized representative must submit to the Commissioner of the General Land Office a written statement which explains the discrepancy between the interest purportedly leased under this lease and the actual interest owned by the owner of the soil. The Commissioner of the General Land Office shall be paid the value of the whole production allocable to any undivided interest not covered by a lease, less the proportionate development and production cost allocable to such undivided interest. However, in no event shall the Commissioner of the General Land Office receive as a royalty on the gross production allocable to the undivided interest not leased an amount less than the value of one-sixteenth (1/16) of such gross production.

20. **USE OF WATER.** Lessee shall have the right to use water produced on said land necessary for operations under this lease except water from wells or tanks of the owner of the soil; provided, however, Lessee shall not use potable water or water suitable for livestock or irrigation purposes for waterflood operations without the prior consent of the owner of the soil.

21. **AUTHORIZED DAMAGES.** Lessee shall pay the owner of the soil for damages caused by its operations to all personal property, improvements, livestock and crops on said land.

22. **PIPELINE DEPTH.** When requested by the owner of the soil, Lessee shall bury its pipe lines below plow depth.

23. **WELL LOCATION LIMIT.** No well shall be drilled nearer than two hundred (200) feet to any house or barn now on said premises without the written consent of the owner of the soil.

24. **CONSERVATION CLAUSE.** Lessee shall have the exclusive right to build, operate and maintain pits, reservoirs, pickup stations and plants for the purpose of picking up and conserving waste oil that flows down the creeks, ravines and across the leased premises, whether such waste oil is produced from the leased premises or from other lands. Royalties, as provided in this lease for regularly produced oil, are also owed on all such waste oil.

25. **REMOVAL OF EQUIPMENT.** Subject to limitations in this paragraph, Lessee shall have the right to remove machinery and fixtures placed by Lessee on the leased premises, including the right to draw and remove casing, within one hundred twenty (120) days after the expiration or the termination of this lease unless the owner of the soil grants Lessee an extension of this 120-day period. However, Lessee may not remove casing from any well capable of producing oil and gas in paying quantities. Additionally, Lessee may not draw and remove casing until after thirty (30) days written notice to the Commissioner of the General Land Office and to the owner of the soil. The owner of the soil shall become the owner of any machinery, fixtures, or casing which are not timely removed by Lessee under the terms of this paragraph.

26. (a) **ASSIGNMENTS.** Under the conditions contained in this paragraph and Paragraph 28 of this lease, the rights and estates of either party to this lease may be assigned, in whole or in part, and the provisions of this lease shall extend to and be binding upon their heirs, devisees, legal representatives, successors and assigns. However, a change or division in the ownership of the land, rentals, or royalties will not enlarge the obligations of Lessee, diminish the rights, privileges and estates of Lessee, impair the effectiveness of any payment made by Lessee or impair the effectiveness of any act performed by Lessee. And no change or division in the ownership of the land, rentals, or royalties shall bind Lessee for any purpose until thirty (30) days after the owner of the soil (or his heirs, devisees, legal representatives or assigns) furnishes the Lessee with satisfactory written evidence of the change in ownership, including the original recorded muniments of title (or a certified copy of such original) when the ownership changed because of a conveyance. A total or partial assignment of this lease shall, to the extent of the interest assigned, relieve and discharge Lessee of all subsequent obligations under this lease. If this lease is assigned in its entirety as to only part of the acreage, the right and option to pay rentals shall be apportioned as between the several owners ratably, according to the surface area of each, and failure by one or more of them to pay his share of the rental shall not affect this lease on the part of the land upon which pro rata rentals are timely paid or tendered; however, if the assignor or assignee does not file a certified copy of such assignment in the General Land Office before the next rental paying date, the entire lease shall terminate for failure to pay the entire rental due under Paragraph 3.

(b) **ASSIGNMENT LIMITATION.** Notwithstanding any provision in Paragraph 26(a), if the owner of the soil, or his nominee, or any corporation or subsidiary in which he is a principal stockholder, or a partnership in which he is a partner, acquires this lease in whole or in part by assignment without the prior written approval of the Commissioner of the General Land Office, this lease and the agency power of the owner of the soil may be forfeited by the Commissioner. If, after receiving written approval from the Commissioner, the owner of the soil, or any of the above-named entities in the stated capacities, acquires this lease in whole or in part by assignment and, within three (3) years thereafter, assigns this lease for a valuable consideration, the owner of the soil shall pay the state one-half of the profit he receives on the subsequent assignment. Failure of the State to share in such profit shall subject this lease to forfeiture at the option of the Commissioner.

27. **RELEASES.** Under the conditions contained in this paragraph and Paragraph 28, Lessee may at any time execute and deliver to the owner of the soil and place of record a release or releases covering any portion or portions of the leased premises, and thereby surrender this lease as to such portion or portions, and be relieved of all subsequent obligations as to acreage surrendered. If any part of this lease is properly surrendered, the delay rental due under this lease shall be reduced by the proportion that the surrendered acreage bears to the acreage which was covered by this lease immediately prior to such surrender; however, such release will not relieve Lessee of any liabilities which may have accrued under this lease prior to the surrender of such acreage.

28. **FILING OF ASSIGNMENTS AND RELEASES.** If all or any part of this lease is assigned or released, such assignment or release must be recorded in the county where the land is situated, and the recorded instrument, or a copy of the recorded instrument certified by the County Clerk of the county in which the instrument is recorded, must be filed in the General Land Office within 90 days of the last execution date accompanied by the prescribed filing fee. If any such assignment is not so filed, the rights acquired under this lease shall be subject to forfeiture at the option of the Commissioner of the General Land Office.

29. **LEASE FILING.** It is recognized that before this lease is effective a certified copy of this lease (which is made and certified by the County Clerk from his records) shall be filed in the General Land Office in accordance with Texas Natural Resources Code § 52.183, and this lease shall not be binding upon the State unless it recites the actual and true consideration paid or promised for execution of this lease. The bonus due the State and the prescribed filing fee shall accompany such certified copy to the General Land Office.

30. **DISCLOSURE CLAUSE.** All provisions pertaining to the lease of the above-described land have been included in this instrument, including the statement of the true consideration to be paid for the execution of this lease and the rights and duties of the parties. Any collateral agreements concerning the development of oil and gas from the leased premises which are not contained in this lease render this lease invalid.

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

32. **FORFEITURE.** If Lessee shall fail or refuse to make the payment of any sum within thirty days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if Lessee should fail to file reports in the manner required by law or fail to comply with rules and regulations promulgated by the General Land Office, the School Land Board, or the Railroad Commission, or if Lessee should refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or knowingly fail or refuse to furnish the General Land Office a correct log of any well, or if Lessee shall knowingly violate any of the material provisions of this lease, or if this lease is assigned and the assignment is not filed in the General Land Office as required by law, the rights acquired under this lease shall be subject to forfeiture by the Commissioner, and he shall forfeit same when sufficiently informed of the facts which authorize a forfeiture, and when forfeited the area shall again be subject to lease under the terms of the Relinquishment Act. However, nothing herein shall be construed as waiving the automatic termination of this lease by operation of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this lease and all rights thereunder reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

33. **RAILROAD COMMISSION HEARINGS ON GAS.** No natural gas or casinghead gas, including both associated and nonassociated gas, produced from the mineral estate subject to this lease may be sold or contracted for sale to any person for ultimate use outside the State of Texas unless the Railroad Commission, after notice and hearing as provided in Title 3 of the Texas Natural Resources Code, finds that:

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

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

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

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

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

(f) no person who resides in this state and who relies on natural gas or casinghead gas to provide in whole or part his existing needs for fuel or raw material requires the natural gas or casinghead gas to meet those needs; provided, however, after notice and hearing as provided in Title 3 of the Texas Natural Resources Code the Railroad Commission may grant exceptions to these provisions as set forth in Texas Natural Resources Code § 52.296.

34. This lease is issued under the provisions of Texas Natural Resources Code §§ 52.171 through 52.187, commonly known as the Relinquishment Act, and other applicable statutes and amendments thereto, and if any provision in this lease does not conform to these statutes, the statutes will prevail over any nonconforming lease provisions.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

STATE OF TEXAS
BY: Robert A. Schuler
Individually and as agent for the State of Texas
ROBERT A. SCHULER

STATE OF TEXAS
BY: James N. Schuler
Individually and as agent for the State of Texas
JAMES N. SCHULER

STATE OF TEXAS
BY: _____
Individually and as agent for the State of Texas

STATE OF TEXAS
BY: _____
Individually and as agent for the State of Texas

STATE OF ILLINOIS
COUNTY OF

Before me, the undersigned authority, on this day personally appeared ROBERT A. SCHULER, known to me to be the person whose name(X) Robert A. Schuler is/~~are~~ subscribed to the foregoing instrument, and acknowledged to me that he/~~they~~ executed the same for the purposes and consideration therein expressed, and in the capacities therein stated.

Given this my hand and seal of office this the 23 day of Dec, 1986

"OFFICIAL SEAL"
Marianne O'Keefe
Notary Public, State of Illinois
My Commission Expires 6/18/88

Notary Public in and for _____
County, ~~Texas~~ Illinois

STATE OF ILLINOIS
COUNTY OF

Before me, the undersigned authority, on this day personally appeared JAMES N. SCHULER, known to me to be the person whose name(X) James N. Schuler is/~~are~~ subscribed to the foregoing instrument, and acknowledged to me that he/~~they~~ executed the same for the purposes and consideration therein expressed, and in the capacities therein stated.

Given this my hand and seal of office this the 23 day of Dec, 1986.

"OFFICIAL SEAL"
Marianne O'Keefe
Notary Public, State of Illinois
My Commission Expires 6/18/88

Notary Public in and for _____
County, ~~Texas~~ Illinois

FOR SALE BY STAFFORD-LOWDON CO. FORT WORTH 25237

E 503—CERTIFICATE OF TRUE COPY OF PAPERS RECORDED—Class 1. (Arts. 6600-6625-6684, 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 OIL AND GAS LEASE FROM ROBERT A. SCHULER, ET AL, INDIVI. & AS REMAINDERMAN UNDER EVELYN SCHULER, LIFE ESTATE TO BLAKE OIL & GAS CORPORATION,

as the same appears of record in my office in book 474 page 168, Deed Record.

Given under my Hand and Seal of said Court, at office in Pecos, Texas this 11th day of February 19 87.

CATHERINE ASHLEY Clerk,

By Billie Jo Freeman (Billie JO Freeman) Deputy.

FILED FOR RECORD ON THE 11th DAY OF February A.D. 1987 AT 10:55A. M.

DULY RECORDED ON THE 11th DAY OF February A.D. 1987 AT 12:30P. M.

BY Billie Jo Freeman DEPUTY

CATHERINE ASHLEY, COUNTY CLERK,
REEVES COUNTY, TEXAS.

(23)

M 8676

Oil & Gas Lease

File dated 2-26-87

Garry Mauro, Commissioner

RECEIVED AS STATED
$333.00
Date 2-26-87
Reg No 31923

GENERAL LAND OFFICE

RECEIVED AS STATED
$25.00
Date 2-26-87
Reg No 31923

GENERAL LAND OFFICE

5-52-85

GENERAL LAND OFFICE

GARRY MAURO
COMMISSIONER

MEMORANDUM

DATE:
Geology 11-18-86

Legal _____

TO: Garry Mauro, Commissioner
Jack Giberson, Chief Clerk

75/150/220

FROM: Bob Phipps, Geology
Daryl Morgan, Legal

SUBJECT: Relinquishment Act Leases
Recommendation: Consideration and Form

Bob Phipps - Consideration:
Recommended _____
Not Recommended RVP BAB
Comments
Recommend 75-00/acre and lease term be shortened to 3yrs
Jack Blakee, surface owner 2/6 is Blake O&G.
R.W. Blake his brother - owns 1/6 surface.

D. Morgan - Form:
Recommended _____
Not Recommended _____
Recommended, after technical changes made DJ
Comments

lease must be taken on our current form

Garry Mauro, Commissioner
Approved _____
Not Approved _____
Approved, after technical changes made _____

Jack Giberson, Chief
Recommended _____
Not Recommended _____

M 88676

Memo to file

File dated

Garry Mauro, Commissioner

171

BWB OPERATING, INC.

November 12, 1986

General Land Office
1700 N. Congress
Austin, Texas 78701

Attention: Dan Miller
Oil & Gas Lands

Re: Block 57, T2, T&P RR Company Survey, Section 12, SE/part of North 440 acres, Reeves County, Texas

Gentlemen:

I have enclosed with this letter a copy of a lease form proposed on a lease purchase on the above captioned lands. The proposed terms of sale include $50 per net acre, five (5) year term and 3/16 royalty.

In advance of having landowner's sign off on this offer, I request you authorize the State's acceptance of same. We will look forward to hearing from you soon.

Very truly yours,

Bruce W. Blake

BWB/as
Enclosure

RECEIVED
NOV 14 1986

400 North Main • P.O. Box 11176 • Midland, Texas 79702 • (915) 684-7888

SL B. 88676
CORRESPONDENCE FILE
To Blake
From
Date 11-12-86

11.12.86

Garry Mauro
Commissioner
General Land Office

December 5, 1986

Mr. Bruce W. Blake
BWB Operating, Inc.
400 North Main
P. O. Box 11176
Midland, Texas 79702

Re: Proposed Relinquishment Act Lease
Block 57, T2, T&P RR Company Survey
Section 12, SE/part of North 440 acres
Reeves County, Texas

Dear Mr. Blake:

We hereby acknowledge receipt of your letter of November 12, 1986 and the proposed relinquishment act lease covering the captioned tract. This lease has mot been approved as to form or consideration.

Our geology department recommends we accept no less than $75.00 per acre bonus for a three year lease with a 3/16 royalty. Please note also that the lease must be taken on our current lease form copies of which are enclosed.

If you have any questions concerning the consideration you may contact Bob Phipps at (512) 463-5008. If you decide to accept these terms please submit a copy of the new proposed lease to our office for approval.

Sincerely,

J. Daryl Morgan
Oil and Gas Section
Legal Division
512 463-5158

JDM/car

Enclosure

Stephen F. Austin Building
1700 North Congress Avenue
Austin, Texas 78701
(512) 463-5256

(26)

M. F. 88626

CORRESPONDENCE FILE

To Blake

From

Dated 12-5-86

JACK E. BLAKE
400 NORTH MAIN
MIDLAND, TEXAS 79701-4780

OFF. (915) 684-7888

RES. (915) 684-7745

January 21, 1987

171

Garry Mauro
Commissioner of General Land Office
1700 N. Congress
Austin, Texas 78701

Attention: J. Daryl Morgan

Re: Block 57, T2, T&P RR Company
Survey, Section 12; SE part of
North 440 acres, Reeves County,
Texas

Gentlemen:

Enclosed with this letter please find a fully executed Relinquishment Lease as proposed under your letter of December 5, 1986. I am a little embarrassed to say that I overlooked the last paragraph of your December 5 letter requesting we re-submit a copy of the new proposed lease for office approval. It was my understanding that we were approved, so to comply with your request, also enclosed is the new lease form.

Total bonus being paid is $75.00 per net acre, we are proposing a three (3) year lease with 3/16 royalty burden. We are leasing individuals' interest in the entire 80 acre tract. Robert A. and James N. Schuler each own an undivided 1/18 of surface on the 80 acre tract. In addition, these two (2) individuals own a remainder interest under Evelyn Schuler. Evelyn is currently under lease to Blake Oil and Gas, and the lease is due to expire October 8, 1987.

If I can answer any further questions you have on this oil and gas lease, do not hesitate to give me a call. We will look forward to approval by the State of Texas.

Very truly yours,

Bruce W. Blake

BWB/as
Enclosures

CORRESPONDENCE FILE

To Blake

From

Dated 1-21-87

1-53-85

Garry Mauro
Commissioner
General Land Office

January 28, 1987

Mr. Bruce W. Blake
BWB Operating, Inc.
400 North Main
P. O. Box 11176
Midland, Texas 79702

Re: Proposed Relinquishment Act Lease
Block 57, T2, T&P RR Company Survey
Section 12, SE/part of North 440 acres
Reeves County, Texas

Dear Mr. Blake:

We hereby acknowledge receipt of your letter of January 21, 1987 and the proposed relinquishment act lease covering the captioned tract. This lease has been approved as to form and consideration based on current market conditions in the area.

Please furnish this office with a certified copy of the lease for filing, together with the state's half of the cash bonus and a $25.00 filing fee. Should you have any further questions, please call. Pending receipt of your reply, we will hold your materials in our suspense file.

Sincerely,

J. Daryl Morgan
Oil and Gas Section
Legal Division
512 463-5158

JDM/car

Stephen F. Austin Building
1700 North Congress Avenue
Austin, Texas 78701
(512) 463-5256

A. F. 84676

CORRESPONDENCE FILE

To Blake

~~From~~

Dated 1-28-87

JACK E. BLAKE
400 NORTH MAIN
MIDLAND, TEXAS 79701-4780

OFF. (915) 684-7888 RES. (915) 684-7745

February 23, 1987

General Land Office
Stephen F. Austin Building
1700 North Congress Ave.
Austin, TX 78701
Attn: Mr. J. Daryl Morgan
O& G Section, Legal Div.

Re: Oil and Gas Lease
Robert A. Schuler, et al to
Blake Oil and Gas Corporation
Blk. 57, T2, T&P RR Co. Survey,
Sec. 12, SE/part of North 440 Acres
Reeves County, Texas

Dear Mr. Morgan:

Enclosed please find a certified copy of the above captioned lease. I have also enclosed a check in the amount of $358.00 ($333 Bonus and $25 Filing Fee).

Your attention to this matter would be greatly appreciated. If you should have any questions, do not hesitate to call.

Sincerely,

Jack E. Blake

JEB/br

Encl.

X 358.00

87031923

RECEIVED
FEB 26 1987
LEGAL SERVICES DIVISION

(29)

88676

CORRESPONDENCE FILE

To Blake

Date 2-23-87

5-30-95

Garry Mauro
Commissioner
General Land Office

March 9, 1987

Mr. Jack E. Blake
400 North Main
Midland, Texas 79701-4780

Re: Relinquishment Act Lease M-88676
80 acres out of the N/440 acres,
Sec. 12, Blk. 57, Tsp. 2,
Robert A. Schuler et al to Blake Oil & Gas
T&P RR Co. Sur.
Reeves County, Texas

Dear Mr. Blake:

The certified copy of a relinquishment act lease covering the captioned tract has been approved and filed in our records under the captioned mineral file number. Please refer to this file number in all future correspondence concerning this lease.

Your remittance of $358.00 has been applied as the state's portion of the cash bonus and required filing fee. A receipt for this amount is enclosed.

Sincerely,

J. Daryl Morgan
Oil and Gas Section
Legal Division
512 463-5158

JDM/car

Stephen F. Austin Building
1700 North Congress Avenue
Austin, Texas 78701
(512) 463-5256

M.R. 84676

CORRESPONDENCE FILE

To Blake

From

Dated 3-9-87

DRAFT COPY

Blake Oil & Gas Corporation
Jack E. Blake, Jr., and Bruce W. Blake
400 N. Main
Midland, TX 79701

Re: M-88676

Gentlemen:

Pursuant to the provisions of §52.188, Natural Resources Code, and to our rules and regulations and on your complete disclosure of the facts, the undersigned Commissioner of the General Land Offices hereby approves

(1) the 1% ORI assigned to Michael W. Roye in all leases filed in M-88676 by instrument dated 31 January 1989, recorded vol. 495 p. 57, Deed Records, Reeves County;

(2) the late filing of an assignment of overriding royalty to you as recorded vol. 492 p. 79, Deed Records, Reeves County;

(3) the 4.25% ORI assigned to you in said late-filed assignment in Relinquishment Act oil and gas leases covering an undivided 56/90 of the minerals as such leases are described in said assignment; and

(4) as to depths below the Brushy Canyon Formation, i.e., below the top of the Bone Springs Formation, whatever overriding royalty on such leases you can negotiate with a party willing to drill for oil or gas to the deeper depths provided only that leases on the deeper depths from Jack E. Blake as an undivided interest Owner of the Soil provides for a royalty of at least 3/16.

DRAFT COPY

Garry Mauro
Commissioner of the General
Land Office State of Texas

wcb3/141

111
161

JACK E. BLAKE
400 NORTH MAIN
MIDLAND, TEXAS 79701-4780

OFF. (915) 684-7888 RES. (915) 684-7745

OCT 19 1987

October 10, 1987

General Land Office
Attn: J. Daryl Morgan
Stephen F. Austin Bldg.
1700 N. Congress Ave.
Austin, Texas 87801

Re: All of the SE Part of the North
440 acres of Sec. 12, Blk. 57,
T&P RR Company Survey
Reeves County, Texas

Dear Daryl:

At this time Blake Oil & Gas Corporation is proposing to buy an Oil & Gas Lease from Violet Schuler and Evelyn Schuler. Our records indicate that Violet has a 1/6 leasing right under the 80-acre tract and Evelyn has a 1/18 leasing right under the 80-acre tract. Terms that we have proposed are 3 year, 3/16, and $75 per acre as approved by your office on January 28, 1987 in prior leasing.

If I can answer any questions that you have on this leasing proposal, please do not hesitate to give me a call. We will look forward to hearing from you soon.

Very truly yours,

Bruce W. Blake

BWB/jb

m - 8876

M-88676 (31)

Letter from Jack E. Blake

10-17-87

10-15-87

R.A.L. Form Review Checklist

County Reeves Sec. Pt of 12 Blk. 57 Survey T-2, T&P Lessee Blake Oil & Gas
Surface Owner Evelyn Schuler Undivided Int. ✓ Full Int. ____
Violet Schuler (two leases)

I Initial review of proposed lease

Current lease form used ✓
Lease covers R.A.L. land ✓
No active leases on same interest ✓
Lease date okay ✓
Lease is not a top lease ✓
Legal description complete and accurate no - see comments
Depth limitations, if any, included ✓
Covers no more than 4 sections (2560 acres) ✓
Multiple tracts contiguous or within 1/2 mile ✓
All interests in surface estate included ✓
Surface owner not principal in lessee company see comments
Bonus amount correct see comments
Primary term correct ✓
Delay rental correct see comments
Royalty correct see comments
Lease form complete ✓
Are there additions or deletions to form no
Are additional provisions, if any, okay n/a
Is the lease signed no
If signed, by proper individuals n/a
If signed, is it properly executed and acknowledged n/a
If signed, is it certified by county clerk with seal n/a

REVIEWED BY TP REVIEWED BY _____

COMMENTS: Description on both leases lacking block, township & Survey, & word "which" should follow "Section 12". Principals in lessee company also own part undivided interest in this land. They were given leases on these same interests before & at that time paid for more acres (26.68 vs 17.77). Royalty incorrect in both leases; should read 3/16 as per cover letter.

II Final review, after bonus and fees received

Necessary changes made, if any
Lease complete and correct
Lease properly signed by all parties
All signatures properly acknowledged
Lease certified by county clerk and seal affixed

REVIEWED BY _____ REVIEWED BY _____

M-88676 (32)
Form Review Checklist
10-23-87

GENERAL LAND OFFICE

GARRY MAURO
COMMISSIONER

MEMORANDUM

TO: Garry Mauro, Commissioner
Jack Giberson, Chief Clerk

FROM: Peter Boone, Petroleum and Minerals

SUBJECT: **Relinquishment Act Leases**
Recommendation: Consideration and Form

Consideration Date _____

Recommended: PAB 10-23-87
Not Recommended: _____
Comments:

Form Date _____

Recommended: _____
Not Recommended: _____
Recommended, after technical changes: PAB 10-23-87
Comments:
Blake is surface owner of part of the undivided interest but is not attempting to lease that part.
Legal description not complete
Royalty incorrectly stated on lease; should read 3/16.

Legal Services Comments (if requested):

Jack Giberson, Chief Clerk Date _____

Recommended: JG after change as per Peter Boone
Not Recommended: _____

Garry Mauro, Commissioner Date _____

Approved: _____ Not Approved: _____

Approved, after technical changes: GM

GENERAL LAND OFFICE

GARRY MAURO
COMMISSIONER

MEMORANDUM

TO: Garry Mauro, Commissioner
Jack Giberson, Chief Clerk

FROM: Peter Boone, Petroleum and Minerals

SUBJECT: **Relinquishment Act Leases**
Recommendation: Consideration and Form

Consideration Date _____

Recommended: PAB 10-23-87
Not Recommended: _____
Comments:

Form Date _____

Recommended: _____
Not Recommended: _____
Recommended, after technical changes: PAB 10-23-87
Comments:
Blake is surface owner of part of the undivided interest but is not trying to lease that part.
Legal description not complete
Royalty incorrectly stated on lease; should read 3/16.

Legal Services Comments (if requested):

Jack Giberson, Chief Clerk Date _____

Recommended: Have legal check Blake's interest & any other problems JG
Not Recommended: _____

Garry Mauro, Commissioner Date _____

Approved: _____ Not Approved: _____

Approved, after technical changes: GM

(34)

M-8867b
Memorandum
10-23-87

Garry Mauro
Commissioner
General Land Office

November 20, 1987

Blake Oil & Gas Corp.
400 N. Main
Midland, Texas 79701-4780

Attn: Jack E. Blake

Re: Proposed Relinquishment Act Leases
SE 80 ac. of N. 440 ac., Sec. 12, Blk. 57, T-2
T & P Survey
Reeves County, Texas

Dear Mr. Blake:

We hereby acknowledge receipt of your letter of October 10, 1987, and the proposed Relinquishment Act leases covering the captioned tracts. These proposed leases have been approved as to consideration but not as to form. Consideration and terms include: $75 per acre bonus, 3/16 royalty, a three year primary term, and annual rental of $1.00.

As to form, the legal description is incomplete and the royalty is incorrectly stated on both leases. Royalty in all instances should read "three sixteenth (3/16)."

The State will accept the leases if the above-stated changes are made. If you agree with the changes, please furnish this office with a certified copy of the leases for filing, together with a check for $716.50, representing the State's half of the cash bonus and the required $25.00 filing fee per instrument. Pending receipt of your reply, we will hold your materials in our suspense file.

Should you have any questions, please call.

Sincerely,

Peter A. Boone

Peter A. Boone
Geologist
Petroleum & Minerals Division
(512) 463-5022

Stephen F. Austin Building
1700 North Congress Avenue
Austin, Texas 78701
(512) 463-5256

PB/cmw

M-88676

(35)

Letter to Blake 0 & 6

11-20-87

JACK E. BLAKE
400 NORTH MAIN
MIDLAND, TEXAS 79701-4780

OFF. (915) 684-7888 RES. (915) 684-7745

December 22, 1987

General Land Office
Attn: J. Daryl Morgan
Stephen F. Austin Bldg.
1700 N. Congress Ave.
Austin, Texas 87801

Re: Oil & Gas Leases -
Violet Schuler & Evelyn Schuler
Blk. 57, Sec. 12, T-2, T&P Ry Co.
Reeves County, Texas

Dear Mr. Morgan,

Enclosed are certified copies of the referenced leases along with our check for $716.50 covering the State's half of the cash bonus and the $25.00 filing fee for each instrument.

Should you have any questions, please contact the undersigned at the address listed above.

Sincerely,

Bruce W. Blake

BWB/jb

Enclosures

171
161

M-88676

(36)

Letter from Jack E. Blake
12-26-87

13-38-84

Mineral Classified Land
Lease Consideration Comparison

County Reeves
Area SE 80 ac of N 440 ac Sec 12, Blk 57, T-2, T&P

U.I lease m-88676

M. F.	Acres	Lease Date	Term	Total Bonus	B/Ac	Rental	Comparison
New	(4.44) 80	10-10-87	3yrs	$333	$75	$1.00	3/32
m-92187	160	2-23-87	3yrs	$8,000.	$50.	$1.00	5½ mi E 3/3
m-92197	640	4-12-87	3yrs	$36,400.	$60.	$1.00	1 mi W 1/1
	No other recent nearby comparisons						

142477

Remarks: within trend of Matthews (Lower Cherry Canyon) field; 12 wells, ~25 BOPD per well. Most recent lease in file received 2-26-87

Consideration Recommended PAS 10-23-87
Not Recommended

BLAKE OIL & GAS CORPORATION

DESCRIPTION	CODE	AMOUNT
Oil & Gas Leases covering Blk. 57, Sec. 12, T-2, T&P Ry. Co. Survey, Reeves Co., Texas	153-226	716.50

88019811

Violet Schuler to Blake Oil & Gas Corporation (500.00 + 25.00)
Evelyn Schuler to Blake Oil & Gas Corporation (166.50 + 25.00)

171
1
161

DETACH AND RETAIN THIS STATEMENT
The attached check is in payment of items described above. If not correct please notify us promptly

MF - 88676

Surface Owner Name	Net Acres	State's Royalty	Net Acres/80 acres	Net State's Royalty
Schuler, R.A & James	8.88	0.09375	0.111	0.01040625
Schuler, Evelyn	4.44	0.09375	0.0555	0.005203125
Schuler, Viiolet	13.33	0.09375	0.166625	0.015621094
Oestrich, Lois & Clint	0.296	0.09375	0.0037	0.000346875
Max, Mildred	0.89	0.09375	0.011125	0.001042969
Kiel, Richard	0.444	0.09375	0.00555	0.000520313
Gehle, Richard	0.89	0.09375	0.011125	0.001042969
Gehle, Mary C.	1.34	0.09375	0.01675	0.001570313
Farwell, Altha M.	1.34	0.09375	0.01675	0.001570313
Kiel, Donald	0.296	0.09375	0.0037	0.000346875
Rybacheck, L.J.	0.296	0.09375	0.0037	0.000346875
Novallo, Algo A.	1.34	0.09375	0.01675	0.001570313
Campbell, Shirley	1.34	0.09375	0.01675	0.001570313
Wurm ,E. I.	0.89	0.09375	0.011125	0.001042969
Wagner, Carol & Arthur	0.444	0.09375	0.00555	0.000520313
Blake, Jack & Carol	16.884	0.115	0.21105	0.02427075
Staples, B.J.	13.33	0.115	0.166625	0.019161875
Blake, Robert & Marion	13.33	0.115	0.166625	0.019161875
	80			0.105316375

FILE NO. 3063 EVELYN SCHULER TO BLAKE OIL & GAS CORPORATION

No. 5367--General Land
Office Lease Form Under
Relinquishment Act
Revised, August 1986

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 10th day of October 19 87, between the State of Texas, acting by and through its agent, Evelyn Schuler
623 Elgin, Forest Park, Illinois 60130, said agent
(Give Permanent Address)
herein referred to as the owner of the soil (whether one or more), and Blake Oil & Gas Corporation
of 400 N. Main, Midland, Texas 79701,
(Give Permanent Address)
hereinafter called Lessee.

1. GRANTING CLAUSE. For and in consideration of the amounts stated below and of the covenants and agreements to be paid, kept and performed by Lessee under this lease, the State of Texas acting by and through the owner of the soil, hereby grants, leases and lets unto Lessee, for the sole and only purpose of prospecting and drilling for and producing oil and gas, laying pipe lines, building tanks, storing oil and building power stations, telephone lines and other structures thereon, to produce, save, take care of, treat and transport said products of the lease, the following lands situated in Reeves County, State of Texas, to-wit:

The Southeast 80 acres of the North 440 acres of said Section 12, Block 57, T-2, T&P Ry. Co. Survey, Reeves County, Texas more fully described as follows:

The Southeast part of the North 440 acres of said Section 12 was duly patented to Frank H. Schuler, F. C. Gehle and Fred M. Ulrich on November 17, 1943, by Patent No. 54, Volume 92-A as containing 80 acres, described by metes and bounds as follows:

BEGINNING at the SE/corner of the E/2 of the NE/4 of this Section in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey, and the NE/corner of this Survey;

THENCE West 1267.2 varas with the South line of the N/2 to the NE/corner of the NW/part of the S/2 and the NW/corner of this Survey;

THENCE South 356.4 varas with the East line of said NW part of the S/2 to its SE/corner in the North line of the South part and the SW/corner of this survey;

THENCE East 1267.2 varas with the North line of said South part to its NE/corner in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey, and the SE/corner of this Survey:

THENCE North 356.4 varas with the West line of said Section 7 to the place of beginning, containing 80 acres, more or less.

containing 80 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: One hundred sixty-six and 50/100 Dollars ($ 166.50)

To the owner of the soil: One hundred sixty-six and 50/100 Dollars ($ 166.50)

Total bonus consideration: Three hundred thirty-three and no/100 Dollars ($ 333.00)

The total bonus consideration paid represents a bonus of Seventy-five Dollars ($ 75.00) per acre, on 4.44 net acres.

2. TERM. Subject to the other provisions in this lease, this lease shall be for a term of three (3) years from this date (herein called "primary term") and as long thereafter as oil and gas, or either of them, is produced in paying quantities* from said land.

3. DELAY RENTALS. If no well is commenced on the leased premises on or before one (1) year from this date, this lease shall terminate, unless on or before such anniversary date Lessee shall pay or tender to the owner of the soil or to his credit in the Forest Park National Bank, at Forest Park, Ill. 60130, Acct. #092871900, or its successors (which shall continue as the depository regardless of changes in the ownership of said land), the amount specified below; in addition, Lessee shall pay or tender to the COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS, AT AUSTIN, TEXAS, a like sum on or before said date. Payments under this paragraph shall operate as a rental and shall cover the privilege of deferring the commencement of a well for one (1) year from said date. Payments under this paragraph shall be in the following amounts:

To the owner of the soil: Two and 22/100 Dollars ($ 2.22)

To the State of Texas: Two and 22/100 Dollars ($ 2.22)

Total Rental: Four and 44/100 Dollars ($ 4.44)

---

*As used in this lease the term, "produced in paying quantities," means that the receipts from the sale or other authorized commercial use of the substance(s) covered exceed out of pocket expenses of operation for the six months last past.

G.L.O.-L-19-(12-85)

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

4. **PRODUCTION ROYALTIES.** When production of oil and/or gas is secured during the term of this lease, Lessee agrees to pay or cause to be paid one-half (1/2) to the Commissioner of the General Land Office of the State of Texas, at Austin, Texas, and one-half (1/2) to the owner of the soil:

(a) **OIL.** As a royalty on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, Three-Sixteenths (3/16) part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be determined by 1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity in the general area where produced and when run, or 2) the highest market price thereof offered or paid in the general area where produced and when run, or 3) the gross proceeds of the sale thereof, whichever is greater. Lessee agrees that before any gas produced from the leased premises is sold, used or processed in a plant, it will be run free of cost to the parties entitled to royalties through an adequate oil and gas separator of conventional type or other equipment at least as efficient so that all liquid hydrocarbons recoverable from the gas by such means will be recovered. The requirement that such gas be run through a separator or other equipment may be waived in writing by the royalty owners upon such terms and conditions as they prescribe.

(b) **NON PROCESSED GAS.** As a royalty on any gas (including flared gas), which is defined as all hydrocarbons and gaseous substances not defined as oil in subparagraph (a) above, produced from any well on said land (except as provided herein with respect to gas processed in a plant for the extraction of gasoline, liquid hydrocarbons or other products) Three-Sixteenths (3/16) part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality in the general area where produced and when run, or the gross price paid or offered to the producer, whichever is greater; provided that the maximum pressure base in measuring the gas under this lease contract shall not at any time exceed 14.65 pounds per square inch absolute, and the standard base temperature shall be sixty (60) degrees Fahrenheit, correction to be made for pressure according to Boyle's Law, and for specific gravity according to tests made by the Balance Method or by the most approved method of testing being used by the industry at the time of testing.

(c) **PROCESSED GAS.** As a royalty on any gas processed in a gasoline plant or other plant for the recovery of gasoline or other liquid hydrocarbons, Three-Sixteenths (3/16) part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease, and on fifty percent (50%) or that percent accruing to Lessee, whichever is greater, of the total plant production of liquid hydrocarbons attributable to the gas produced from this lease; provided that if liquid hydrocarbons are recovered from gas processed in a plant in which Lessee (or its parent, subsidiary or affiliate) owns an interest, then the percentage applicable to liquid hydrocarbons shall be fifty percent (50%) or the highest percent accruing to a third party processing gas through such plant under a processing agreement negotiated at arms' length (or if there is no such third party, the highest percent then being specified in processing agreements or contracts in the industry), whichever is greater. The respective royalties on residue gas and on liquid hydrocarbons shall be determined by 1) the highest market price paid or offered for any gas (or liquid hydrocarbons) of comparable quality in the general area, or 2) the gross price paid or offered for such residue gas (or the weighted average gross selling price for the respective grades of liquid hydrocarbons, F.O.B. at the plant in which said gas is processed), whichever is greater.

(d) **OTHER PRODUCTS.** As a royalty on carbon black, sulphur or any other products produced or manufactured from gas (excepting liquid hydrocarbons) whether said gas be "casinghead," "dry" or any other gas, by fractionating, burning or any other processing, Three-Sixteenths (3/16) part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows: 1) on the basis of the highest market price of each product for the same month in which such product is produced, or 2) on the basis of the average gross sale price of each product for the same month in which such product is sold, whichever is greater.

5. **MINIMUM ROYALTY.** For each calendar year following the date of the expiration of the primary term when this lease is held for any part of such calendar year by production, the royalty received under this lease must not be less than an amount equal to the total annual delay rental provided for in Paragraph 3. If Paragraph 3 of this lease does not specify a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre.

6. **ROYALTY IN KIND.** Notwithstanding any other provision in this lease, at any time or from time to time, the owner of the soil or the Commissioner of the General Land Office may, at the option of either, upon not less than sixty (60) days notice to the holder of the lease, require that the payment of any royalties accruing to such royalty owner under this lease be made in kind.

7. **NO DEDUCTIONS.** Lessee agrees that all royalties accruing under this lease (including those paid in kind) shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and otherwise making the oil, gas and other products hereunder ready for sale or use. Lessee agrees to compute and pay royalties on the gross value received, including any reimbursements for severance taxes and production related costs.

8. **PLANT FUEL AND RECYCLED GAS.** No royalty shall be payable on any gas as may represent this lease's proportionate share of any fuel used to process gas produced hereunder in any processing plant. Notwithstanding any other provision of this lease, and subject to the written consent of the owner of the soil and the Commissioner of the General Land Office, Lessee may recycle gas for gas lift purposes on the leased premises or for injection into any oil or gas producing formation underlying the leased premises after the liquid hydrocarbons contained in the gas have been removed; no royalties shall be payable on the recycled gas until it is produced and sold or used by Lessee in a manner which entitles the royalty owners to a royalty under this lease.

9. **ROYALTY PAYMENTS AND REPORTS.** All royalties which are required to be paid to the Commissioner of the General Land Office under this lease shall be due and payable in the following manner: Royalty on oil is due and must be received in the General Land Office on or before the 5th day of the second month succeeding the month of production, and royalty on gas is due and must be received in the General Land Office on or before the 15th day of the second month succeeding the month of production, accompanied by the affidavit of the owner, manager or other authorized agent, completed in the form and manner prescribed by the General Land Office and showing the gross amount and disposition of all oil and gas produced and the market value of the oil and gas, together with a copy of all documents, records or reports confirming the gross production, disposition and market value including gas meter readings, pipeline receipts, gas line receipts and other checks or memoranda of amount produced and put into pipelines, tanks, or pools and gas lines or gas storage, and any other reports or records which the General Land Office may require to verify the gross production, disposition and market value. Each royalty payment shall be accompanied by a check stub, schedule, summary or other remittance advice showing by the assigned General Land Office lease number the amount of royalty being paid on each lease. If Lessee pays his royalty on or before thirty (30) days after the royalty payment was due, then Lessee owes a penalty of 5% of the royalty or $25.00, whichever is greater. A royalty payment which is over thirty (30) days late shall accrue a penalty of 10% of the royalty due or $25.00, whichever is greater. In addition to a penalty, royalties shall accrue interest at a rate of 12% per year; such interest will begin accruing when the royalty is sixty (60) days overdue. Affidavits and supporting documents which are not filed when due shall incur a penalty in an amount set by the General Land Office administrative rule which is effective on the date when the affidavits or supporting documents were due. The Lessee shall bear all responsibility for paying or causing royalties to be paid in the manner prescribed in this paragraph. Payment of the delinquency penalty shall in no way operate to prohibit the State's right of forfeiture as provided by law nor act to postpone the date on which royalties were originally due. The above penalty provisions shall not apply in cases of title dispute as to the State's portion of the royalty or to that portion of the royalty in dispute as to fair market value. Penalties due under this paragraph are subject to change in order to conform to any future penalty statutes. The State shall have a first lien upon all oil and gas produced from the area covered by this lease to secure the payment of all unpaid royalty and other sums of money that may become due to the State under this lease.

10. **PERMITS, REPORTS, AND RESERVES.** Lessee shall file all drilling permits in the name of the " State" and require each well and/or tank battery on the leased premises to be designated by the word "State" for identification and reporting to the Railroad Commission or any other governmental agency. Written notice of operations under this lease shall be submitted to the Commissioner of the General Land Office by Lessee five (5) days before spud date, cessation of production, workover, re-entry, temporary abandonment or abandonment of any well and shall include copies of Railroad Commission forms for application to drill, well tests, completion reports and plugging records. Lessee shall supply the General Land Office with any records, memoranda, accounts, reports, cuttings and cores, or other information relative to the operation of the above described premises, which may be requested by the General Land Office, in addition to those herein expressly provided for. Lessee shall have an electrical and/or radioactivity survey made on the bore-hole section, from the base of the surface casing to the total depth of well, of all wells drilled on the above described premises and shall transmit a true copy of the log of each survey on each well to the General Land Office within fifteen (15) days after the making of said survey. The Commissioner of the General Land Office reserves the right to require Lessee to annually furnish logs on all wells drilled on said land and to annually furnish the said Commissioner with its best possible estimate of oil and gas reserves underlying this lease or allocable to this lease.

11. **DRY HOLE CLAUSE.** If, during the primary term hereof and prior to discovery and production of oil or gas on said land, Lessee should drill a dry hole or holes thereon, or if, after discovery and production of oil or gas, the production thereof should cease from any cause, this lease shall not terminate if on or before the rental paying date next ensuing after the expiration of sixty (60) days from date of completion of said dry hole or cessation of production Lessee commences additional drilling or reworking operations thereon, or commences or resumes the payment of annual delay rental in the same manner as provided in Paragraph 3 of this lease. If a dry hole be completed and abandoned during the last year of the primary term, Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in oil or gas well within the primary term hereof, Lessee may resume payment of annual rental in the same manner as provided in Paragraph 3 in this lease on or before the rental paying date next ensuing after sixty (60) days from the date of completion of such shut-in oil or gas well and upon the failure to make such annual rental payment, this lease shall ipso facto terminate. If at the expiration of the primary term or at any time thereafter a shut-in oil or gas well is located on the leased premises, payments may be made in accordance with the provisions of Paragraph 14 of this lease.

12. **DRILLING AND REWORKING AT EXPIRATION OF PRIMARY TERM.** If, at the expiration of the primary term, neither oil nor gas is being produced on said land, but Lessee is then engaged in drilling or reworking operations thereon, this lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted in good faith and in workmanlike manner without interruptions totaling more than sixty (60) days during any one such operation, and if they result in the production of oil and/or gas, so long thereafter as oil and/or gas is produced in paying quantities from said land, or payment of shut-in oil or gas well royalties or compensatory royalties is made as provided in this lease.

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

14. **SHUT IN ROYALTIES.** If, at the expiration of the primary term or at any time thereafter, a well or wells capable of producing oil or gas in paying quantities is located on the leased premises but oil or gas is not being produced for lack of suitable production facilities or a suitable market, and the lease is not being maintained in force and effect, Lessee may pay as a shut-in oil or gas royalty an amount equal to double the annual rental provided in Paragraph 3 of this lease but not less than $1,200 a year for each well capable of producing oil or gas in paying quantities. If Paragraph 3 of this lease does not specify a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre. To be timely such shut-in oil or gas royalty payment must be made as follows: If the well or wells are shut-in within 30 days before the expiration of the primary term, then such payment is to be made within 30 days following the expiration of the primary term; if the well or wells are shut in at any other time during the primary term, then such payment is to be made on or before the expiration of the primary term; if the well or wells are shut-in after the expiration of the primary term, then such payment is to be made within 60 days from the date that this lease ceases to be maintained by production or by a reworking operation or by a drilling operation. Such payment shall be made one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil. If the shut-in oil or gas royalty is paid, the lease shall be considered to be a producing lease and the payment shall extend the term of the lease for a period of one year from the end of the primary term or from the first day of the month next succeeding the month in which production ceased and after that, if no suitable production facilities or suitable market for the oil or gas exists, Lessee may extend the lease for four additional and successive periods of one year by paying the same amount each year on or before the expiration of the extended term. If Paragraph 3 of this lease does not specify a delay rental amount, then, for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre. If, during the period the lease is kept in effect by payment of the shut-in oil or gas royalty, oil or gas is sold and delivered in paying quantities from a well located within 1,000 feet of the leased premises and completed in the same producing reservoir or, in any case in which drainage is occurring, the right to continue to extend the lease by paying the shut-in oil or gas royalty shall cease. The lease shall remain effective for the remainder of the year for which the royalty has been paid and for an additional period of not more than five years by Lessee paying compensatory royalty at the royalty rate provided in the lease of the value at the well of production from the well which is causing the drainage or which is completed in the same producing reservoir and within 1,000 feet of the leased premises. The compensatory royalty is to be paid monthly, one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil, beginning on or before the last day of the month next succeeding the month in which the oil or gas is sold and delivered from the well. If the compensatory royalty paid in any 12-month period is in an amount less than the annual shut-in oil or gas royalty, Lessee shall pay an amount equal to the difference within 30 days from the end of the 12-month period. None of these provisions will relieve Lessee of the obligation of reasonable development or the obligation to drill offset wells as provided in Texas Natural Resources Code §52.034.

15. **DEVELOPMENT.** Notwithstanding any provision of this lease to the contrary, after a well producing, or capable of producing, oil or gas has been completed on the leased premises, Lessee shall exercise the diligence of a reasonably prudent operator in drilling such additional well or wells as may be reasonably necessary for the proper development of the leased premises and in marketing the oil and gas produced. In the event this lease is in force and effect three (3) years after the expiration date of the primary term, it shall then terminate as to all of the leased premises, EXCEPT: 1) 40 acres surrounding each producing oil well and 320 acres surrounding each producing gas well (including a shut-in oil or gas well as provided in Paragraph 14 of this lease), or a well upon which Lessee is then engaged in continuous drilling or reworking operations, or 2) the number of acres included in a producing pooled unit pursuant to Texas Natural Resources Code § 52.151-§ 52.153, or 3) such greater or lesser number of acres as may then be allocated for production purposes to a proration unit for each such producing well under the rules and regulations of the Railroad Commission, of Texas, or any successor agency, or other governmental authority having jurisdiction. "Producing" as used in this lease means producing in paying quantities. The acreage retained under this provision as to each well shall, as nearly as practical, be in the form of a square with the well located in the center or in such other shape as may be approved by the Commissioner of the General Land Office. Lessee shall execute and record a release or releases containing a satisfactory description of the acreage terminated under this provision, and the recorded release, or a certified copy of same, shall be filed in the General Land Office, accompanied by the prescribed filing fee.

16. **OFFSET WELLS.** Neither the bonus, delay rentals, nor royalties paid or to be paid under this lease, shall relieve Lessee of his obligation to protect the oil and gas under the above-described land from being drained. To prevent drainage, Lessee is obligated to drill as many wells as the facts may justify and to the depth or depths necessary for effective protection against undue drainage. In addition, if a draining well which is not on Relinquishment Act property and which is producing in commercial quantities is located within 1000 feet of the above-described land, Lessee is statutorily obligated to drill an offset well on the leased premises within 100 days after the draining well begins production in commercial quantities. Failure to satisfy the statutory offset obligation may subject this lease and the owner of the soil's agency rights to forfeiture.

17. **FORCE MAJEURE.** If, after a good faith effort, Lessee is prevented from complying with any express or implied covenant of this lease, from conducting drilling operations on the leased premises, or from producing oil or gas from the leased premises by reason of war, rebellion, riots, strikes, acts of God, or any valid order, rule or regulation of government authority, then while so prevented, Lessee's obligation to comply

with such covenant shall be suspended and Lessee shall not be liable for damages for failure to comply with such covenants; additionally, this lease shall be extended while Lessee is prevented, by any such cause, from conducting drilling and reworking operations or from producing oil or gas from the leased premises. However, nothing in this paragraph shall suspend the payment of delay rentals in order to maintain this lease in effect during the primary term in the absence of such drilling or reworking operations or production of oil or gas.

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

19. **PROPORTIONATE REDUCTION CLAUSE.** If the owner of the soil owns less than the entire undivided surface estate in the above described land, whether or not Lessee's interest is specified herein, then the royalties and rental herein provided to be paid to the owner of the soil shall be paid to him in the proportion which his interest bears to the entire undivided surface estate and the royalties and rental herein provided to be paid to the Commissioner of the General Land Office of the State of Texas shall be likewise proportionately reduced. However, before Lessee adjusts the royalty or rental due to the Commissioner of the General Land Office, Lessee or his authorized representative must submit to the Commissioner of the General Land Office a written statement which explains the discrepancy between the interest purportedly leased under this lease and the actual interest owned by the owner of the soil. The Commissioner of the General Land Office shall be paid the value of the whole production allocable to any undivided interest not covered by a lease, less the proportionate development and production cost allocable to such undivided interest. However, in no event shall the Commissioner of the General Land Office receive as a royalty on the gross production allocable to the undivided interest not leased an amount less than the value of one-sixteenth (1/16) of such gross production.

20. **USE OF WATER.** Lessee shall have the right to use water produced on said land necessary for operations under this lease except water from wells or tanks of the owner of the soil; provided, however, Lessee shall not use potable water or water suitable for livestock or irrigation purposes for waterflood operations without the prior consent of the owner of the soil.

21. **AUTHORIZED DAMAGES.** Lessee shall pay the owner of the soil for damages caused by its operations to all personal property, improvements, livestock and crops on said land.

22. **PIPELINE DEPTH.** When requested by the owner of the soil, Lessee shall bury its pipe lines below plow depth.

23. **WELL LOCATION LIMIT.** No well shall be drilled nearer than two hundred (200) feet to any house or barn now on said premises without the written consent of the owner of the soil.

24. **CONSERVATION CLAUSE.** Lessee shall have the exclusive right to build, operate and maintain pits, reservoirs, pickup stations and plants for the purpose of picking up and conserving waste oil that flows down the creeks, ravines and across the leased premises, whether such waste oil is produced from the leased premises or from other lands. Royalties, as provided in this lease for regularly produced oil, are also owed on all such waste oil.

25. **REMOVAL OF EQUIPMENT.** Subject to limitations in this paragraph, Lessee shall have the right to remove machinery and fixtures placed by Lessee on the leased premises, including the right to draw and remove casing, within one hundred twenty (120) days after the expiration or the termination of this lease unless the owner of the soil grants Lessee an extension of this 120-day period. However, Lessee may not remove casing from any well capable of producing oil and gas in paying quantities. Additionally, Lessee may not draw and remove casing until after thirty (30) days written notice to the Commissioner of the General Land Office and to the owner of the soil. The owner of the soil shall become the owner of any machinery, fixtures, or casing which are not timely removed by Lessee under the terms of this paragraph.

26. (a) **ASSIGNMENTS.** Under the conditions contained in this paragraph and Paragraph 28 of this lease, the rights and estates of either party to this lease may be assigned, in whole or in part, and the provisions of this lease shall extend to and be binding upon their heirs, devisees, legal representatives, successors and assigns. However, a change or division in the ownership of the land, rentals, or royalties will not enlarge the obligations of Lessee, diminish the rights, privileges and estates of Lessee, impair the effectiveness of any payment made by Lessee or impair the effectiveness of any act performed by Lessee. And no change or division in the ownership of the land, rentals, or royalties shall bind Lessee for any purpose until thirty (30) days after the owner of the soil (or his heirs, devisees, legal representatives or assigns) furnishes the Lessee with satisfactory written evidence of the change in ownership, including the original recorded muniments of title (or a certified copy of such original) when the ownership changed because of a conveyance. A total or partial assignment of this lease shall, to the extent of the interest assigned, relieve and discharge Lessee of all subsequent obligations under this lease. If this lease is assigned in its entirety as to only part of the acreage, the right and option to pay rentals shall be apportioned as between the several owners ratably, according to the surface area of each, and failure by one or more of them to pay his share of the rental shall not affect this lease on the part of the land upon which pro rata rentals are timely paid or tendered; however, if the assignor or assignee does not file a certified copy of such assignment in the General Land Office before the next rental paying date, the entire lease shall terminate for failure to pay the entire rental due under Paragraph 3.

(b) **ASSIGNMENT LIMITATION.** Notwithstanding any provision in Paragraph 26(a), if the owner of the soil, or his nominee, or any corporation or subsidiary in which he is a principal stockholder, or a partnership in which he is a partner, acquires this lease in whole or in part by assignment without the prior written approval of the Commissioner of the General Land Office, this lease and the agency power of the owner of the soil may be forfeited by the Commissioner. If, after receiving written approval from the Commissioner, the owner of the soil, or any of the above-named entities in the stated capacities, acquires this lease in whole or in part by assignment and, within three (3) years thereafter, assigns this lease for a valuable consideration, the owner of the soil shall pay the state one-half of the profit he receives on the subsequent assignment. Failure of the State to share in such profit shall subject this lease to forfeiture at the option of the Commissioner.

27. **RELEASES.** Under the conditions contained in this paragraph and Paragraph 28, Lessee may at any time execute and deliver to the owner of the soil and place of record a release or releases covering any portion or portions of the leased premises, and thereby surrender this lease as to such portion or portions, and be relieved of all subsequent obligations as to acreage surrendered. If any part of this lease is properly surrendered, the delay rental due under this lease shall be reduced by the proportion that the surrendered acreage bears to the acreage which was covered by this lease immediately prior to such surrender; however, such release will not relieve Lessee of any liabilities which may have accrued under this lease prior to the surrender of such acreage.

28. **FILING OF ASSIGNMENTS AND RELEASES.** If all or any part of this lease is assigned or released, such assignment or release must be recorded in the county where the land is situated, and the recorded instrument, or a copy of the recorded instrument certified by the County Clerk of the county in which the instrument is recorded, must be filed in the General Land Office within 90 days of the last execution date accompanied by the prescribed filing fee. If any such assignment is not so filed, the rights acquired under this lease shall be subject to forfeiture at the option of the Commissioner of the General Land Office.

29. **LEASE FILING.** It is recognized that before this lease is effective a certified copy of this lease (which is made and certified by the County Clerk from his records) shall be filed in the General Land Office in accordance with Texas Natural Resources Code § 52.183, and this lease shall not be binding upon the State unless it recites the actual and true consideration paid or promised for execution of this lease. The bonus due the State and the prescribed filing fee shall accompany such certified copy to the General Land Office.

30. **DISCLOSURE CLAUSE.** All provisions pertaining to the lease of the above-described land have been included in this instrument, including the statement of the true consideration to be paid for the execution of this lease and the rights and duties of the parties. Any collateral agreements concerning the development of oil and gas from the leased premises which are not contained in this lease render this lease invalid.

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

32. **FORFEITURE.** If Lessee shall fail or refuse to make the payment of any sum within thirty days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if Lessee should fail to file reports in the manner required by law or fail to comply with rules and regulations promulgated by the General Land Office, the School Land Board, or the Railroad Commission, or if Lessee should refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or knowingly fail or refuse to furnish the General Land Office a correct log of any well, or if Lessee shall knowingly violate any of the material provisions of this lease, or if this lease is assigned and the assignment is not filed in the General Land Office as required by law, the rights acquired under this lease shall be subject to forfeiture by the Commissioner, and he shall forfeit same when sufficiently informed of the facts which authorize a forfeiture, and when forfeited the area shall again be subject to lease under the terms of the Relinquishment Act. However, nothing herein shall be construed as waiving the automatic termination of this lease by operation of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this lease and all rights thereunder reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

33. **RAILROAD COMMISSION HEARINGS ON GAS.** No natural gas or casinghead gas, including both associated and nonassociated gas, produced from the mineral estate subject to this lease may be sold or contracted for sale to any person for ultimate use outside the State of Texas unless the Railroad Commission, after notice and hearing as provided in Title 3 of the Texas Natural Resources Code, finds that:

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

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

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

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

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

(f) no person who resides in this state and who relies on natural gas or casinghead gas to provide in whole or part his existing needs for fuel or raw material requires the natural gas or casinghead gas to meet those needs; provided, however, after notice and hearing as provided in Title 3 of the Texas Natural Resources Code the Railroad Commission may grant exceptions to these provisions as set forth in Texas Natural Resources Code § 52.296.

34. This lease is issued under the provisions of Texas Natural Resources Code §§ 52.171 through 52.187, commonly known as the Relinquishment Act, and other applicable statutes and amendments thereto, and if any provision in this lease does not conform to these statutes, the statutes will prevail over any nonconforming lease provisions.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

STATE OF TEXAS

BY: _____

Individually and as agent for the State of Texas

STATE OF TEXAS

BY: Evelyn E. Schuler

Individually and as agent for the State of Texas

Evelyn Schuler

S.S. # 333-01-5691

STATE OF TEXAS
BY: _____
Individually and as agent for the State of Texas

STATE OF TEXAS
BY: _____
Individually and as agent for the State of Texas

STATE OF
COUNTY OF

Before me, the undersigned authority, on this day personally appeared Evelyn Schuler _____, known to me to be the person _____ whose name(s) _____ is/are subscribed to the foregoing instrument, and acknowledged to me that _____ She/~~they~~ executed the same for the purposes and consideration therein expressed, and in the capacities therein stated.

Given this my hand and seal of office this the 7th day of December, 19 87

OFFICIAL SEAL
ARDITH BLACKBURN
Notary Public, State of Illinois
My Commission Expires 8/22/89

Ardith Blackburn
Notary Public In and for Cook County, ~~Texas~~ ILLINOIS

NOTE: Notary please print or type name.

STATE OF
COUNTY OF

Before me, the undersigned authority, on this day personally appeared _____, known to me to be the person _____ whose name(s) _____ is/are subscribed to the foregoing instrument, and acknowledged to me that _____ he/they executed the same for the purposes and consideration therein expressed, and in the capacities therein stated.

Given this my hand and seal of office this the _____ day of _____, 19____.

_____
Notary Public In and for _____ County, Texas

FOR SALE BY STAFFORD-LOWDON CO. FORT WORTH 55326

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 }

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 OIL AND GAS LEASE FROM EVELYN SCHULER TO BLAKE OIL & GAS CORPORATION

as the same appears of record in my office in book 481 page 311, Deed Record.

Given under my Hand and Seal of said Court, at office in Pecos, Texas this 15th day of December 19 87.

CATHERINE ASHLEY Clerk,

By Billie Jo Freeman Deputy.
(Billie JO Freeman)

ANY PROVISION HEREIN WHICH RESTRICTS THE SALE, RENTAL, OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW

FILED FOR RECORD ON THE 10th DAY OF December, A.D. 1987 AT 12:01P. M.

DULY RECORDED ON THE 10th DAY OF December, A.D. 1987 AT 3:00P. M.

BY Billie Jo Freeman DEPUTY

CATHERINE ASHLEY, COUNTY CLERK,
REEVES COUNTY, TEXAS.

M-88676

Oil & Gas Lease

12-26-87

(37)

RECEIVED AS STATED

Date 12-26-87 $166.50

Reg No 19811

GENERAL LAND OFFICE

RECEIVED AS STATED

Date 12-26-87 $25.00

Reg No 19811

GENERAL LAND OFFICE

13-58-01

Mineral Classified Land
Lease Consideration Comparison

County Reeves
Area SE 80 ac of N 440 ac, Sec 12 Blk 57, T-2, T&P

M. F.	Acres	Lease Date	Term	Total Bonus	B/Ac	Rental	Comparison
New	(13,33) 80	10-10-87	3 yrs	$1000.	$75.	$1.00	3/3
m-92187	160	2-23-87	3 yrs	$8000.	$50.	$1.00	5½ mi E 3/3
m-92197	640	4-12-87	3 yrs	$36,400.	$60.	$1.00	1 mi W 1/10
	no other recent nearby comparisons						

142477

Remarks: within trend of Matthews (Lower Cherry Canyon) field; 12 wells, ~25 BOPD per well. Most recent lease in file received 2-24-87

Consideration Recommended RAB 10-23-87
Not Recommended

MF-88676

Surface Owner Name	Net Acres	State's Royalty	Net Acres/80 acres	Net State's Royalty
Schuler, R.A & James	8.88	0.09375	0.111	0.01040625
Schuler, Evelyn	4.44	0.09375	0.0555	0.005203125
Schuler, Viiolet	13.33	0.09375	0.166625	0.015621094
Oestrich, Lois & Clint	0.296	0.09375	0.0037	0.000346875
Max, Mildred	0.89	0.09375	0.011125	0.001042969
Kiel, Richard	0.444	0.09375	0.00555	0.000520313
Gehle, Richard	0.89	0.09375	0.011125	0.001042969
Gehle, Mary C.	1.34	0.09375	0.01675	0.001570313
Farwell, Altha M.	1.34	0.09375	0.01675	0.001570313
Kiel, Donald	0.296	0.09375	0.0037	0.000346875
Rybacheck, L.J.	0.296	0.09375	0.0037	0.000346875
Novallo, Algo A.	1.34	0.09375	0.01675	0.001570313
Campbell, Shirley	1.34	0.09375	0.01675	0.001570313
Wurm ,E. I.	0.89	0.09375	0.011125	0.001042969
Wagner, Carol & Arthur	0.444	0.09375	0.00555	0.000520313
Blake, Jack & Carol	16.884	0.115	0.21105	0.02427075
Staples, B.J.	13.33	0.115	0.166625	0.019161875
Blake, Robert & Marion	13.33	0.115	0.166625	0.019161875
	80			0.105316375

FILE NO. 3062 VIOLET SCHULER TO BLAKE OIL & GAS CORPORATION

No. 5367--General Land
Office Lease Form Under
Relinquishment Act
Revised, August 1986

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 10th day of October 19 87, between the State of Texas, acting by and through its agent, Violet Schuler

632
~~623~~ Elgin, Forest Park, Illinois 60130 J1000025474 said agent
(Give Permanent Address)
herein referred to as the owner of the soil (whether one or more), and Blake Oil & Gas Corporation

of 400 N. Main, Midland, Texas 79701 2463011307
(Give Permanent Address)
hereinafter called Lessee.

1. **GRANTING CLAUSE.** For and in consideration of the amounts stated below and of the covenants and agreements to be paid, kept and performed by Lessee under this lease, the State of Texas acting by and through the owner of the soil, hereby grants, leases and lets unto Lessee, for the sole and only purpose of prospecting and drilling for and producing oil and gas, laying pipe lines, building tanks, storing oil and building power stations, telephone lines and other structures thereon, to produce, save, take care of, treat and transport said products of the lease, the following lands situated in Reeves County, State of Texas, to-wit:

The Southeast 80 acres of the North 440 acres of said Section 12, Block 57, T-2, T&P Ry. Co. Survey, Reeves County, Texas more fully described as follows:

The Southeast part of the North 440 acres of said Section 12 was duly patented to Frank H. Schuler, F. C. Gehle and Fred M. Ulrich on November 17, 1943, by Patent No. 54, Volume 92-A as containing 80 acres, described by metes and bounds as follows:

BEGINNING at the SE/corner of the E/2 of the NE/4 of this Section in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey, and the NE/corner of this Survey;

THENCE West 1267.2 varas with the South line of the N/2 to the NE/corner of the NW/part of the S/2 and the NW/corner of this Survey;

THENCE South 356.4 varas with the East line of said NW part of the S/2 to its SE/ corner in the North line of the South part and the SW/corner of this survey;

THENCE East 1267.2 varas with the North line of said South part to its NE/corner in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey, and the SE/corner of this Survey:

THENCE North 356.4 varas with the West line of said Section 7 to the place of beginning, containing 80 acres, more or less.

containing 80 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Five hundred and no/100 Dollars ($500.00)

To the owner of the soil: Five hundred and no/100 Dollars ($500.00)

Total bonus consideration: One thousand and no/100 Dollars ($1,000.00)

The total bonus consideration paid represents a bonus of Seventy-five Dollars ($ 75.00) per acre, on 13.33 net acres.

2. **TERM.** Subject to the other provisions in this lease, this lease shall be for a term of three (3) years from this date (herein called "primary term") and as long thereafter as oil and gas, or either of them, is produced in paying quantities* from said land.

3. **DELAY RENTALS.** If no well is commenced on the leased premises on or before one (1) year from this date, this lease shall terminate, unless on or before such anniversary date Lessee shall pay or tender to the owner of the soil or to his credit in the Forest Park National Bank, at Forest Park, Ill. 60130, Acct. #092871900, or its successors (which shall continue as the depository regardless of changes in the ownership of said land), the amount specified below; in addition, Lessee shall pay or tender to the COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS, AT AUSTIN, TEXAS, a like sum on or before said date. Payments under this paragraph shall operate as a rental and shall cover the privilege of deferring the commencement of a well for one (1) year from said date. Payments under this paragraph shall be in the following amounts:

To the owner of the soil: Six and 67/100 Dollars ($ 6.67)

To the State of Texas: Six and 67/100 Dollars ($ 6.67)

Total Rental: Thirteen and 34/100 Dollars ($13.34)

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*As used in this lease the term, "produced in paying quantities," means that the receipts from the sale or other authorized commercial use of the substance(s) covered exceed out of pocket expenses of operation for the six months last past.

G.L.O.-L-19-(12-85)

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

4. **PRODUCTION ROYALTIES.** When production of oil and/or gas is secured during the term of this lease, Lessee agrees to pay or cause to be paid one-half (1/2) to the Commissioner of the General Land Office of the State of Texas, at Austin, Texas, and one-half (1/2) to the owner of the soil:

(a) **OIL.** As a royalty on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, Three-Sixteenths (3/16) part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be determined by 1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity in the general area where produced and when run, or 2) the highest market price thereof offered or paid in the general area where produced and when run, or 3) the gross proceeds of the sale thereof, whichever is greater. Lessee agrees that before any gas produced from the leased premises is sold, used or processed in a plant, it will be run free of cost to the parties entitled to royalties through an adequate oil and gas separator of conventional type or other equipment at least as efficient so that all liquid hydrocarbons recoverable from the gas by such means will be recovered. The requirement that such gas be run through a separator or other equipment may be waived in writing by the royalty owners upon such terms and conditions as they prescribe.

(b) **NON PROCESSED GAS.** As a royalty on any gas (including flared gas), which is defined as all hydrocarbons and gaseous substances not defined as oil in subparagraph (a) above, produced from any well on said land (except as provided herein with respect to gas processed in a plant for the extraction of gasoline, liquid hydrocarbons or other products) Three-Sixteenths (3/16) part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality in the general area where produced and when run, or the gross price paid or offered to the producer, whichever is greater; provided that the maximum pressure base in measuring the gas under this lease contract shall not at any time exceed 14.65 pounds per square inch absolute, and the standard base temperature shall be sixty (60) degrees Fahrenheit, correction to be made for pressure according to Boyle's Law, and for specific gravity according to tests made by the Balance Method or by the most approved method of testing being used by the industry at the time of testing.

(c) **PROCESSED GAS.** As a royalty on any gas processed in a gasoline plant or other plant for the recovery of gasoline or other liquid hydrocarbons, Three-Sixteenths (3/16) part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease, and on fifty percent (50%) or that percent accruing to Lessee, whichever is greater, of the total plant production of liquid hydrocarbons attributable to the gas produced from this lease; provided that if liquid hydrocarbons are recovered from gas processed in a plant in which Lessee (or its parent, subsidiary or affiliate) owns an interest, then the percentage applicable to liquid hydrocarbons shall be fifty percent (50%) or the highest percent accruing to a third party processing gas through such plant under a processing agreement negotiated at arms' length (or if there is no such third party, the highest percent then being specified in processing agreements or contracts in the industry), whichever is greater. The respective royalties on residue gas and on liquid hydrocarbons shall be determined by 1) the highest market price paid or offered for any gas (or liquid hydrocarbons) of comparable quality in the general area, or 2) the gross price paid or offered for such residue gas (or the weighted average gross selling price for the respective grades of liquid hydrocarbons, F.O.B. at the plant in which said gas is processed), whichever is greater.

(d) **OTHER PRODUCTS.** As a royalty on carbon black, sulphur or any other products produced or manufactured from gas (excepting liquid hydrocarbons) whether said gas be "casinghead," "dry" or any other gas, by fractionating, burning or any other processing, Three-Sixteenths (3/16) part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows: 1) on the basis of the highest market price of each product for the same month in which such product is produced, or 2) on the basis of the average gross sale price of each product for the same month in which such product is sold, whichever is greater.

5. **MINIMUM ROYALTY.** For each calendar year following the date of the expiration of the primary term when this lease is held for any part of such calendar year by production, the royalty received under this lease must not be less than an amount equal to the total annual delay rental provided for in Paragraph 3. If Paragraph 3 of this lease does not specify a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre.

6. **ROYALTY IN KIND.** Notwithstanding any other provision in this lease, at any time or from time to time, the owner of the soil or the Commissioner of the General Land Office may, at the option of either, upon not less than sixty (60) days notice to the holder of the lease, require that the payment of any royalties accruing to such royalty owner under this lease be made in kind.

7. **NO DEDUCTIONS.** Lessee agrees that all royalties accruing under this lease (including those paid in kind) shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and otherwise making the oil, gas and other products hereunder ready for sale or use. Lessee agrees to compute and pay royalties on the gross value received, including any reimbursements for severance taxes and production related costs.

8. **PLANT FUEL AND RECYCLED GAS.** No royalty shall be payable on any gas as may represent this lease's proportionate share of any fuel used to process gas produced hereunder in any processing plant. Notwithstanding any other provision of this lease, and subject to the written consent of the owner of the soil and the Commissioner of the General Land Office, Lessee may recycle gas for gas lift purposes on the leased premises or for injection into any oil or gas producing formation underlying the leased premises after the liquid hydrocarbons contained in the gas have been removed; no royalties shall be payable on the recycled gas until it is produced and sold or used by Lessee in a manner which entitles the royalty owners to a royalty under this lease.

9. **ROYALTY PAYMENTS AND REPORTS.** All royalties which are required to be paid to the Commissioner of the General Land Office under this lease shall be due and payable in the following manner: Royalty on oil is due and must be received in the General Land Office on or before the 5th day of the second month succeeding the month of production, and royalty on gas is due and must be received in the General Land Office on or before the 15th day of the second month succeeding the month of production, accompanied by the affidavit of the owner, manager or other authorized agent, completed in the form and manner prescribed by the General Land Office and showing the gross amount and disposition of all oil and gas produced and the market value of the oil and gas, together with a copy of all documents, records or reports confirming the gross production, disposition and market value including gas meter readings, pipeline receipts, gas line receipts and other checks or memoranda of amount produced and put into pipelines, tanks, or pools and gas lines or gas storage, and any other reports or records which the General Land Office may require to verify the gross production, disposition and market value. Each royalty payment shall be accompanied by a check stub, schedule, summary or other remittance advice showing by the assigned General Land Office lease number the amount of royalty being paid on each lease. If Lessee pays his royalty on or before thirty (30) days after the royalty payment was due, then Lessee owes a penalty of 5% of the royalty or $25.00, whichever is greater. A royalty payment which is over thirty (30) days late shall accrue a penalty of 10% of the royalty due or $25.00, whichever is greater. In addition to a penalty, royalties shall accrue interest at a rate of 12% per year; such interest will begin accruing when the royalty is sixty (60) days overdue. Affidavits and supporting documents which are not filed when due shall incur a penalty in an amount set by the General Land Office administrative rule which is effective on the date when the affidavits or supporting documents were due. The Lessee shall bear all responsibility for paying or causing royalties to be paid in the manner prescribed in this paragraph. Payment of the delinquency penalty shall in no way operate to prohibit the State's right of forfeiture as provided by law nor act to postpone the date on which royalties were originally due. The above penalty provisions shall not apply in cases of title dispute as to the State's portion of the royalty or to that portion of the royalty in dispute as to fair market value. Penalties due under this paragraph are subject to change in order to conform to any future penalty statutes. The State shall have a first lien upon all oil and gas produced from the area covered by this lease to secure the payment of all unpaid royalty and other sums of money that may become due to the State under this lease.

10. **PERMITS, REPORTS, AND RESERVES.** Lessee shall file all drilling permits in the name of the " State" and require each well and/or tank battery on the leased premises to be designated by the word "State" for identification and reporting to the Railroad Commission or any other governmental agency. Written notice of operations under this lease shall be submitted to the Commissioner of the General Land Office by Lessee five (5) days before spud date, cessation of production, workover, re-entry, temporary abandonment or abandonment of any well and shall include copies of Railroad Commission forms for application to drill, well tests, completion reports and plugging records. Lessee shall supply the General Land Office with any records, memoranda, accounts, reports, cuttings and cores, or other information relative to the operation of the above described premises, which may be requested by the General Land Office, in addition to those herein expressly provided for. Lessee shall have an electrical and/or radioactivity survey made on the bore-hole section, from the base of the surface casing to the total depth of well, of all wells drilled on the above described premises and shall transmit a true copy of the log of each survey on each well to the General Land Office within fifteen (15) days after the making of said survey. The Commissioner of the General Land Office reserves the right to require Lessee to annually furnish logs on all wells drilled on said land and to annually furnish the said Commissioner with its best possible estimate of oil and gas reserves underlying this lease or allocable to this lease.

11. **DRY HOLE CLAUSE.** If, during the primary term hereof and prior to discovery and production of oil or gas on said land, Lessee should drill a dry hole or holes thereon, or if, after discovery and production of oil or gas, the production thereof should cease from any cause, this lease shall not terminate if on or before the rental paying date next ensuing after the expiration of sixty (60) days from date of completion of said dry hole or cessation of production Lessee commences additional drilling or reworking operations thereon, or commences or resumes the payment of annual delay rental in the same manner as provided in Paragraph 3 of this lease. If a dry hole be completed and abandoned during the last year of the primary term, Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in oil or gas well within the primary term hereof, Lessee may resume payment of annual rental in the same manner as provided in Paragraph 3 in this lease on or before the rental paying date next ensuing after sixty (60) days from the date of completion of such shut-in oil or gas well and upon the failure to make such annual rental payment, this lease shall ipso facto terminate. If at the expiration of the primary term or at any time thereafter a shut-in oil or gas well is located on the leased premises, payments may be made in accordance with the provisions of Paragraph 14 of this lease.

12. **DRILLING AND REWORKING AT EXPIRATION OF PRIMARY TERM.** If, at the expiration of the primary term, neither oil nor gas is being produced on said land, but Lessee is then engaged in drilling or reworking operations thereon, this lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted in good faith and in workmanlike manner without interruptions totaling more than sixty (60) days during any one such operation, and if they result in the production of oil and/or gas, so long thereafter as oil and/or gas is produced in paying quantities from said land, or payment of shut-in oil or gas well royalties or compensatory royalties is made as provided in this lease.

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

14. **SHUT IN ROYALTIES.** If, at the expiration of the primary term or at any time thereafter, a well or wells capable of producing oil or gas in paying quantities is located on the leased premises but oil or gas is not being produced for lack of suitable production facilities or a suitable market, and the lease is not being maintained in force and effect, Lessee may pay as a shut-in oil or gas royalty an amount equal to double the annual rental provided in Paragraph 3 of this lease but not less than $1,200 a year for each well capable of producing oil or gas in paying quantities. If Paragraph 3 of this lease does not specify a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre. To be timely such shut-in oil or gas royalty payment must be made as follows: If the well or wells are shut-in within 30 days before the expiration of the primary term, then such payment is to be made within 30 days following the expiration of the primary term; if the well or wells are shut in at any other time during the primary term, then such payment is to be made on or before the expiration of the primary term; if the well or wells are shut-in after the expiration of the primary term, then such payment is to be made within 60 days from the date that this lease ceases to be maintained by production or by a reworking operation or by a drilling operation. Such payment shall be made one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil. If the shut-in oil or gas royalty is paid, the lease shall be considered to be a producing lease and the payment shall extend the term of the lease for a period of one year from the end of the primary term or from the first day of the month next succeeding the month in which production ceased and after that, if no suitable production facilities or suitable market for the oil or gas exists, Lessee may extend the lease for four additional and successive periods of one year by paying the same amount each year on or before the expiration of the extended term. If Paragraph 3 of this lease does not specify a delay rental amount, then, for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre. If, during the period the lease is kept in effect by payment of the shut-in oil or gas royalty, oil or gas is sold and delivered in paying quantities from a well located within 1,000 feet of the leased premises and completed in the same producing reservoir or, in any case in which drainage is occurring, the right to continue to extend the lease by paying the shut-in oil or gas royalty shall cease. The lease shall remain effective for the remainder of the year for which the royalty has been paid and for an additional period of not more than five years by Lessee paying compensatory royalty at the royalty rate provided in the lease of the value at the well of production from the well which is causing the drainage or which is completed in the same producing reservoir and within 1,000 feet of the leased premises. The compensatory royalty is to be paid monthly, one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil, beginning on or before the last day of the month next succeeding the month in which the oil or gas is sold and delivered from the well. If the compensatory royalty paid in any 12-month period is in an amount less than the annual shut-in oil or gas royalty, Lessee shall pay an amount equal to the difference within 30 days from the end of the 12-month period. None of these provisions will relieve Lessee of the obligation of reasonable development or the obligation to drill offset wells as provided in Texas Natural Resources Code §52.034.

15. **DEVELOPMENT.** Notwithstanding any provision of this lease to the contrary, after a well producing, or capable of producing, oil or gas has been completed on the leased premises, Lessee shall exercise the diligence of a reasonably prudent operator in drilling such additional well or wells as may be reasonably necessary for the proper development of the leased premises and in marketing the oil and gas produced. In the event this lease is in force and effect three (3) years after the expiration date of the primary term, it shall then terminate as to all of the leased premises, EXCEPT: 1) 40 acres surrounding each producing oil well and 320 acres surrounding each producing gas well (including a shut-in oil or gas well as provided in Paragraph 14 of this lease), or a well upon which Lessee is then engaged in continuous drilling or reworking operations, or 2) the number of acres included in a producing pooled unit pursuant to Texas Natural Resources Code § 52.151-§ 52.153, or 3) such greater or lesser number of acres as may then be allocated for production purposes to a proration unit for each such producing well under the rules and regulations of the Railroad Commission, of Texas, or any successor agency, or other governmental authority having jurisdiction. "Producing" as used in this lease means producing in paying quantities. The acreage retained under this provision as to each well shall, as nearly as practical, be in the form of a square with the well located in the center or in such other shape as may be approved by the Commissioner of the General Land Office. Lessee shall execute and record a release or releases containing a satisfactory description of the acreage terminated under this provision, and the recorded release, or a certified copy of same, shall be filed in the General Land Office, accompanied by the prescribed filing fee.

16. **OFFSET WELLS.** Neither the bonus, delay rentals, nor royalties paid or to be paid under this lease, shall relieve Lessee of his obligation to protect the oil and gas under the above-described land from being drained. To prevent drainage, Lessee is obligated to drill as many wells as the facts may justify and to the depth or depths necessary for effective protection against undue drainage. In addition, if a draining well which is not on Relinquishment Act property and which is producing in commercial quantities is located within 1000 feet of the above-described land, Lessee is statutorily obligated to drill an offset well on the leased premises within 100 days after the draining well begins production in commercial quantities. Failure to satisfy the statutory offset obligation may subject this lease and the owner of the soil's agency rights to forfeiture.

17. **FORCE MAJEURE.** If, after a good faith effort, Lessee is prevented from complying with any express or implied covenant of this lease, from conducting drilling operations on the leased premises, or from producing oil or gas from the leased premises by reason of war, rebellion, riots, strikes, acts of God, or any valid order, rule or regulation of government authority, then while so prevented, Lessee's obligation to comply

with such covenant shall be suspended and Lessee shall not be liable for damages for failure to comply with such covenants; additionally, this lease shall be extended while Lessee is prevented, by any such cause, from conducting drilling and reworking operations or from producing oil or gas from the leased premises. However, nothing in this paragraph shall suspend the payment of delay rentals in order to maintain this lease in effect during the primary term in the absence of such drilling or reworking operations or production of oil or gas.

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

19. **PROPORTIONATE REDUCTION CLAUSE.** If the owner of the soil owns less than the entire undivided surface estate in the above described land, whether or not Lessee's interest is specified herein, then the royalties and rental herein provided to be paid to the owner of the soil shall be paid to him in the proportion which his interest bears to the entire undivided surface estate and the royalties and rental herein provided to be paid to the Commissioner of the General Land Office of the State of Texas shall be likewise proportionately reduced. However, before Lessee adjusts the royalty or rental due to the Commissioner of the General Land Office, Lessee or his authorized representative must submit to the Commissioner of the General Land Office a written statement which explains the discrepancy between the interest purportedly leased under this lease and the actual interest owned by the owner of the soil. The Commissioner of the General Land Office shall be paid the value of the whole production allocable to any undivided interest not covered by a lease, less the proportionate development and production cost allocable to such undivided interest. However, in no event shall the Commissioner of the General Land Office receive as a royalty on the gross production allocable to the undivided interest not leased an amount less than the value of one-sixteenth (1/16) of such gross production.

20. **USE OF WATER.** Lessee shall have the right to use water produced on said land necessary for operations under this lease except water from wells or tanks of the owner of the soil; provided, however, Lessee shall not use potable water or water suitable for livestock or irrigation purposes for waterflood operations without the prior consent of the owner of the soil.

21. **AUTHORIZED DAMAGES.** Lessee shall pay the owner of the soil for damages caused by its operations to all personal property, improvements, livestock and crops on said land.

22. **PIPELINE DEPTH.** When requested by the owner of the soil, Lessee shall bury its pipe lines below plow depth.

23. **WELL LOCATION LIMIT.** No well shall be drilled nearer than two hundred (200) feet to any house or barn now on said premises without the written consent of the owner of the soil.

24. **CONSERVATION CLAUSE.** Lessee shall have the exclusive right to build, operate and maintain pits, reservoirs, pickup stations and plants for the purpose of picking up and conserving waste oil that flows down the creeks, ravines and across the leased premises, whether such waste oil is produced from the leased premises or from other lands. Royalties, as provided in this lease for regularly produced oil, are also owed on all such waste oil.

25. **REMOVAL OF EQUIPMENT.** Subject to limitations in this paragraph, Lessee shall have the right to remove machinery and fixtures placed by Lessee on the leased premises, including the right to draw and remove casing, within one hundred twenty (120) days after the expiration or the termination of this lease unless the owner of the soil grants Lessee an extension of this 120-day period. However, Lessee may not remove casing from any well capable of producing oil and gas in paying quantities. Additionally, Lessee may not draw and remove casing until after thirty (30) days written notice to the Commissioner of the General Land Office and to the owner of the soil. The owner of the soil shall become the owner of any machinery, fixtures, or casing which are not timely removed by Lessee under the terms of this paragraph.

26. (a) **ASSIGNMENTS.** Under the conditions contained in this paragraph and Paragraph 28 of this lease, the rights and estates of either party to this lease may be assigned, in whole or in part, and the provisions of this lease shall extend to and be binding upon their heirs, devisees, legal representatives, successors and assigns. However, a change or division in the ownership of the land, rentals, or royalties will not enlarge the obligations of Lessee, diminish the rights, privileges and estates of Lessee, impair the effectiveness of any payment made by Lessee or impair the effectiveness of any act performed by Lessee. And no change or division in the ownership of the land, rentals, or royalties shall bind Lessee for any purpose until thirty (30) days after the owner of the soil (or his heirs, devisees, legal representatives or assigns) furnishes the Lessee with satisfactory written evidence of the change in ownership, including the original recorded muniments of title (or a certified copy of such original) when the ownership changed because of a conveyance. A total or partial assignment of this lease shall, to the extent of the interest assigned, relieve and discharge Lessee of all subsequent obligations under this lease. If this lease is assigned in its entirety as to only part of the acreage, the right and option to pay rentals shall be apportioned as between the several owners ratably, according to the surface area of each, and failure by one or more of them to pay his share of the rental shall not affect this lease on the part of the land upon which pro rata rentals are timely paid or tendered; however, if the assignor or assignee does not file a certified copy of such assignment in the General Land Office before the next rental paying date, the entire lease shall terminate for failure to pay the entire rental due under Paragraph 3.

(b) **ASSIGNMENT LIMITATION.** Notwithstanding any provision in Paragraph 26(a), if the owner of the soil, or his nominee, or any corporation or subsidiary in which he is a principal stockholder, or a partnership in which he is a partner, acquires this lease in whole or in part by assignment without the prior written approval of the Commissioner of the General Land Office, this lease and the agency power of the owner of the soil may be forfeited by the Commissioner. If, after receiving written approval from the Commissioner, the owner of the soil, or any of the above-named entities in the stated capacities, acquires this lease in whole or in part by assignment and, within three (3) years thereafter, assigns this lease for a valuable consideration, the owner of the soil shall pay the state one-half of the profit he receives on the subsequent assignment. Failure of the State to share in such profit shall subject this lease to forfeiture at the option of the Commissioner.

27. **RELEASES.** Under the conditions contained in this paragraph and Paragraph 28, Lessee may at any time execute and deliver to the owner of the soil and place of record a release or releases covering any portion or portions of the leased premises, and thereby surrender this lease as to such portion or portions, and be relieved of all subsequent obligations as to acreage surrendered. If any part of this lease is properly surrendered, the delay rental due under this lease shall be reduced by the proportion that the surrendered acreage bears to the acreage which was covered by this lease immediately prior to such surrender; however, such release will not relieve Lessee of any liabilities which may have accrued under this lease prior to the surrender of such acreage.

28. **FILING OF ASSIGNMENTS AND RELEASES.** If all or any part of this lease is assigned or released, such assignment or release must be recorded in the county where the land is situated, and the recorded instrument, or a copy of the recorded instrument certified by the County Clerk of the county in which the instrument is recorded, must be filed in the General Land Office within 90 days of the last execution date accompanied by the prescribed filing fee. If any such assignment is not so filed, the rights acquired under this lease shall be subject to forfeiture at the option of the Commissioner of the General Land Office.

29. **LEASE FILING.** It is recognized that before this lease is effective a certified copy of this lease (which is made and certified by the County Clerk from his records) shall be filed in the General Land Office in accordance with Texas Natural Resources Code § 52.183, and this lease shall not be binding upon the State unless it recites the actual and true consideration paid or promised for execution of this lease. The bonus due the State and the prescribed filing fee shall accompany such certified copy to the General Land Office.

30. **DISCLOSURE CLAUSE.** All provisions pertaining to the lease of the above-described land have been included in this instrument, including the statement of the true consideration to be paid for the execution of this lease and the rights and duties of the parties. Any collateral agreements concerning the development of oil and gas from the leased premises which are not contained in this lease render this lease invalid.

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

32. **FORFEITURE.** If Lessee shall fail or refuse to make the payment of any sum within thirty days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if Lessee should fail to file reports in the manner required by law or fail to comply with rules and regulations promulgated by the General Land Office, the School Land Board, or the Railroad Commission, or if Lessee should refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or knowingly fail or refuse to furnish the General Land Office a correct log of any well, or if Lessee shall knowingly violate any of the material provisions of this lease, or if this lease is assigned and the assignment is not filed in the General Land Office as required by law, the rights acquired under this lease shall be subject to forfeiture by the Commissioner, and he shall forfeit same when sufficiently informed of the facts which authorize a forfeiture, and when forfeited the area shall again be subject to lease under the terms of the Relinquishment Act. However, nothing herein shall be construed as waiving the automatic termination of this lease by operation of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this lease and all rights thereunder reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

33. **RAILROAD COMMISSION HEARINGS ON GAS.** No natural gas or casinghead gas, including both associated and nonassociated gas, produced from the mineral estate subject to this lease may be sold or contracted for sale to any person for ultimate use outside the State of Texas unless the Railroad Commission, after notice and hearing as provided in Title 3 of the Texas Natural Resources Code, finds that:

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

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

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

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

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

(f) no person who resides in this state and who relies on natural gas or casinghead gas to provide in whole or part his existing needs for fuel or raw material requires the natural gas or casinghead gas to meet those needs; provided, however, after notice and hearing as provided in Title 3 of the Texas Natural Resources Code the Railroad Commission may grant exceptions to these provisions as set forth in Texas Natural Resources Code § 52.296.

34. This lease is issued under the provisions of Texas Natural Resources Code §§ 52.171 through 52.187, commonly known as the Relinquishment Act, and other applicable statutes and amendments thereto, and if any provision in this lease does not conform to these statutes, the statutes will prevail over any nonconforming lease provisions.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

STATE OF TEXAS
BY: _____
Individually and as agent for the State of Texas

STATE OF TEXAS
BY: Violet Schuler
Individually and as agent for the State of Texas

Violet Schu[redacted]
S.S. # [redacted]

STATE OF TEXAS
BY: _____
Individually and as agent for the State of Texas

STATE OF TEXAS
BY: _____
Individually and as agent for the State of Texas

STATE OF Illinois
COUNTY OF Cook

Before me, the undersigned authority, on this day personally appeared Violet Schuler, known to me to be the person whose name(s) is/~~are~~ subscribed to the foregoing instrument, and acknowledged to me that She/~~they~~ executed the same for the purposes and consideration therein expressed, and in the capacities therein stated.

Given this my hand and seal of office this the 4th day of December, 1987

OFFICIAL SEAL
AGNES C. POMARO
Notary Public, State of Illinois
My Commission Expires 4/14/89

Agnes C Pomaro
Notary Public in and for Cook County, ~~Texas~~ ILLINOIS

NOTE: Notary please print or type name.

STATE OF
COUNTY OF

Before me, the undersigned authority, on this day personally appeared _____, known to me to be the person whose name(s) is/are subscribed to the foregoing instrument, and acknowledged to me that he/they executed the same for the purposes and consideration therein expressed, and in the capacities therein stated.

Given this my hand and seal of office this the _____ day of _____, 19____.

_____
Notary Public in and for _____ County, Texas

FOR SALE BY STAFFORD-LOWDON CO. FORT WORTH 55326

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

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 OIL AND GAS LEASE FROM VIOLET SCHULER TO BLAKE OIL & GAS CORPORATION

as the same appears of record in my office in book 481 page 303, Deed Record.

Given under my Hand and Seal of said Court, at office in Pecos, Texas this 15th day of December 19 87.

CATHERINE ASHLEY Clerk,

By Billie Jo Freeman Deputy.
(Billie Jo Freeman)

ANY PROVISION HEREIN WHICH RESTRICTS THE SALE, RENTAL, OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

FILED FOR RECORD ON THE 10th DAY OF December, A.D. 1987 AT 12:01P. M.

DULY RECORDED ON THE 10th DAY OF December, A.D. 1987 AT 3:00P. M.

BY Billie Jo Freeman DEPUTY

CATHERINE ASHLEY, COUNTY CLERK,
REEVES COUNTY, TEXAS.

M-88676 (38)

Oil & Gas Lease

12-26-87

RECEIVED AS STATED

Date 12-26-87 $500.00
Reg No 19811

GENERAL LAND OFFICE

RECEIVED AS STATED

Date 12-26-87 $25.00
Reg No 19811

GENERAL LAND OFFICE

T5-32-81

Garry Mauro
Commissioner
General Land Office

January 7, 1988

Jack E. Blake
400 North Main
Midland, TX 79701-4780

Attn: Bruce W. Blake

Re: Relinquishment Act Lease M-88676
T&P RY Co. Survey
Pt. Sec. 12, Blk. 57, Tsp. 2
Reeves County, Texas

Dear Mr. Blake:

The certified copy of a Relinquishment Act lease covering the captioned tract has been approved and filed in our records under the captioned mineral file number. Please refer to this file number in all future correspondence concerning this lease.

Your remittance of $716.50 has been applied as the state's portion of the cash bonus and required filing fee. A receipt for this amount is enclosed.

Sincerely,

Peter A. Boone

Peter A. Boone
Geologist
Petroleum & Minerals Division
512/463-5022

PB/ls
Enclosure

Stephen F. Austin Building
1700 North Congress Avenue
Austin, Texas 78701
(512) 463-5256

MINERAL FILE # 88676 INITIATING DIVISION Revenue Processing

EXPIRATION/DELAY RENTAL TERMINATION WORKSHEET

(1) RENTALS DATE RECEIVED 1-14-88 DATE FORWARDED 2-4-88 RENTAL ANALYST [signature]

Expiration: Lease date 11-22-83 (10-8-82) Primary term 3 yrs (5 yrs)

If unitized, complete unit information in Delay/Rental Section
and
Forward to Maps

Delay/Rental: Payment received?_____	If lease unitized:
If NO, Forward to Maps.	Unit acres_____
If YES, complete below & forward to Legal:	Non-unit acres_____
amt. received_____ amt. due_____	Unit acres to be
date received_____ date due_____	terminated_____
Comments:_____	Non-unit acres to
_____	be terminated_____

---

(2) MAPS DATE RECEIVED 1-14-88 DATE FORWARDED 1-19-88 MAP ANALYST [signature]

Are new well locations shown on map or unposted W-1's? No

If Yes, forward to geology
If No, forward to Legal for terminations
forward to Rentals for expirations

GLO-L-43-10-86

(3) GEOLOGY DATE RECEIVED_____ DATE REVIEWED_____ DETAILED_____

Do W-1 Files show new well locations?_____

If Yes call operator

Spud date:_____ Comments:_____

---

(4)LEGAL DATE RECEIVED_____ LEASE ANALYST _____ ATTORNEY_____

If drilling has begun, has extension payment been made?_____

Last Assignee in file?_____

Date lease terminated/expired?_____

Date initial letter mailed?_____

Date when mineral file endorsed as "expired" or "terminated" and final termination letter mailed:_____

Comments:_____

---

(40) M-88616
antig Memo
1-14-88

111
161

JACK E. BLAKE
400 NORTH MAIN
MIDLAND, TEXAS 79701-4780

OFF. (915) 684-7888 RES. (915) 684-7745

August 27, 1988

Garry Mauro
Commissioner
General Land Office
Stephen F. Austin Bldg.
1700 North Congrass Ave
Austin, TX 78701

Re: Relinquishment Act Lease M-88676
T&P RR Co. Survey
Pt. of Section 12 Blk 57 Twp. 2
Reeves Co TX

Attn: Peter A. Boone

Dear Mr. Boone,

I have enclosed with this letter copies of additional leases on the above captioned tract. The bonus offered, and royalty are $75.00 and 3/16th's as approved previously under the above captioned lease M-88676.

These are all very small interests, and I wonder if the requirement for certified copies can be weived. We will effectively double our bonus when we pay for all those certified copies!

Also enclosed is a copy of a filed Affidavit of Heirship covering the interest being leased at this time.

Please advise us of any problem with approval on this latest leasing request.

Very truly yours

Bruce W. Blake

BWB/bwb

JACK E. BLAKE
400 NORTH MAIN
MIDLAND, TEXAS 79701-4780

OFF. (915) 684-7888 RES. (915) 684-7745

August 26, 1988

Re: SE/part of the North 440 acres of
Section 12, Block 57, T-2
T&P RR Company Survey
Reeves County, Texas

Dear Sirs:

At this time we are attempting to put together leases covering all of the F. C. Gehle heirs in the above captioned lands.

As you know, this is mineral classified acreage. The State of Texas receives half the rents and bonuses, and the State of Texas must approve the terms of the oil and gas lease. At this time, we have approved by the State, $75 per net acre bonus, 3/16th royalty, and 3 year primary term.

I've enclosed with this letter an Oil & Gas Lease on the approved terms. Under the statutes of the State of Texas, the State receives 1/2 of the bonus, and you, as owner of the soil, receive 1/2 of the bonus. A draft in the amount of your bonus is included with this letter. If you find everthing to be in order, closing procedure is as follows:

1. Sign the lease in the presence of a Notary Public, and put your Social Security Number in the space provided.

2. Fill in the blank left open for "depository bank". This is located on the front of the lease about halfway down.

3. Sign the back of the sight draft, and deposit it at your bank's Collection Department.

4. Return the executed lease to us in the enclosed envelope, and keep the papers marked "COPY" for your records.

If you have any questions with this Oil & Gas Lease, please feel free to give me a call. In addition, we have previously written you requesting addresses for missing heirs. We do not have current addresses for Lorna Jean Rybacheck, Donald H. Kiel, or Shirley E. Campbell. If you know the whereabouts of any of these individuals, we request you drop us a line with their current addresses. Once again, we appreciate your cooperation in this matter.

Very truly yours,

Bruce W. Blake

BWB/jb

Enclosures

(41)

M-88676

HR from Bruce Blake

8-27-88

8.31.88

Garry Mauro
Commissioner
General Land Office

September 1, 1988

Jack E. Blake
400 North Main
Midland, Texas 79701-4780

RE: Proposed Relinquishment Act Leases
Part of Section 12
Blk. 57, T-2, T&P Survey
Reeves County, Texas

Dear Mr. Blake:

On March 11, 1988, a processing fee of $100.00 for Relinquishment Act Leases became effective. This fee was authorized under 31 TAC, Chapter 1, Section 1.91 and adopted by 13 TexReg 1028.

To continue processing the above referenced leases please submit a check payable to the General Land Office in the amount of $100.00.

Please call if you have any questions concerning this new fee.

Sincerely,

Peter A. Boone

Peter A. Boone
Geologist
Petroleum & Minerals Division
(512) 463-5022

PB:tty

Stephen F. Austin Building
1700 North Congress Avenue
Austin, Texas 78701
(512) 463-5256

(42)

M-8867C
Ltr to Jack Blalock
9-1-88

JACK E. BLAKE
400 NORTH MAIN
MIDLAND, TEXAS 79701-4780

OFF. (915) 684-7888 RES. (915) 684-7745

September 7, 1988

Garry Mauro, Commissioner
General Land Office
Attn: Peter A. Boone
Stephen F. Austin Bldg.
1700 N. Congress Ave.
Austin, Texas 78701

Re: Relinquishment Act Lease M-88676
Pt. of Section 12, Blk. 57, Twp. 2
T&P RR Co. Survey
Reeves Co., Texas

Dear Mr. Boone,

X-100.00 89003042

Enclosed please find our check in the amount of $100.00 for the processing fee for Relinquishment Act Leases. In addition, we are enclosing two more leases in the captioned property at the same terms as previously approved.

Please advise if you have any questions with the additional leases.

Very truly yours,

Bruce W. Blake

171
161

BWB/jb

Enclosures

(43)

M-88676

HR from Jack Blake

3-13-98

R.A.L. Form Review Checklist

County Reeves Sec. 80 ac of N 440 12 Blk. 57 Survey T&P/T-2 Lessee Blake O&G
Surface Owner _____ Undivided Int. X Full Int. ____

I Initial review of proposed lease

Current lease form used NP
Lease covers R.A.L. land ✓
No active leases on same interest ✓
Lease date okay ✓
Lease is not a top lease ✓
Legal description complete and accurate ✓
Depth limitations, if any, included None
Covers no more than 4 sections (2560 acres) ✓
Multiple tracts contiguous or within 1/2 mile N/A
All interests in surface estate included
Surface owner not principal in lessee company
Bonus amount correct ✓
Primary term correct ✓
Delay rental correct ✓
Royalty correct ✓
Lease form complete NO
Are there additions or deletions to form NO
Are additional provisions, if any, okay
Is the lease signed NO
If signed, by proper individuals —
If signed, is it properly executed and acknowledged —
If signed, is it certified by county clerk with seal —

REVIEWED BY D.B. 9-14-88 REVIEWED BY _____

COMMENTS: Need to use current lease forms. Nine of the leases are incomplete. Must use full lease form for all leases. Delete "and rentals" from paragraph 19. Use legal description on all leases and compensate for lengthiness ie: shift paragraph 2 to second page of lease. Applicant appears not to be leasing his own interest. R.W. Blake, a current lessor had his interest leased in 1983. The 1983 leases appear to have expired.

II Final review, after bonus and fees received

Necessary changes made, if any
Lease complete and correct
Lease properly signed by all parties
All signatures properly acknowledged
Lease certified by county clerk and seal affixed

REVIEWED BY _____ REVIEWED BY _____

(44)

M-88-076

RAL Form Review Wksheet

9-14-88

Garry Mauro
Commissioner
General Land Office

September 21, 1988

Jack E.Blake
400 North Main
Midland, TX 79701-4780

Re: Proposed Relinquishment Act Leases
Undivided Interest Leases
Pt. Sec. 12, Blk. 57, Tsp. 2
T&P RR Co. Survey
Reeves County, Texas

Dear Mr. Blake:

We hereby acknowledge receipt of your letter of August 27, 1988, and the proposed Relinquishment Act leases covering the captioned tract. The proposed leases have been approved as to consideration but not as to form. Consideration and terms include: $75.00 per acre bonus, 3/16 royalty, a 3 year primary term, and $1.00 per acre rental, for each lease.

In regard to the form, please use the current lease form, in its entirety, for each lease; delete "and rentals" from Paragraph 19 of each lease; and use a complete legal description on each lease.

The State will accept the leases if the above-stated changes are made. If you agree with the changes, please furnish this office with certified copies of the leases for filing, together with a check in the amount of $317.24, representing the total amount due as the State's half of the cash bonus and the required $25.00 filing fee for each lease. Pending receipt of your reply, we will hold your materials in our suspense file for a period of three (3) months.

Should you have any questions, please call.

Sincerely,

Peter A. Boone
Geologist
Petroleum & Minerals Development
(512) 463-5022

PAB:lll

Stephen F. Austin Building
1700 North Congress Avenue
Austin, Texas 78701
(512) 463-5256

JACK E. BLAKE
400 NORTH MAIN
MIDLAND, TEXAS 79701-4780

OFF. (915) 684-7888

RES. (915) 684-7745

November 4, 1988

General Land Office
Garry Mauro, Commissioner
Attn: Peter A. Boone
Stephen F. Austin Building
1700 N. Congress Ave.
Austin, Texas 78701

Re: Blk. 57, Sec. 12, SE/80 of N/440
T-2, T&P RR Company Survey
Reeves County, Texas
Oil & Gas Leases - MCL

Dear Mr. Boone,

Enclosed please find Oil and Gas Leases covering 19.572 net acres in the captioned lands. These are all certified copies with the exception of Shirley E. Campbell. We have sent this lease for recording and will forward a certified copy upon receipt.

89013007

We have also enclosed our check for the same for $958.96 covering the State's share of bonus consideration on each, plus the $25.00 filing fee for each. Should you have any questions regarding the enclosed, please contact the undersigned.

Very truly yours,

Bruce W. Blake

BWB/jb

Enclosures

M-88676 46
Ltr from Blake 016
11-4-88

Mineral Classified Land
Lease Consideration Comparison

County Reeves
Area SE/4 ac of N/440ac of Sec 12, Blk 57, T-2, T&P

M. F.	Acres	Lease Date	Term	Total Bonus	B/Ac	Rental	Comparison
New	.296 80	8-26-88	3 yrs	$22.20	$75	$1.00	3/32
M-92187	160	2-23-87	3 yrs	$8000	$50	$1.00	3/20 5½ mi E
M-92197	640	4-12-87	3 yrs	$36,400	$60	$1.00	1/10 1½ mi W
M-92207	320	5-25-87	5 yrs	$16,000	$50	$1.00	3/32 2 mi S
M-92678	640	1-11-88	9 mo.	$6,400	$10	N/A	8.5% 3½ mi W

142477

Low 100 Hi 225 mc 175

Remarks: Within Matthews (Low, Cherry Canyon) fld.
Disc. 5/84, [redacted] 279,347 66/5
3 oil wells adj S./currently producing as little as 7 bbls/day & as much as 246 bbls/day

Consideration
Recommended RAB 9-16-88
Not Recommended

MF - 88676

Surface Owner Name	Net Acres	State's Royalty	Net Acres/80 acres	Net State's Royalty
Schuler, R.A & James	8.88	0.09375	0.111	0.01040625
Schuler, Evelyn	4.44	0.09375	0.0555	0.005203125
Schuler, Viiolet	13.33	0.09375	0.166625	0.015621094
Oestrich, Lois & Clint	0.296	0.09375	0.0037	0.000346875
Max, Mildred	0.89	0.09375	0.011125	0.001042969
Kiel, Richard	0.444	0.09375	0.00555	0.000520313
Gehle, Richard	0.89	0.09375	0.011125	0.001042969
Gehle, Mary C.	1.34	0.09375	0.01675	0.001570313
Farwell, Altha M.	1.34	0.09375	0.01675	0.001570313
Kiel, Donald	0.296	0.09375	0.0037	0.000346875
Rybacheck, L.J.	0.296	0.09375	0.0037	0.000346875
Novallo, Algo A.	1.34	0.09375	0.01675	0.001570313
Campbell, Shirley	1.34	0.09375	0.01675	0.001570313
Wurm ,E. I.	0.89	0.09375	0.011125	0.001042969
Wagner, Carol & Arthur	0.444	0.09375	0.00555	0.000520313
Blake, Jack & Carol	16.884	0.115	0.21105	0.02427075
Staples, B.J.	13.33	0.115	0.166625	0.019161875
Blake, Robert & Marion	13.33	0.115	0.166625	0.019161875
	80			0.105316375

FILE NO. 2785 LOIS OESTRICH, ET VIR TO BLAKE OIL & GAS CORPORATION

No. 5367--General Land
Office Lease Form Under
Relinquishment Act
Revised, September 1987
GLO-L-19-(9-87)

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 30th day of Sept. 19 88, between the State of Texas, acting by and through its agent, Lois Oestrich and Clint Oestrich of 90 Donny Dr., Wappingers Falls, New York 12590 said agent (Give Permanent Address) herein referred to as the owner of the soil (whether one or more), and Blake Oil & Gas Corporation of 400 N. Main, Midland, Texas 79701 (Give Permanent Address) hereinafter called Lessee.

1. GRANTING CLAUSE. For and in consideration of the amounts stated below and of the covenants and agreements to be paid, kept and performed by Lessee under this lease, the State of Texas acting by and through the owner of the soil, hereby grants, leases and lets unto Lessee, for the sole and only purpose of prospecting and drilling for and producing oil and gas, laying pipe lines, building tanks, storing oil and building power stations, telephone lines and other structures thereon, to produce, save, take care of, treat and transport said products of the lease, the following lands situated in Reeves County, State of Texas, to-wit:

The Southeast 80 acres of the North 440 acres of said Section 12, Block 57, T-2, T&P Ry. Co. Survey, Reeves County, Texas more fully described as follows:

The Southeast part of the North 440 acres of said Section 12 was duly patented to Frank H. Schuler, F. C. Gehle and Fred M. Ulrich on November 17, 1943, by Patent No. 54, Volume 92-A as containing 80 acres, described by metes and bounds as follows:

BEGINNING at the SE/corner of the E/2 of the NE/4 of this Section in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey, and the NE/corner of this survey;

THENCE West 1267.2 varas with the South line of the N/2 to the NE/corner of the NW/ part of the S/2 and the NW/corner of this Survey;

THENCE South 356.4 varas with the East line of said NW/part of the S/2 to its SE/ corner in the North line of the South part and the SW/corner of this survey;

THENCE East 1267.2 varas with the North line of said South part to its NE/corner in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey, and the SE/corner of this Survey;

THENCE North 356.4 varas with the West line of said Section 7 to the place of beginning, containing 80 acres, more or less.

containing 80 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Eleven and 10/100---------- Dollars ($ 11.10)

To the owner of the soil: Eleven and 10/100---------- Dollars ($ 11.10)

Total bonus consideration: Twenty-two and 20/100---------- Dollars ($ 22.20)

The total bonus consideration paid represents a bonus of Seventy-five---------- ----------Dollars ($ 75.00----------) per acre, on .296 net acres.

2. TERM. Subject to the other provisions in this lease, this lease shall be for a term of three (3) years from this date (herein called "primary term") and as long thereafter as oil and gas, or either of them, is produced in paying quantities* from said land.

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*As used in this lease, the term "produced in paying quantities" means that the receipts from the sale or other authorized commercial use of the substance(s) covered exceed out of pocket operational expenses for the six months last past.

3. **DELAY RENTALS.** If no well is commenced on the leased premises on or before one (1) year from this date, this lease shall terminate, unless on or before such anniversary date Lessee shall pay or tender to the owner of the soil or to his credit in the _____ Bank, at _____, or its successors (which shall continue as the depository regardless of changes in the ownership of said land), the amount specified below; in addition, Lessee shall pay or tender to the COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS, AT AUSTIN, TEXAS, a like sum on or before said date. Payments under this paragraph shall operate as a rental and shall cover the privilege of deferring the commencement of a well for one (1) year from said date. Payments under this paragraph shall be in the following amounts:

To the owner of the soil: None and 15/100---------- Dollars ($ .15----------)
To the State of Texas: None and 15/100---------- Dollars ($ .15----------)
Total Rental: None and 30/100---------- Dollars ($ .30)

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

4. **PRODUCTION ROYALTIES.** When production of oil and/or gas is secured during the term of this lease, Lessee agrees to pay or cause to be paid one-half (1/2) of the royalty provided for in this lease to the Commissioner of the General Land Office of the State of Texas, at Austin, Texas, and one-half (1/2) of such royalty to the owner of the soil:

(a) **OIL.** Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be 3/16ths part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be determined by 1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity in the general area where produced and when run, or 2) the highest market price thereof offered or paid in the general area where produced and when run, or 3) the gross proceeds of the sale thereof, whichever is greatest. Lessee agrees that before any gas produced from the leased premises is sold, used or processed in a plant, it will be run free of cost to the parties entitled to royalties through an adequate oil and gas separator of conventional type, or other equipment at least as efficient, so that all liquid hydrocarbons recoverable from the gas by such means will be recovered. The requirement that such gas be run through a separator or other equipment may be waived in writing by the royalty owners upon such terms and conditions as they prescribe.

(b) **NON PROCESSED GAS.** Royalty on any gas (including flared gas), which is defined as all hydrocarbons and gaseous substances not defined as oil in subparagraph (a) above, produced from any well on said land (except as provided herein with respect to gas processed in a plant for the extraction of gasoline, liquid hydrocarbons or other products) shall be 3/16ths part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality in the general area where produced and when run, or the gross price paid or offered to the producer, whichever is greater; provided that the maximum pressure base in measuring the gas under this lease shall not at any time exceed 14.65 pounds per square inch absolute, and the standard base temperature shall be sixty (60) degrees Fahrenheit, correction to be made for pressure according to Boyle's Law, and for specific gravity according to tests made by the Balance Method or by the most approved method of testing being used by the industry at the time of testing.

(c) **PROCESSED GAS.** Royalty on any gas processed in a gasoline plant or other plant for the recovery of gasoline or other liquid hydrocarbons shall be 3/16ths part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease, and on fifty percent (50%), or that percent accruing to Lessee, whichever is greater, of the total plant production of liquid hydrocarbons attributable to the gas produced from this lease; provided that if liquid hydrocarbons

are recovered from gas processed in a plant in which Lessee (or its parent, subsidiary or affiliate) owns an interest, then the percentage applicable to liquid hydrocarbons shall be fifty percent (50%) or the highest percent accruing to a third party processing gas through such plant under a processing agreement negotiated at arm's length (or if there is no such third party, the highest percent then being specified in processing agreements or contracts in the industry), whichever is greater. The respective royalties on residue gas and on liquid hydrocarbons shall be determined by 1) the highest market price paid or offered for any gas (or liquid hydrocarbons) of comparable quality in the general area, or 2) the gross price paid or offered for such residue gas (or the weighted average gross selling price for the respective grades of liquid hydrocarbons, F.O.B. at the plant in which said gas is processed), whichever is greater.

(d) OTHER PRODUCTS. Royalty on carbon black, sulphur or any other products produced or manufactured from gas (excepting liquid hydrocarbons) whether said gas be "casinghead," "dry," or any other gas, by fractionating, burning or any other processing shall be 3/16ths part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows: 1) on the basis of the highest market price of each product for the same month in which such product is produced, or 2) on the basis of the average gross sale price of each product for the same month in which such product is sold, whichever is greater.

5. MINIMUM ROYALTY. For each calendar year following the date of the expiration of the primary term when this lease is held for any part of such calendar year by production, the royalty received under this lease must not be less than an amount equal to the total annual delay rental provided for in Paragraph 3. If Paragraph 3 of this lease does not specify a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre.

6. ROYALTY IN KIND. Notwithstanding any other provision in this lease, at any time or from time to time, the owner of the soil or the Commissioner of the General Land Office may, at the option of either, upon not less than sixty (60) days notice to the holder of the lease, require that the payment of any royalties accruing to such royalty owner under this lease be made in kind.

7. NO DEDUCTIONS. Lessee agrees that all royalties accruing under this lease (including those paid in kind) shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and otherwise making the oil, gas and other products hereunder ready for sale or use. Lessee agrees to compute and pay royalties on the gross value received, including any reimbursements for severance taxes and production related costs.

8. PLANT FUEL AND RECYCLED GAS. No royalty shall be payable on any gas as may represent this lease's proportionate share of any fuel used to process gas produced hereunder in any processing plant. Notwithstanding any other provision of this lease, and subject to the written consent of the owner of the soil and the Commissioner of the General Land Office, Lessee may recycle gas for gas lift purposes on the leased premises or for injection into any oil or gas producing formation underlying the leased premises after the liquid hydrocarbons contained in the gas have been removed; no royalties shall be payable on the recycled gas until it is produced and sold or used by Lessee in a manner which entitles the royalty owners to a royalty under this lease.

9. ROYALTY PAYMENTS AND REPORTS. All royalties which are required to be paid to the Commissioner of the General Land Office under this lease shall be due and payable in the following manner: Royalty on oil is due and must be received in the General Land Office on or before the 5th day of the second month succeeding the month of production, and royalty on gas is due and must be received in the General Land Office on or before the 15th day of the second month succeeding the month of production, accompanied by the affidavit of the owner, manager or other authorized agent, completed in the form and manner prescribed by the General Land Office and showing the gross amount and disposition of all oil and gas produced and the market value of the oil and gas, together with a copy of all documents, records or reports confirming the gross production, disposition and market value including gas meter readings, pipeline receipts, gas line receipts and other checks or memoranda of amount produced and put into pipelines, tanks, or pools and gas lines or gas storage, and any other reports or records which the General Land Office may require to verify the gross production, disposition and market value. Each royalty payment shall be accompanied by a check stub, schedule, summary or other remittance advice showing by the assigned General Land Office lease number, the amount of royalty being paid on each lease. If Lessee pays his royalty late but on or before thirty (30) days after the royalty payment was due, then Lessee owes a penalty of 5% of the royalty or $25.00, whichever is greater. A royalty payment which is over thirty (30) days late shall accrue a penalty of 10% of the royalty due or $25.00, whichever is greater. In addition to a penalty, royalties shall accrue interest at a rate of 12% per year; such interest will begin accruing when the royalty is sixty (60) days overdue. Affidavits and supporting documents which are not filed when due shall incur a penalty in an amount set by the General Land Office administrative rule which is effective on the date when the affidavits or supporting documents were due. The Lessee shall

bear all responsibility for paying or causing royalties to be paid in the manner prescribed in this paragraph. Payment of the delinquency penalty shall in no way operate to prohibit the State's right of forfeiture as provided by law nor act to postpone the date on which royalties were originally due. The above penalty provisions shall not apply in cases of title dispute as to the State's portion of the royalty or to that portion of the royalty in dispute as to fair market value. Penalties due under this paragraph are subject to change in order to conform to any future penalty statutes. The State shall have a first lien upon all oil and gas produced from the area covered by this lease to secure the payment of all unpaid royalty and other sums of money that may become due to the State under this lease.

10. PERMITS, REPORTS, AND RESERVES. Lessee shall file all drilling permits in the name of the "State" and require each well and/or tank battery on the leased premises to be designated by the word "State" for identification and reporting to the Railroad Commission or any other governmental agency. Written notice of operations under this lease shall be submitted to the Commissioner of the General Land Office by Lessee five (5) days before spud date, cessation of production, workover, re-entry, temporary abandonment or abandonment of any well, and shall include copies of Railroad Commission forms for application to drill, well tests, completion reports and plugging records. Lessee shall supply the General Land Office with any records, memoranda, accounts, reports, cuttings and cores, or other information relative to the operation of the above described premises, which may be requested by the General Land Office, in addition to those herein expressly provided for. Lessee shall have an electrical and/or radioactivity survey made on the bore-hole section, from the base of the surface casing to total depth of well, of all wells drilled on the above described premises and shall transmit a true copy of the log of each survey on each well to the General Land Office within fifteen (15) days after making of said survey. The Commissioner of the General Land Office reserves the right to require Lessee to annually furnish the said Commissioner with its best possible estimate of oil and gas reserves underlying this lease or allocable to this lease.

11. DRY HOLE CLAUSE. If, during the primary term hereof and prior to discovery and production of oil or gas on said land, Lessee should drill a dry hole or holes thereon, or if, after discovery and production of oil or gas, the production thereof should cease from any cause, this lease shall not terminate if, on or before the rental paying date next ensuing after the expiration of sixty (60) days from date of completion of said dry hole or cessation of production, Lessee commences additional drilling or reworking operations thereon, or commences or resumes the payment of annual delay rental in the same manner as provided in Paragraph 3 of this lease. If a dry hole be completed and abandoned during the last year of the primary term, Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in oil or gas well within the primary term hereof, Lessee may resume payment of annual rental in the same manner as provided in Paragraph 3 in this lease on or before the rental paying date next ensuing after sixty (60) days from the date of completion of such shut-in oil or gas well, and upon the failure to make such annual rental payment, this lease shall ipso facto terminate. If at the expiration of the primary term or at any time thereafter a shut-in oil or gas well is located on the leased premises, payments may be made in accordance with the provisions of Paragraph 14 of this lease.

12. DRILLING AND REWORKING AT EXPIRATION OF PRIMARY TERM. If, at the expiration of the primary term, neither oil nor gas is being produced on said land, but Lessee is then engaged in drilling or reworking operations thereon, this lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted in good faith and in workmanlike manner without interruptions totaling more than sixty (60) days during any one such operation, and if they result in the production of oil and/or gas, so long thereafter as oil and/or gas is produced in paying quantities from said land, or payment of shut-in oil or gas well royalties or compensatory royalties is made as provided in this lease.

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

14. SHUT IN ROYALTIES. If, at the expiration of the primary term or at any time thereafter, a well or wells capable of producing oil or gas in paying quantities is located on the leased premises but oil or gas is not being produced for lack of suitable production facilities or a suitable market, and the lease is not being maintained in force and effect, Lessee may pay as a shut-in oil or gas royalty an amount equal to double the annual rental provided in Paragraph 3 of this lease but not less than $1,200 a year for each well capable of producing oil or gas in paying quantities. If Paragraph 3 of this lease does not specify

a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre. Any shut-in oil or gas royalty must be paid on or before: (1) the expiration of the primary term, (2) 60 days after the lessee ceases to produce oil or gas from the leased premises, or (3) 60 days after lessee completes a drilling and reworking operation in accordance with the lease provisions; whichever date is latest. Such payment shall be made one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil. If the shut-in oil or gas royalty is paid, the lease shall be considered to be a producing lease and the payment shall extend the term of the lease for a period of one (1) year from the end of the primary term or from the first day of the month next succeeding the month in which production ceased and after that, if no suitable production facilities or suitable market for the oil or gas exists, Lessee may extend the lease for four (4) additional and successive periods of one year by paying the same amount each year on or before the expiration of the extended term. If, during the period the lease is kept in effect by payment of the shut-in oil or gas royalty, oil or gas is sold and delivered in paying quantities from a well located within 1,000 feet of the leased premises and completed in the same producing reservoir or, in any case in which drainage is occurring, the right to continue to extend the lease by paying the shut-in oil or gas royalty shall cease. The lease shall remain effective for the remainder of the year for which the royalty has been paid and for four (4) additional and successive periods of one year each by the Lessee paying compensatory royalty at the royalty rate provided in the lease of the value at the well of production from the well that is causing the drainage or that is completed in the same producing reservoir and within 1,000 feet of the leased premises. The compensatory royalty is to be paid monthly, one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil, beginning on or before the last day of the month next succeeding the month in which the oil or gas is sold and delivered from the well. If the compensatory royalty paid in any 12-month period is in an amount less than the annual shut-in oil or gas royalty, Lessee shall pay an amount equal to the difference within 30 days from the end of the 12-month period. None of these provisions will relieve Lessee of the obligation of reasonable development or the obligation to drill offset wells as provided in Texas Natural Resources Code §52.173.

15. DEVELOPMENT. Notwithstanding any provision of this lease to the contrary, after a well producing, or capable of producing, oil or gas has been completed on the leased premises, Lessee shall exercise the diligence of a reasonably prudent operator in drilling such additional well or wells as may be reasonably necessary for the proper development of the leased premises and in marketing the oil and gas produced. In the event this lease is in force and effect three (3) years after the expiration date of the primary term, it shall then terminate as to all of the leased premises, EXCEPT: 1) 40 acres surrounding each producing oil well and 320 acres surrounding each producing gas well (including a shut-in oil or gas well as provided in Paragraph 14 of this lease), or a well upon which Lessee is then engaged in continuous drilling or reworking operations, or 2) the number of acres included in a producing pooled unit pursuant to Texas Natural Resources Code §52.151 - §52.153, or 3) such greater or lesser number of acres as may then be allocated for production purposes to a proration unit for each such producing well under the rules and regulations of the Railroad Commission of Texas, or any successor agency, or other governmental authority having jurisdiction. "Producing" as used in this lease means producing in paying quantities. The acreage retained under this provision as to each well shall, as nearly as practical, be in the form of a square with the well located in the center or in such other shape as may be approved by the Commissioner of the General Land Office. Lessee shall execute and record a release or releases containing a satisfactory description of the acreage terminated under this provision, and the recorded release, or a certified copy of same, shall be filed in the General Land Office, accompanied by the prescribed filing fee.

16. OFFSET WELLS. Neither the bonus, delay rentals, nor royalties paid, or to be paid, under this lease shall relieve Lessee of his obligation to protect the oil and gas under the above-described land from being drained. To prevent drainage, Lessee is obligated to drill as many wells as the facts may justify and to the depth or depths necessary for effective protection against undue drainage. In addition, if a draining well which is producing in commercial quantities is located within 1,000 feet of the above-described land, or in any case where the above described land is being drained, Lessee is statutorily obligated to drill an offset well on the leased premises within 100 days after the draining well begins production in commercial quantities. Failure to satisfy the statutory offset obligation may subject this lease and the owner of the soil's agency rights to forfeiture. Only upon the determination of the Commissioner of the General Land Office and with his written approval may the payment of compensatory royalty satisfy obligation to drill an offset well or wells required under this paragraph.

17. FORCE MAJEURE. If, after a good faith effort, Lessee is prevented from complying with any express or implied covenant of this lease, from conducting drilling operations on the leased premises, or from producing oil or gas from the leased premises by reason of war, rebellion, riots, strikes, acts of God, or any valid order, rule or regulation of government authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended and Lessee shall not be liable for damages for failure to comply with such covenants; additionally, this lease shall be extended while Lessee is prevented, by any such cause, from conducting drilling and reworking operations or from producing oil or gas from the leased premises. However, nothing in this paragraph shall suspend the payment of delay rentals in order to maintain this lease in effect during the primary term in the absence of such drilling or reworking operations or production of oil or gas.

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

19. PROPORTIONATE REDUCTION CLAUSE. If the owner of the soil owns less than the entire undivided surface estate in the above described land, whether or not Lessee's interest is specified herein, then the royalties ~~and rental~~ herein provided to be paid to the owner of the soil shall be paid to him in the proportion which his interest bears to the entire undivided surface estate and the royalties ~~and rental~~ herein provided to be paid to the Commissioner of the General Land Office of the State of Texas shall be likewise proportionately reduced. However, before Lessee adjusts the royalty or rental due to the Commissioner of the General Land Office, Lessee or his authorized representative must submit to the Commissioner of the General Land Office a written statement which explains the discrepancy between the interest purportedly leased under this lease and the actual interest owned by the owner of the soil. The Commissioner of the General Land Office shall be paid the value of the whole production allocable to any undivided interest not covered by a lease, less the proportionate development and production cost allocable to such undivided interest. However, in no event shall the Commissioner of the General Land Office receive as a royalty on the gross production allocable to the undivided interest not leased an amount less than the value of one-sixteenth (1/16) of such gross production.

20. USE OF WATER. Lessee shall have the right to use water produced on said land necessary for operations under this lease except water from wells or tanks of the owner of the soil; provided, however, Lessee shall not use potable water or water suitable for livestock or irrigation purposes for waterflood operations without the prior consent of the owner of the soil.

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

22. PIPELINE DEPTH. When requested by the owner of the soil, Lessee shall bury its pipelines below plow depth.

23. WELL LOCATION LIMIT. No well shall be drilled nearer than two hundred (200) feet to any house or barn now on said premises without the written consent of the owner of the soil.

24. CONSERVATION CLAUSE. Lessee shall have the exclusive right to build, operate and maintain pits, reservoirs, pickup stations and plants for the purpose of picking up and conserving waste oil that flows down the creeks, ravines and across the leased premises, whether such waste oil is produced from the leased premises or from other lands. Royalties, as provided in this lease for regularly produced oil, are also owed on all such waste oil.

25. REMOVAL OF EQUIPMENT. Subject to limitations in this paragraph, Lessee shall have the right to remove machinery and fixtures placed by Lessee on the leased premises, including the right to draw and remove casing, within one hundred twenty (120) days after the expiration or the termination of this lease unless the owner of the soil grants Lessee an extension of this 120-day period. However, Lessee may not remove casing from any well capable of producing oil and gas in paying quantities. Additionally, Lessee may not draw and remove casing until after thirty (30) days written notice to the Commissioner of the General Land Office and to the owner of the soil. The owner of the soil shall become the owner of any machinery, fixtures, or casing which are not timely removed by Lessee under the terms of this paragraph.

26. (a) ASSIGNMENTS. Under the conditions contained in this paragraph and Paragraph 28 of this lease, the rights and estates of either party to this lease may be assigned, in whole or in part, and the provisions of this lease shall extend to and be binding upon their heirs, devisees, legal representatives, successors and assigns. However, a change or division in ownership of the land, rentals, or royalties will not enlarge the obligations of Lessee, diminish the rights, privileges and estates of Lessee, impair the effectiveness of any payment made by Lessee or impair the effectiveness of any act performed by Lessee. And no change or division in ownership of the land, rentals, or royalties shall bind Lessee for any purpose until thirty (30) days after the owner of the soil (or his heirs, devisees, legal representatives or assigns) furnishes the Lessee with satisfactory written evidence of the change in ownership, including the original recorded muniments of title (or a certified copy of such original) when the ownership changed because of a conveyance. A total or partial assignment of this lease shall, to the extent of the interest assigned, relieve and discharge Lessee of all subsequent obligations under this lease. If this lease is assigned in its entirety as to only part of the acreage, the right and option to pay rentals shall be apportioned as between the several owners ratably, according to the area of each, and failure by one or more of them to pay his share of the rental shall not affect

this lease on the part of the land upon which pro rata rentals are timely paid or tendered; however, if the assignor or assignee does not file a certified copy of such assignment in the General Land Office before the next rental paying date, the entire lease shall terminate for failure to pay the entire rental due under Paragraph 3. Every assignee shall succeed to all rights and be subject to all obligations, liabilities, and penalties owed to the State by the original lessee or any prior assignee of the lease, including any liabilities to the State for unpaid royalties.

(b) ASSIGNMENT LIMITATION. Notwithstanding any provision in Paragraph 26(a), if the owner of the soil acquires this lease in whole or in part by assignment without the prior written approval of the Commissioner of the General Land Office, this lease is void as of the time of assignment and the agency power of the owner may be forfeited by the Commissioner. An assignment will be treated as if it were made to the owner of the soil if the assignee is:

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

27. RELEASES. Under the conditions contained in this paragraph and Paragraph 28, Lessee may at any time execute and deliver to the owner of the soil and place of record a release or releases covering any portion or portions of the leased premises, and thereby surrender this lease as to such portion or portions, and be relieved of all subsequent obligations as to acreage surrendered. If any part of this lease is properly surrendered, the delay rental due under this lease shall be reduced by the proportion that the surrendered acreage bears to the acreage which was covered by this lease immediately prior to such surrender; however, such release will not relieve Lessee of any liabilities which may have accrued under this lease prior to the surrender of such acreage.

28. FILING OF ASSIGNMENTS AND RELEASES. If all or any part of this lease is assigned or released, such assignment or release must be recorded in the county where the land is situated, and the recorded instrument, or a copy of the recorded instrument certified by the County Clerk of the county in which the instrument is recorded, must be filed in the General Land Office within 90 days of the last execution date accompanied by the prescribed filing fee. If any such assignment is not so filed, the rights acquired under this lease shall be subject to forfeiture at the option of the Commissioner of the General Land Office.

29. LEASE FILING. It is recognized that before this lease is effective a certified copy of this lease (which is made and certified by the County Clerk from his records) shall be filed in the General Land Office in accordance with Texas Natural Resources Code §52.183, and this lease shall not be binding upon the State unless it recites the actual and true consideration paid or promised for execution of this lease. The bonus due the State and the prescribed filing fee shall accompany such certified copy to the General Land Office.

30. DISCLOSURE CLAUSE. All provisions pertaining to the lease of the above-described land have been included in this instrument, including the statement of the true consideration to be paid for the execution of this lease and the rights and duties of the parties. Any collateral agreements concerning the development of oil and gas from the leased premises which are not contained in this lease render this lease invalid.

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

32. FORFEITURE. If Lessee shall fail or refuse to make the payment of any sum within thirty days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if Lessee should fail to file reports in the manner required by law or fail to comply with rules and regulations promulgated by the General Land Office, the School Land Board, or the Railroad Commission, or if Lessee should refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or knowingly fail or refuse

to furnish the General Land Office a correct log of any well, or if Lessee shall knowingly violate any of the material provisions of this lease, or if this lease is assigned and the assignment is not filed in the General Land Office as required by law, the rights acquired under this lease shall be subject to forfeiture by the Commissioner, and he shall forfeit same when sufficiently informed of the facts which authorize a forfeiture, and when forfeited the area shall again be subject to lease under the terms of the Relinquishment Act. However, nothing herein shall be construed as waiving the automatic termination of this lease by operation of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this lease and all rights thereunder reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

33. RAILROAD COMMISSION HEARINGS ON GAS. No natural gas or casinghead gas, including both associated and nonassociated gas, produced from the mineral estate subject to this lease may be sold or contracted for sale to any person for ultimate use outside the State of Texas unless the Railroad Commission, after notice and hearing as provided in Title 3 of the Texas Natural Resources Code, finds that:

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

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

(c) no public or private school in this State that provides elementary, secondary, or higher education requires the natural gas or casinghead gas to meet its existing needs for fuel;

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

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

(f) no person who resides in this State and who relies on natural gas or casinghead gas to provide in whole or part his existing needs for fuel or raw material requires the natural gas or casinghead gas to meet those needs; provided, however, after notice and hearing as provided in Title 3 of the Texas Natural Resources Code the Railroad Commission may grant exceptions to these provisions as set forth in Texas Natural Resources Code §52.296.

34. This lease is issued under the provisions of Texas Natural Resources Code §52.171 through §52.188, commonly known as the Relinquishment Act, and other applicable statutes and amendments thereto, and if any provision in this lease does not conform to these statutes, the statutes will prevail over any nonconforming lease provisions.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

STATE OF TEXAS
BY: Lois Oestrich
Individually and as agent for the State of Texas
Lois Oestrich

STATE OF TEXAS
BY: Clint Oestrich
Individually and as agent for the State of Texas
Clint Oestrich

STATE OF TEXAS
BY:_____
Individually and as agent for the State of Texas

STATE OF TEXAS
BY:_____
Individually and as agent for the State of Texas

STATE OF ~~TEXAS~~ NEW YORK
COUNTY OF Dutchess

This instrument acknowledged before me on October 10, 1988 by

Lois Oestrich.

Laura A Ciccone
Notary Public in and for Dutchess County, ~~Texas~~ New York
My commission expires: 5/31/90 LAURA A. CICCONE
Notary Public of New York State
Qualified in Dutchess County
Commission Expires 5/31/90

STATE OF ~~TEXAS~~ NEW YORK
COUNTY OF Dutchess

This instrument acknowledged before me on October 10, 1988 by

Clint Oestrich.

Laura A. Ciccone
Notary Public in and for Dutchess County, ~~Texas~~ New York
My commission expires: 5/31/90 LAURA A. CICCONE
Notary Public of New York State
Qualified in Dutchess County
Commission Expires 5/31/90

STATE OF TEXAS
COUNTY OF _____

This instrument acknowledged before me on _____ by

_____.

_____
Notary Public in and for _____ County, Texas
My commission expires: _____

FOR SALE BY STAFFORD-LOWDON CO. FORT WORTH 55326

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

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 OIL AND GAS LEASE FROM LOIS OESTRICH, ET VIR TO BLAKE OIL & GAS CORPORATION

as the same appears of record in my office in book 489 page 402, DEED RECORD

Given under my Hand and Seal of said Court, at office in PECOS, TEXAS

this 4th day of November 19 88.

CATHERINE ASHLEY Clerk,

By Billie Jo Freeman Deputy.
(Billie JO Freeman)

ANY PROVISION HEREIN WHICH RESTRICTS THE SALE, RENTAL, OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

FILED FOR RECORD ON THE 4th DAY OF November A.D. 1988 at 8:15A. M.

DULY RECORDED ON THE 4th DAY OF November A.D. 1988 at 9:00A. M.

BY Billie Jo Freeman DEPUTY

CATHERINE ASHLEY, COUNTY CLERK,
REEVES COUNTY, TEXAS.

(47)

RECEIVED AS STATED
$11.10 form + $25.00 filing fee

Date 11-7-84
Reg No 13007

GENERAL LAND OFFICE

GENERAL LAND OFFICE
GARRY MAURO
COMMISSIONER

MEMORANDUM

DATE:

TO: Garry Mauro, Commissioner

FROM: Peter Boone, Petroleum and Minerals

SUBJECT: Relinquishment Act Lease
County: Reeves
Description: 80 ac of N 440 ac of Sec. 12, Blk-57, T&P RR T-2
Applicant: Blake O&G
Consideration: $75 ac/6mos, 3/16, $1.00 rental 3 yrs

Consideration

Recommended: PAB 2-16-88
Not Recommended
Comments:

Form

Recommended:
Not Recommended:
Recommended, after technical changes: PAB 2-16-88
Comments:

Legal Services Comments (if requested)

Jack Giberson, Chief Clerk Date

Recommended: see note on companion lease JG
Not Recommended

Garry Mauro, Commissioner Date

Approved: Not Approved:

Approved, after technical changes:

Mineral Classified Land
Lease Consideration Comparison

County Reeves
Area SE80 ac of N440ac of Sec 12, Blk 57, T-2, T&P

M. F.	Acres	Lease Date	Term	Total Bonus	B/Ac	Rental	Comparison
New	.89 80	8-26-88	3 yrs	$66.75	$75	$1.00	3/32
M-92187	160	2-23-87	3 yrs	$8000	$50	$1.00	3/32 5½ mi E
M-92197	640	4-12-87	3 yrs	$36,400	$60	$1.00	1/10 1½ mi W
M-92207	320	5-25-87	5 yrs	$16,000	$50	$1.00	3/32 2 mi S
M-92678	640	1-11-88	9 mo.	$6,400	$10	N/A	8.5% 3½ mi W

14 2477

Low 100 Hi 225 mc 175

Remarks: within Matthews (Low. Cherry Canyon) fld.
Disc. 5/84, [redacted] 279,347 66/5
3 oil wells adj S / currently producing as little as 7 bbls/day & as much as 24 66ls/day
last lease issued 10/87

Consideration Recommended RJB 9-16-88
Not Recommended

MF - 88676

Surface Owner Name	Net Acres	State's Royalty	Net Acres/80 acres	Net State's Royalty
Schuler, R.A & James	8.88	0.09375	0.111	0.01040625
Schuler, Evelyn	4.44	0.09375	0.0555	0.005203125
Schuler, Viiolet	13.33	0.09375	0.166625	0.015621094
Oestrich, Lois & Clint	0.296	0.09375	0.0037	0.000346875
Max, Mildred	0.89	0.09375	0.011125	0.001042969
Kiel, Richard	0.444	0.09375	0.00555	0.000520313
Gehle, Richard	0.89	0.09375	0.011125	0.001042969
Gehle, Mary C.	1.34	0.09375	0.01675	0.001570313
Farwell, Altha M.	1.34	0.09375	0.01675	0.001570313
Kiel, Donald	0.296	0.09375	0.0037	0.000346875
Rybacheck, L.J.	0.296	0.09375	0.0037	0.000346875
Novallo, Algo A.	1.34	0.09375	0.01675	0.001570313
Campbell, Shirley	1.34	0.09375	0.01675	0.001570313
Wurm ,E. I.	0.89	0.09375	0.011125	0.001042969
Wagner, Carol & Arthur	0.444	0.09375	0.00555	0.000520313
Blake, Jack & Carol	16.884	0.115	0.21105	0.02427075
Staples, B.J.	13.33	0.115	0.166625	0.019161875
Blake, Robert & Marion	13.33	0.115	0.166625	0.019161875
	80			0.105316375

FILE NO. 2787

MILDRED MAX TO BLAKE OIL & GAS CORPORATION

No. 5367--General Land
Office Lease Form Under
Relinquishment Act
Revised, September 1987
GLO-L-19-(9-87)

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 30th day of Sept. 19 88, between the State of Texas, acting by and through its agent, Mildred Max of 2301 Fairfield Ave., Apt. 301, Ft. Wayne, Indiana 46807 said agent
(Give Permanent Address)
herein referred to as the owner of the soil (whether one or more), and Blake Oil & Gas Corporation of
401 N. Main, Midland, Texas 79701
(Give Permanent Address)
hereinafter called Lessee.

1. GRANTING CLAUSE. For and in consideration of the amounts stated below and of the covenants and agreements to be paid, kept and performed by Lessee under this lease, the State of Texas acting by and through the owner of the soil, hereby grants, leases and lets unto Lessee, for the sole and only purpose of prospecting and drilling for and producing oil and gas, laying pipe lines, building tanks, storing oil and building power stations, telephone lines and other structures thereon, to produce, save, take care of, treat and transport said products of the lease, the following lands situated in Reeves County, State of Texas, to-wit:

The Southeast 80 acres of the North 440 acres of said Section 12, Block 57, T-2, T&P Ry. Co. Survey, Reeves County, Texas more fully described as follows:

The Southeast part of the North 440 acres of said Section 12 was duly patented to Frank H. Schuler, F. C. Gehle and Fred M. Ulrich on November 17, 1943, by Patent No. 54, Volume 92-A as containing 80 acres, described by metes and bounds as follows:

BEGINNING at the SE/corner of the E/2 of the NE/4 of this Section in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey, and the NE/corner of this survey;

THENCE West 1267.2 varas with the South line of the N/2 to the NE/corner of the NW/ part of the S/2 and the NW/corner of this Survey;

THENCE South 356.4 varas with the East line of said NW/part of the S/2 to its SE/ corner in the North line of the South part and the SW/corner of this survey;

THENCE East 1267.2 varas with the North line of said South part to its NE/corner in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey, and the SE/corner of this Survey;

THENCE North 356.4 varas with the West line of said Section 7 to the place of beginning, containing 80 acres, more or less.

containing 80 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Thirty-three and 38/100---------- Dollars ($ 33.38)

To the owner of the soil: Thirty-three and 37/100---------- Dollars ($ 33.37)

Total bonus consideration: Sixty-six and 75/100---------- Dollars ($ 66.75)

The total bonus consideration paid represents a bonus of Seventy-five---------- Dollars ($ 75.00----------) per acre, on .89 net acres.

2. TERM. Subject to the other provisions in this lease, this lease shall be for a term of three (3) years from this date (herein called "primary term") and as long thereafter as oil and gas, or either of them, is produced in paying quantities* from said land.

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*As used in this lease, the term "produced in paying quantities" means that the receipts from the sale or other authorized commercial use of the substance(s) covered exceed out of pocket operational expenses for the six months last past.

3. **DELAY RENTALS.** If no well is commenced on the leased premises on or before one (1) year from this date, this lease shall terminate, unless on or before such anniversary date Lessee shall pay or tender to the owner of the soil or to his credit in the Home Loan Savings BANK Acct # 1-25-189 - Mildred MAX Bank, at 132 E. Berry St. Ft. Wayne, IN 46801, or its successors (which shall continue as the depository regardless of changes in the ownership of said land), the amount specified below; in addition, Lessee shall pay or tender to the COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS, AT AUSTIN, TEXAS, a like sum on or before said date. Payments under this paragraph shall operate as a rental and shall cover the privilege of deferring the commencement of a well for one (1) year from said date. Payments under this paragraph shall be in the following amounts:

To the owner of the soil: None and 44/100---------- Dollars ($ .44----------)

To the State of Texas: None and 45/100---------- Dollars ($ .45----------)

Total Rental: None and 89/100---------- Dollars ($ .89----------)

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

4. **PRODUCTION ROYALTIES.** When production of oil and/or gas is secured during the term of this lease, Lessee agrees to pay or cause to be paid one-half (1/2) of the royalty provided for in this lease to the Commissioner of the General Land Office of the State of Texas, at Austin, Texas, and one-half (1/2) of such royalty to the owner of the soil:

(a) **OIL.** Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be 3/16ths part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be determined by 1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity in the general area where produced and when run, or 2) the highest market price thereof offered or paid in the general area where produced and when run, or 3) the gross proceeds of the sale thereof, whichever is greatest. Lessee agrees that before any gas produced from the leased premises is sold, used or processed in a plant, it will be run free of cost to the parties entitled to royalties through an adequate oil and gas separator of conventional type, or other equipment at least as efficient, so that all liquid hydrocarbons recoverable from the gas by such means will be recovered. The requirement that such gas be run through a separator or other equipment may be waived in writing by the royalty owners upon such terms and conditions as they prescribe.

(b) **NON PROCESSED GAS.** Royalty on any gas (including flared gas), which is defined as all hydrocarbons and gaseous substances not defined as oil in subparagraph (a) above, produced from any well on said land (except as provided herein with respect to gas processed in a plant for the extraction of gasoline, liquid hydrocarbons or other products) shall be 3/16ths part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality in the general area where produced and when run, or the gross price paid or offered to the producer, whichever is greater; provided that the maximum pressure base in measuring the gas under this lease shall not at any time exceed 14.65 pounds per square inch absolute, and the standard base temperature shall be sixty (60) degrees Fahrenheit, correction to be made for pressure according to Boyle's Law, and for specific gravity according to tests made by the Balance Method or by the most approved method of testing being used by the industry at the time of testing.

(c) **PROCESSED GAS.** Royalty on any gas processed in a gasoline plant or other plant for the recovery of gasoline or other liquid hydrocarbons shall be 3/16ths part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease, and on fifty percent (50%), or that percent accruing to Lessee, whichever is greater, of the total plant production of liquid hydrocarbons attributable to the gas produced from this lease; provided that if liquid hydrocarbons

are recovered from gas processed in a plant in which Lessee (or its parent, subsidiary or affiliate) owns an interest, then the percentage applicable to liquid hydrocarbons shall be fifty percent (50%) or the highest percent accruing to a third party processing gas through such plant under a processing agreement negotiated at arm's length (or if there is no such third party, the highest percent then being specified in processing agreements or contracts in the industry), whichever is greater. The respective royalties on residue gas and on liquid hydrocarbons shall be determined by 1) the highest market price paid or offered for any gas (or liquid hydrocarbons) of comparable quality in the general area, or 2) the gross price paid or offered for such residue gas (or the weighted average gross selling price for the respective grades of liquid hydrocarbons, F.O.B. at the plant in which said gas is processed), whichever is greater.

(d) **OTHER PRODUCTS.** Royalty on carbon black, sulphur or any other products produced or manufactured from gas (excepting liquid hydrocarbons) whether said gas be "casinghead," "dry," or any other gas, by fractionating, burning or any other processing shall be 3/16ths part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows: 1) on the basis of the highest market price of each product for the same month in which such product is produced, or 2) on the basis of the average gross sale price of each product for the same month in which such product is sold, whichever is greater.

5. **MINIMUM ROYALTY.** For each calendar year following the date of the expiration of the primary term when this lease is held for any part of such calendar year by production, the royalty received under this lease must not be less than an amount equal to the total annual delay rental provided for in Paragraph 3. If Paragraph 3 of this lease does not specify a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre.

6. **ROYALTY IN KIND.** Notwithstanding any other provision in this lease, at any time or from time to time, the owner of the soil or the Commissioner of the General Land Office may, at the option of either, upon not less than sixty (60) days notice to the holder of the lease, require that the payment of any royalties accruing to such royalty owner under this lease be made in kind.

7. **NO DEDUCTIONS.** Lessee agrees that all royalties accruing under this lease (including those paid in kind) shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and otherwise making the oil, gas and other products hereunder ready for sale or use. Lessee agrees to compute and pay royalties on the gross value received, including any reimbursements for severance taxes and production related costs.

8. **PLANT FUEL AND RECYCLED GAS.** No royalty shall be payable on any gas as may represent this lease's proportionate share of any fuel used to process gas produced hereunder in any processing plant. Notwithstanding any other provision of this lease, and subject to the written consent of the owner of the soil and the Commissioner of the General Land Office, Lessee may recycle gas for gas lift purposes on the leased premises or for injection into any oil or gas producing formation underlying the leased premises after the liquid hydrocarbons contained in the gas have been removed; no royalties shall be payable on the recycled gas until it is produced and sold or used by Lessee in a manner which entitles the royalty owners to a royalty under this lease.

9. **ROYALTY PAYMENTS AND REPORTS.** All royalties which are required to be paid to the Commissioner of the General Land Office under this lease shall be due and payable in the following manner: Royalty on oil is due and must be received in the General Land Office on or before the 5th day of the second month succeeding the month of production, and royalty on gas is due and must be received in the General Land Office on or before the 15th day of the second month succeeding the month of production, accompanied by the affidavit of the owner, manager or other authorized agent, completed in the form and manner prescribed by the General Land Office and showing the gross amount and disposition of all oil and gas produced and the market value of the oil and gas, together with a copy of all documents, records or reports confirming the gross production, disposition and market value including gas meter readings, pipeline receipts, gas line receipts and other checks or memoranda of amount produced and put into pipelines, tanks, or pools and gas lines or gas storage, and any other reports or records which the General Land Office may require to verify the gross production, disposition and market value. Each royalty payment shall be accompanied by a check stub, schedule, summary or other remittance advice showing by the assigned General Land Office lease number, the amount of royalty being paid on each lease. If Lessee pays his royalty late but on or before thirty (30) days after the royalty payment was due, then Lessee owes a penalty of 5% of the royalty or $25.00, whichever is greater. A royalty payment which is over thirty (30) days late shall accrue a penalty of 10% of the royalty due or $25.00, whichever is greater. In addition to a penalty, royalties shall accrue interest at a rate of 12% per year; such interest will begin accruing when the royalty is sixty (60) days overdue. Affidavits and supporting documents which are not filed when due shall incur a penalty in an amount set by the General Land Office administrative rule which is effective on the date when the affidavits or supporting documents were due. The Lessee shall

bear all responsibility for paying or causing royalties to be paid in the manner prescribed in this paragraph. Payment of the delinquency penalty shall in no way operate to prohibit the State's right of forfeiture as provided by law nor act to postpone the date on which royalties were originally due. The above penalty provisions shall not apply in cases of title dispute as to the State's portion of the royalty or to that portion of the royalty in dispute as to fair market value. Penalties due under this paragraph are subject to change in order to conform to any future penalty statutes. The State shall have a first lien upon all oil and gas produced from the area covered by this lease to secure the payment of all unpaid royalty and other sums of money that may become due to the State under this lease.

10. **PERMITS, REPORTS, AND RESERVES.** Lessee shall file all drilling permits in the name of the "State" and require each well and/or tank battery on the leased premises to be designated by the word "State" for identification and reporting to the Railroad Commission or any other governmental agency. Written notice of operations under this lease shall be submitted to the Commissioner of the General Land Office by Lessee five (5) days before spud date, cessation of production, workover, re-entry, temporary abandonment or abandonment of any well, and shall include copies of Railroad Commission forms for application to drill, well tests, completion reports and plugging records. Lessee shall supply the General Land Office with any records, memoranda, accounts, reports, cuttings and cores, or other information relative to the operation of the above described premises, which may be requested by the General Land Office, in addition to those herein expressly provided for. Lessee shall have an electrical and/or radioactivity survey made on the bore-hole section, from the base of the surface casing to total depth of well, of all wells drilled on the above described premises and shall transmit a true copy of the log of each survey on each well to the General Land Office within fifteen (15) days after making of said survey. The Commissioner of the General Land Office reserves the right to require Lessee to annually furnish the said Commissioner with its best possible estimate of oil and gas reserves underlying this lease or allocable to this lease.

11. **DRY HOLE CLAUSE.** If, during the primary term hereof and prior to discovery and production of oil or gas on said land, Lessee should drill a dry hole or holes thereon, or if, after discovery and production of oil or gas, the production thereof should cease from any cause, this lease shall not terminate if, on or before the rental paying date next ensuing after the expiration of sixty (60) days from date of completion of said dry hole or cessation of production, Lessee commences additional drilling or reworking operations thereon, or commences or resumes the payment of annual delay rental in the same manner as provided in Paragraph 3 of this lease. If a dry hole be completed and abandoned during the last year of the primary term, Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in oil or gas well within the primary term hereof, Lessee may resume payment of annual rental in the same manner as provided in Paragraph 3 in this lease on or before the rental paying date next ensuing after sixty (60) days from the date of completion of such shut-in oil or gas well, and upon the failure to make such annual rental payment, this lease shall ipso facto terminate. If at the expiration of the primary term or at any time thereafter a shut-in oil or gas well is located on the leased premises, payments may be made in accordance with the provisions of Paragraph 14 of this lease.

12. **DRILLING AND REWORKING AT EXPIRATION OF PRIMARY TERM.** If, at the expiration of the primary term, neither oil nor gas is being produced on said land, but Lessee is then engaged in drilling or reworking operations thereon, this lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted in good faith and in workmanlike manner without interruptions totaling more than sixty (60) days during any one such operation, and if they result in the production of oil and/or gas, so long thereafter as oil and/or gas is produced in paying quantities from said land, or payment of shut-in oil or gas well royalties or compensatory royalties is made as provided in this lease.

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

14. **SHUT IN ROYALTIES.** If, at the expiration of the primary term or at any time thereafter, a well or wells capable of producing oil or gas in paying quantities is located on the leased premises but oil or gas is not being produced for lack of suitable production facilities or a suitable market, and the lease is not being maintained in force and effect, Lessee may pay as a shut-in oil or gas royalty an amount equal to double the annual rental provided in Paragraph 3 of this lease but not less than $1,200 a year for each well capable of producing oil or gas in paying quantities. If Paragraph 3 of this lease does not specify

a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre. Any shut-in oil or gas royalty must be paid on or before: (1) the expiration of the primary term, (2) 60 days after the lessee ceases to produce oil or gas from the leased premises, or (3) 60 days after lessee completes a drilling and reworking operation in accordance with the lease provisions; whichever date is latest. Such payment shall be made one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil. If the shut-in oil or gas royalty is paid, the lease shall be considered to be a producing lease and the payment shall extend the term of the lease for a period of one (1) year from the end of the primary term or from the first day of the month next succeeding the month in which production ceased and after that, if no suitable production facilities or suitable market for the oil or gas exists, Lessee may extend the lease for four (4) additional and successive periods of one year by paying the same amount each year on or before the expiration of the extended term. If, during the period the lease is kept in effect by payment of the shut-in oil or gas royalty, oil or gas is sold and delivered in paying quantities from a well located within 1,000 feet of the leased premises and completed in the same producing reservoir or, in any case in which drainage is occurring, the right to continue to extend the lease by paying the shut-in oil or gas royalty shall cease. The lease shall remain effective for the remainder of the year for which the royalty has been paid and for four (4) additional and successive periods of one year each by the Lessee paying compensatory royalty at the royalty rate provided in the lease of the value at the well of production from the well that is causing the drainage or that is completed in the same producing reservoir and within 1,000 feet of the leased premises. The compensatory royalty is to be paid monthly, one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil, beginning on or before the last day of the month next succeeding the month in which the oil or gas is sold and delivered from the well. If the compensatory royalty paid in any 12-month period is in an amount less than the annual shut-in oil or gas royalty, Lessee shall pay an amount equal to the difference within 30 days from the end of the 12-month period. None of these provisions will relieve Lessee of the obligation of reasonable development or the obligation to drill offset wells as provided in Texas Natural Resources Code §52.173.

15. **DEVELOPMENT.** Notwithstanding any provision of this lease to the contrary, after a well producing, or capable of producing, oil or gas has been completed on the leased premises, Lessee shall exercise the diligence of a reasonably prudent operator in drilling such additional well or wells as may be reasonably necessary for the proper development of the leased premises and in marketing the oil and gas produced. In the event this lease is in force and effect three (3) years after the expiration date of the primary term, it shall then terminate as to all of the leased premises, EXCEPT: 1) 40 acres surrounding each producing oil well and 320 acres surrounding each producing gas well (including a shut-in oil or gas well as provided in Paragraph 14 of this lease), or a well upon which Lessee is then engaged in continuous drilling or reworking operations, or 2) the number of acres included in a producing pooled unit pursuant to Texas Natural Resources Code §52.151 - §52.153, or 3) such greater or lesser number of acres as may then be allocated for production purposes to a proration unit for each such producing well under the rules and regulations of the Railroad Commission of Texas, or any successor agency, or other governmental authority having jurisdiction. "Producing" as used in this lease means producing in paying quantities. The acreage retained under this provision as to each well shall, as nearly as practical, be in the form of a square with the well located in the center or in such other shape as may be approved by the Commissioner of the General Land Office. Lessee shall execute and record a release or releases containing a satisfactory description of the acreage terminated under this provision, and the recorded release, or a certified copy of same, shall be filed in the General Land Office, accompanied by the prescribed filing fee.

16. **OFFSET WELLS.** Neither the bonus, delay rentals, nor royalties paid, or to be paid, under this lease shall relieve Lessee of his obligation to protect the oil and gas under the above-described land from being drained. To prevent drainage, Lessee is obligated to drill as many wells as the facts may justify and to the depth or depths necessary for effective protection against undue drainage. In addition, if a draining well which is producing in commercial quantities is located within 1,000 feet of the above-described land, or in any case where the above described land is being drained, Lessee is statutorily obligated to drill an offset well on the leased premises within 100 days after the draining well begins production in commercial quantities. Failure to satisfy the statutory offset obligation may subject this lease and the owner of the soil's agency rights to forfeiture. Only upon the determination of the Commissioner of the General Land Office and with his written approval may the payment of compensatory royalty satisfy obligation to drill an offset well or wells required under this paragraph.

17. **FORCE MAJEURE.** If, after a good faith effort, Lessee is prevented from complying with any express or implied covenant of this lease, from conducting drilling operations on the leased premises, or from producing oil or gas from the leased premises by reason of war, rebellion, riots, strikes, acts of God, or any valid order, rule or regulation of government authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended and Lessee shall not be liable for damages for failure to comply with such covenants; additionally, this lease shall be extended while Lessee is prevented, by any such cause, from conducting drilling and reworking operations or from producing oil or gas from the leased premises. However, nothing in this paragraph shall suspend the payment of delay rentals in order to maintain this lease in effect during the primary term in the absence of such drilling or reworking operations or production of oil or gas.

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

19. PROPORTIONATE REDUCTION CLAUSE. If the owner of the soil owns less than the entire undivided surface estate in the above described land, whether or not Lessee's interest is specified herein, then the royalties ~~and rental~~ herein provided to be paid to the owner of the soil shall be paid to him in the proportion which his interest bears to the entire undivided surface estate and the royalties ~~and rental~~ herein provided to be paid to the Commissioner of the General Land Office of the State of Texas shall be likewise proportionately reduced. However, before Lessee adjusts the royalty or rental due to the Commissioner of the General Land Office, Lessee or his authorized representative must submit to the Commissioner of the General Land Office a written statement which explains the discrepancy between the interest purportedly leased under this lease and the actual interest owned by the owner of the soil. The Commissioner of the General Land Office shall be paid the value of the whole production allocable to any undivided interest not covered by a lease, less the proportionate development and production cost allocable to such undivided interest. However, in no event shall the Commissioner of the General Land Office receive as a royalty on the gross production allocable to the undivided interest not leased an amount less than the value of one-sixteenth (1/16) of such gross production.

20. USE OF WATER. Lessee shall have the right to use water produced on said land necessary for operations under this lease except water from wells or tanks of the owner of the soil; provided, however, Lessee shall not use potable water or water suitable for livestock or irrigation purposes for waterflood operations without the prior consent of the owner of the soil.

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

22. PIPELINE DEPTH. When requested by the owner of the soil, Lessee shall bury its pipelines below plow depth.

23. WELL LOCATION LIMIT. No well shall be drilled nearer than two hundred (200) feet to any house or barn now on said premises without the written consent of the owner of the soil.

24. CONSERVATION CLAUSE. Lessee shall have the exclusive right to build, operate and maintain pits, reservoirs, pickup stations and plants for the purpose of picking up and conserving waste oil that flows down the creeks, ravines and across the leased premises, whether such waste oil is produced from the leased premises or from other lands. Royalties, as provided in this lease for regularly produced oil, are also owed on all such waste oil.

25. REMOVAL OF EQUIPMENT. Subject to limitations in this paragraph, Lessee shall have the right to remove machinery and fixtures placed by Lessee on the leased premises, including the right to draw and remove casing, within one hundred twenty (120) days after the expiration or the termination of this lease unless the owner of the soil grants Lessee an extension of this 120-day period. However, Lessee may not remove casing from any well capable of producing oil and gas in paying quantities. Additionally, Lessee may not draw and remove casing until after thirty (30) days written notice to the Commissioner of the General Land Office and to the owner of the soil. The owner of the soil shall become the owner of any machinery, fixtures, or casing which are not timely removed by Lessee under the terms of this paragraph.

26. (a) ASSIGNMENTS. Under the conditions contained in this paragraph and Paragraph 28 of this lease, the rights and estates of either party to this lease may be assigned, in whole or in part, and the provisions of this lease shall extend to and be binding upon their heirs, devisees, legal representatives, successors and assigns. However, a change or division in ownership of the land, rentals, or royalties will not enlarge the obligations of Lessee, diminish the rights, privileges and estates of Lessee, impair the effectiveness of any payment made by Lessee or impair the effectiveness of any act performed by Lessee. And no change or division in ownership of the land, rentals, or royalties shall bind Lessee for any purpose until thirty (30) days after the owner of the soil (or his heirs, devisees, legal representatives or assigns) furnishes the Lessee with satisfactory written evidence of the change in ownership, including the original recorded muniments of title (or a certified copy of such original) when the ownership changed because of a conveyance. A total or partial assignment of this lease shall, to the extent of the interest assigned, relieve and discharge Lessee of all subsequent obligations under this lease. If this lease is assigned in its entirety as to only part of the acreage, the right and option to pay rentals shall be apportioned as between the several owners ratably, according to the area of each, and failure by one or more of them to pay his share of the rental shall not affect

this lease on the part of the land upon which pro rata rentals are timely paid or tendered; however, if the assignor or assignee does not file a certified copy of such assignment in the General Land Office before the next rental paying date, the entire lease shall terminate for failure to pay the entire rental due under Paragraph 3. Every assignee shall succeed to all rights and be subject to all obligations, liabilities, and penalties owed to the State by the original lessee or any prior assignee of the lease, including any liabilities to the State for unpaid royalties.

(b) ASSIGNMENT LIMITATION. Notwithstanding any provision in Paragraph 26(a), if the owner of the soil acquires this lease in whole or in part by assignment without the prior written approval of the Commissioner of the General Land Office, this lease is void as of the time of assignment and the agency power of the owner may be forfeited by the Commissioner. An assignment will be treated as if it were made to the owner of the soil if the assignee is:

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

27. RELEASES. Under the conditions contained in this paragraph and Paragraph 28, Lessee may at any time execute and deliver to the owner of the soil and place of record a release or releases covering any portion or portions of the leased premises, and thereby surrender this lease as to such portion or portions, and be relieved of all subsequent obligations as to acreage surrendered. If any part of this lease is properly surrendered, the delay rental due under this lease shall be reduced by the proportion that the surrendered acreage bears to the acreage which was covered by this lease immediately prior to such surrender; however, such release will not relieve Lessee of any liabilities which may have accrued under this lease prior to the surrender of such acreage.

28. FILING OF ASSIGNMENTS AND RELEASES. If all or any part of this lease is assigned or released, such assignment or release must be recorded in the county where the land is situated, and the recorded instrument, or a copy of the recorded instrument certified by the County Clerk of the county in which the instrument is recorded, must be filed in the General Land Office within 90 days of the last execution date accompanied by the prescribed filing fee. If any such assignment is not so filed, the rights acquired under this lease shall be subject to forfeiture at the option of the Commissioner of the General Land Office.

29. LEASE FILING. It is recognized that before this lease is effective a certified copy of this lease (which is made and certified by the County Clerk from his records) shall be filed in the General Land Office in accordance with Texas Natural Resources Code §52.183, and this lease shall not be binding upon the State unless it recites the actual and true consideration paid or promised for execution of this lease. The bonus due the State and the prescribed filing fee shall accompany such certified copy to the General Land Office.

30. DISCLOSURE CLAUSE. All provisions pertaining to the lease of the above-described land have been included in this instrument, including the statement of the true consideration to be paid for the execution of this lease and the rights and duties of the parties. Any collateral agreements concerning the development of oil and gas from the leased premises which are not contained in this lease render this lease invalid.

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

32. FORFEITURE. If Lessee shall fail or refuse to make the payment of any sum within thirty days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if Lessee should fail to file reports in the manner required by law or fail to comply with rules and regulations promulgated by the General Land Office, the School Land Board, or the Railroad Commission, or if Lessee should refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or knowingly fail or refuse

to furnish the General Land Office a correct log of any well, or if Lessee shall knowingly violate any of the material provisions of this lease, or if this lease is assigned and the assignment is not filed in the General Land Office as required by law, the rights acquired under this lease shall be subject to forfeiture by the Commissioner, and he shall forfeit same when sufficiently informed of the facts which authorize a forfeiture, and when forfeited the area shall again be subject to lease under the terms of the Relinquishment Act. However, nothing herein shall be construed as waiving the automatic termination of this lease by operation of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this lease and all rights thereunder reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

33. RAILROAD COMMISSION HEARINGS ON GAS. No natural gas or casinghead gas, including both associated and nonassociated gas, produced from the mineral estate subject to this lease may be sold or contracted for sale to any person for ultimate use outside the State of Texas unless the Railroad Commission, after notice and hearing as provided in Title 3 of the Texas Natural Resources Code, finds that:

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

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

(c) no public or private school in this State that provides elementary, secondary, or higher education requires the natural gas or casinghead gas to meet its existing needs for fuel;

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

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

(f) no person who resides in this State and who relies on natural gas or casinghead gas to provide in whole or part his existing needs for fuel or raw material requires the natural gas or casinghead gas to meet those needs; provided, however, after notice and hearing as provided in Title 3 of the Texas Natural Resources Code the Railroad Commission may grant exceptions to these provisions as set forth in Texas Natural Resources Code §52.296.

34. This lease is issued under the provisions of Texas Natural Resources Code §52.171 through §52.188, commonly known as the Relinquishment Act, and other applicable statutes and amendments thereto, and if any provision in this lease does not conform to these statutes, the statutes will prevail over any nonconforming lease provisions.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

STATE OF TEXAS
BY:_____
Individually and as agent for the State of Texas

STATE OF TEXAS
BY: Mildred Max
Individually and as agent for the State of Texas
Mildred Max

STATE OF TEXAS
BY:_____
Individually and as agent for the State of Texas

STATE OF TEXAS
BY:_____
Individually and as agent for the State of Texas

STATE OF ~~TEXAS~~ INDIANA
COUNTY OF _____

This instrument acknowledged before me on October 14, 1983 by

Mildred Max.

Betty A. McCandless
Notary Public in and for Allen County, ~~Texas~~ Indiana
My commission expires: 3-10-92

STATE OF TEXAS
COUNTY OF _____

This instrument acknowledged before me on _____ by

_____.

_____
Notary Public in and for _____ County, Texas
My commission expires: _____

STATE OF TEXAS
COUNTY OF _____

This instrument acknowledged before me on _____ by

_____.

_____
Notary Public in and for _____ County, Texas
My commission expires: _____

FOR SALE BY STAFFORD-LOWDON CO. FORT WORTH 55326

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 }

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 OIL AND GAS LEASE FROM MILDRED MAX TO BLAKE OIL & GAS CORPORATION

as the same appears of record in my office in book 489 page 422, DEED RECORD.

Given under my Hand and Seal of said Court, at office in Pecos, Texas this 4th day of November 19 88.

CATHERINE ASHLEY Clerk,

By Billie Jo Freeman Deputy.
(Billie Jo Freeman)

ANY PROVISION HEREIN WHICH RESTRICTS THE SALE, RENTAL, OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

FILED FOR RECORD ON THE 4th DAY OF November A.D. 1988 at 8:15A. M.

DULY RECORDED ON THE 4th DAY OF November A.D. 1988 at 9:00A. M.

BY Billie Jo Freeman DEPUTY

CATHERINE ASHLEY, COUNTY CLERK,
REEVES COUNTY, TEXAS.

RECEIVED AS STATED
$ 33.38 6 mos + 25.00 filing fee

Date 11-7-84
Reg No 13007

GENERAL LAND OFFICE

GENERAL LAND OFFICE
GARRY MAURO
COMMISSIONER

MEMORANDUM

DATE:

TO: Garry Mauro, Commissioner

FROM: Peter Boone, Petroleum and Minerals

SUBJECT: Relinquishment Act Lease
County: Reeves
Description: 80 ac of N 440 ac of Sec. 12, Blk-57, TE PRR T-2
Applicant: Blake O&G
Consideration: $75 ac/6mos, 3/16, $1.00 rental 3 yrs

Consideration

Recommended: RAB 9-16-88
Not Recommended
Comments:

Form

Recommended:
Not Recommended:
Recommended, after technical changes: RAB 9-16-88
Comments:

Legal Services Comments (if requested)

Jack Giberson, Chief Clerk Date

Recommended: Hold until ready for final
Not Recommended
Garry Mauro, Commissioner Date

Approved: Not Approved:

Approved, after technical changes:

Mineral Classified Land
Lease Consideration Comparison

County Reeves
Area SE 40 ac of N 440 ac of Sec 12, Blk 57, T-2, T&P

M. F.	Acres	Lease Date	Term	Total Bonus	B/Ac	Rental	Comparison
New	.444 80	8-26-88	3 yrs	$ 33.30	$ 75	$ 1.00	3/32
M-92187	160	2-23-87	3 yrs	$ 8000	$ 50	$ 1.00	3/32 5½ mi E
M-92197	640	4-12-87	3 yrs	$ 36,400	$ 60	$ 1.00	1/10 1½ mi W
M-92207	320	5-25-87	5 yrs	$ 16,000	$ 50	$ 1.00	3/32 2 mi S
M-92678	640	1-11-88	9 mo.	$ 6,400	$ 10	N/A	8.5% 3½ mi W

14 2477

Low 100 Hi 225 mc 175

Remarks: Within Matthews (Low. Cherry Canyon) fld.
Disc. 5/84, ~~2[illegible]~~ 279,347 bbls
3 oil wells adj S./currently producing as little as 7 bbls/day & as much as 24 bbls/day
last lease issued 10/87

Consideration
Recommended PAB 9-16-88
Not Recommended _____

MF - 88676

Surface Owner Name	Net Acres	State's Royalty	Net Acres/80 acres	Net State's Royalty
Schuler, R.A & James	8.88	0.09375	0.111	0.01040625
Schuler, Evelyn	4.44	0.09375	0.0555	0.005203125
Schuler, Viiolet	13.33	0.09375	0.166625	0.015621094
Oestrich, Lois & Clint	0.296	0.09375	0.0037	0.000346875
Max, Mildred	0.89	0.09375	0.011125	0.001042969
Kiel, Richard	0.444	0.09375	0.00555	0.000520313
Gehle, Richard	0.89	0.09375	0.011125	0.001042969
Gehle, Mary C.	1.34	0.09375	0.01675	0.001570313
Farwell, Altha M.	1.34	0.09375	0.01675	0.001570313
Kiel, Donald	0.296	0.09375	0.0037	0.000346875
Rybacheck, L.J.	0.296	0.09375	0.0037	0.000346875
Novallo, Algo A.	1.34	0.09375	0.01675	0.001570313
Campbell, Shirley	1.34	0.09375	0.01675	0.001570313
Wurm ,E. I.	0.89	0.09375	0.011125	0.001042969
Wagner, Carol & Arthur	0.444	0.09375	0.00555	0.000520313
Blake, Jack & Carol	16.884	0.115	0.21105	0.02427075
Staples, B.J.	13.33	0.115	0.166625	0.019161875
Blake, Robert & Marion	13.33	0.115	0.166625	0.019161875
	80			0.105316375

FILE NO. 2783 RICHARD KIEL TO BLAKE OIL & GAS CORPORATION

No. 5367--General Land
Office Lease Form Under
Relinquishment Act
Revised, September 1987
GLO-L-19-(9-87)

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 30th day of Sept., 1988, between the State of Texas, acting by and through its agent, Richard Kiel of 1118 Robin Rd., St. Marys, Ohio 45885 said agent
(Give Permanent Address)
herein referred to as the owner of the soil (whether one or more), and Blake Oil & Gas Corporation of
400 N. Main, Midland, Texas 79701
(Give Permanent Address)
hereinafter called Lessee.

1. GRANTING CLAUSE. For and in consideration of the amounts stated below and of the covenants and agreements to be paid, kept and performed by Lessee under this lease, the State of Texas acting by and through the owner of the soil, hereby grants, leases and lets unto Lessee, for the sole and only purpose of prospecting and drilling for and producing oil and gas, laying pipe lines, building tanks, storing oil and building power stations, telephone lines and other structures thereon, to produce, save, take care of, treat and transport said products of the lease, the following lands situated in Reeves County, State of Texas, to-wit:

The Southeast 80 acres of the North 440 acres of said Section 12, Block 57, T-2, T&P Ry. Co. Survey, Reeves County, Texas more fully described as follows:

The Southeast part of the North 440 acres of said Section 12 was duly patented to Frank H. Schuler, F. C. Gehle and Fred M. Ulrich on November 17, 1943, by Patent No. 54, Volume 92-A as containing 80 acres, described by metes and bounds as follows:

BEGINNING at the SE/corner of the E/2 of the NE/4 of this Section in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey, and the NE/corner of this survey;

THENCE West 1267.2 varas with the South line of the N/2 to the NE/corner of the NW/part of the S/2 and the NW/corner of this Survey;

THENCE South 356.4 varas with the East line of said NW/part of the S/2 to its SE/corner in the North line of the South part and the SW/corner of this survey;

THENCE East 1267.2 varas with the North line of said South part to its NE/corner in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey, and the SE/corner of this Survey;

THENCE North 356.4 varas with the West line of said Section 7 to the place of beginning, containing 80 acres, more or less.

containing 80 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Sixteen and 65/100---------- Dollars ($ 16.65)

To the owner of the soil: Sixteen and 65/100---------- Dollars ($ 16.65)

Total bonus consideration: Thirty-three and 30/100---------- Dollars ($ 33.30)

The total bonus consideration paid represents a bonus of Seventy-five and no/100---------- ----------Dollars ($ 75.00----------) per acre, on .444 net acres.

2. TERM. Subject to the other provisions in this lease, this lease shall be for a term of three (3) years from this date (herein called "primary term") and as long thereafter as oil and gas, or either of them, is produced in paying quantities* from said land.

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*As used in this lease, the term "produced in paying quantities" means that the receipts from the sale or other authorized commercial use of the substance(s) covered exceed out of pocket operational expenses for the six months last past.

3. **DELAY RENTALS.** If no well is commenced on the leased premises on or before one (1) year from this date, this lease shall terminate, unless on or before such anniversary date Lessee shall pay or tender to the owner of the soil or to his credit in the (FIRST NATIONAL) FRENCH, RICHARD, KIEL AND ROBINSON Bank, at TEXARKANA, TEXAS 75501, or its successors (which shall continue as the depository regardless of changes in the ownership of said land), the amount specified below; in addition, Lessee shall pay or tender to the COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS, AT AUSTIN, TEXAS, a like sum on or before said date. Payments under this paragraph shall operate as a rental and shall cover the privilege of deferring the commencement of a well for one (1) year from said date. Payments under this paragraph shall be in the following amounts:

To the owner of the soil: None and 22/100---------- Dollars ($ .22----------)

To the State of Texas: None and 22/100---------- Dollars ($ .22----------)

Total Rental: None and 44/100---------- Dollars ($ .44----------)

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

4. **PRODUCTION ROYALTIES.** When production of oil and/or gas is secured during the term of this lease, Lessee agrees to pay or cause to be paid one-half (1/2) of the royalty provided for in this lease to the Commissioner of the General Land Office of the State of Texas, at Austin, Texas, and one-half (1/2) of such royalty to the owner of the soil:

(a) **OIL.** Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be 3/16ths part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be determined by 1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity in the general area where produced and when run, or 2) the highest market price thereof offered or paid in the general area where produced and when run, or 3) the gross proceeds of the sale thereof, whichever is greatest. Lessee agrees that before any gas produced from the leased premises is sold, used or processed in a plant, it will be run free of cost to the parties entitled to royalties through an adequate oil and gas separator of conventional type, or other equipment at least as efficient, so that all liquid hydrocarbons recoverable from the gas by such means will be recovered. The requirement that such gas be run through a separator or other equipment may be waived in writing by the royalty owners upon such terms and conditions as they prescribe.

(b) **NON PROCESSED GAS.** Royalty on any gas (including flared gas), which is defined as all hydrocarbons and gaseous substances not defined as oil in subparagraph (a) above, produced from any well on said land (except as provided herein with respect to gas processed in a plant for the extraction of gasoline, liquid hydrocarbons or other products) shall be 3/16ths part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality in the general area where produced and when run, or the gross price paid or offered to the producer, whichever is greater; provided that the maximum pressure base in measuring the gas under this lease shall not at any time exceed 14.65 pounds per square inch absolute, and the standard base temperature shall be sixty (60) degrees Fahrenheit, correction to be made for pressure according to Boyle's Law, and for specific gravity according to tests made by the Balance Method or by the most approved method of testing being used by the industry at the time of testing.

(c) **PROCESSED GAS.** Royalty on any gas processed in a gasoline plant or other plant for the recovery of gasoline or other liquid hydrocarbons shall be 3/16ths part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease, and on fifty percent (50%), or that percent accruing to Lessee, whichever is greater, of the total plant production of liquid hydrocarbons attributable to the gas produced from this lease; provided that if liquid hydrocarbons

are recovered from gas processed in a plant in which Lessee (or its parent, subsidiary or affiliate) owns an interest, then the percentage applicable to liquid hydrocarbons shall be fifty percent (50%) or the highest percent accruing to a third party processing gas through such plant under a processing agreement negotiated at arm's length (or if there is no such third party, the highest percent then being specified in processing agreements or contracts in the industry), whichever is greater. The respective royalties on residue gas and on liquid hydrocarbons shall be determined by 1) the highest market price paid or offered for any gas (or liquid hydrocarbons) of comparable quality in the general area, or 2) the gross price paid or offered for such residue gas (or the weighted average gross selling price for the respective grades of liquid hydrocarbons, F.O.B. at the plant in which said gas is processed), whichever is greater.

(d) **OTHER PRODUCTS.** Royalty on carbon black, sulphur or any other products produced or manufactured from gas (excepting liquid hydrocarbons) whether said gas be "casinghead," "dry," or any other gas, by fractionating, burning or any other processing shall be 3/16ths part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows: 1) on the basis of the highest market price of each product for the same month in which such product is produced, or 2) on the basis of the average gross sale price of each product for the same month in which such product is sold, whichever is greater.

5. **MINIMUM ROYALTY.** For each calendar year following the date of the expiration of the primary term when this lease is held for any part of such calendar year by production, the royalty received under this lease must not be less than an amount equal to the total annual delay rental provided for in Paragraph 3. If Paragraph 3 of this lease does not specify a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre.

6. **ROYALTY IN KIND.** Notwithstanding any other provision in this lease, at any time or from time to time, the owner of the soil or the Commissioner of the General Land Office may, at the option of either, upon not less than sixty (60) days notice to the holder of the lease, require that the payment of any royalties accruing to such royalty owner under this lease be made in kind.

7. **NO DEDUCTIONS.** Lessee agrees that all royalties accruing under this lease (including those paid in kind) shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and otherwise making the oil, gas and other products hereunder ready for sale or use. Lessee agrees to compute and pay royalties on the gross value received, including any reimbursements for severance taxes and production related costs.

8. **PLANT FUEL AND RECYCLED GAS.** No royalty shall be payable on any gas as may represent this lease's proportionate share of any fuel used to process gas produced hereunder in any processing plant. Notwithstanding any other provision of this lease, and subject to the written consent of the owner of the soil and the Commissioner of the General Land Office, Lessee may recycle gas for gas lift purposes on the leased premises or for injection into any oil or gas producing formation underlying the leased premises after the liquid hydrocarbons contained in the gas have been removed; no royalties shall be payable on the recycled gas until it is produced and sold or used by Lessee in a manner which entitles the royalty owners to a royalty under this lease.

9. **ROYALTY PAYMENTS AND REPORTS.** All royalties which are required to be paid to the Commissioner of the General Land Office under this lease shall be due and payable in the following manner: Royalty on oil is due and must be received in the General Land Office on or before the 5th day of the second month succeeding the month of production, and royalty on gas is due and must be received in the General Land Office on or before the 15th day of the second month succeeding the month of production, accompanied by the affidavit of the owner, manager or other authorized agent, completed in the form and manner prescribed by the General Land Office and showing the gross amount and disposition of all oil and gas produced and the market value of the oil and gas, together with a copy of all documents, records or reports confirming the gross production, disposition and market value including gas meter readings, pipeline receipts, gas line receipts and other checks or memoranda of amount produced and put into pipelines, tanks, or pools and gas lines or gas storage, and any other reports or records which the General Land Office may require to verify the gross production, disposition and market value. Each royalty payment shall be accompanied by a check stub, schedule, summary or other remittance advice showing by the assigned General Land Office lease number, the amount of royalty being paid on each lease. If Lessee pays his royalty late but on or before thirty (30) days after the royalty payment was due, then Lessee owes a penalty of 5% of the royalty or $25.00, whichever is greater. A royalty payment which is over thirty (30) days late shall accrue a penalty of 10% of the royalty due or $25.00, whichever is greater. In addition to a penalty, royalties shall accrue interest at a rate of 12% per year; such interest will begin accruing when the royalty is sixty (60) days overdue. Affidavits and supporting documents which are not filed when due shall incur a penalty in an amount set by the General Land Office administrative rule which is effective on the date when the affidavits or supporting documents were due. The Lessee shall

bear all responsibility for paying or causing royalties to be paid in the manner prescribed in this paragraph. Payment of the delinquency penalty shall in no way operate to prohibit the State's right of forfeiture as provided by law nor act to postpone the date on which royalties were originally due. The above penalty provisions shall not apply in cases of title dispute as to the State's portion of the royalty or to that portion of the royalty in dispute as to fair market value. Penalties due under this paragraph are subject to change in order to conform to any future penalty statutes. The State shall have a first lien upon all oil and gas produced from the area covered by this lease to secure the payment of all unpaid royalty and other sums of money that may become due to the State under this lease.

10. PERMITS, REPORTS, AND RESERVES. Lessee shall file all drilling permits in the name of the "State" and require each well and/or tank battery on the leased premises to be designated by the word "State" for identification and reporting to the Railroad Commission or any other governmental agency. Written notice of operations under this lease shall be submitted to the Commissioner of the General Land Office by Lessee five (5) days before spud date, cessation of production, workover, re-entry, temporary abandonment or abandonment of any well, and shall include copies of Railroad Commission forms for application to drill, well tests, completion reports and plugging records. Lessee shall supply the General Land Office with any records, memoranda, accounts, reports, cuttings and cores, or other information relative to the operation of the above described premises, which may be requested by the General Land Office, in addition to those herein expressly provided for. Lessee shall have an electrical and/or radioactivity survey made on the bore-hole section, from the base of the surface casing to total depth of well, of all wells drilled on the above described premises and shall transmit a true copy of the log of each survey on each well to the General Land Office within fifteen (15) days after making of said survey. The Commissioner of the General Land Office reserves the right to require Lessee to annually furnish the said Commissioner with its best possible estimate of oil and gas reserves underlying this lease or allocable to this lease.

11. DRY HOLE CLAUSE. If, during the primary term hereof and prior to discovery and production of oil or gas on said land, Lessee should drill a dry hole or holes thereon, or if, after discovery and production of oil or gas, the production thereof should cease from any cause, this lease shall not terminate if, on or before the rental paying date next ensuing after the expiration of sixty (60) days from date of completion of said dry hole or cessation of production, Lessee commences additional drilling or reworking operations thereon, or commences or resumes the payment of annual delay rental in the same manner as provided in Paragraph 3 of this lease. If a dry hole be completed and abandoned during the last year of the primary term, Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in oil or gas well within the primary term hereof, Lessee may resume payment of annual rental in the same manner as provided in Paragraph 3 in this lease on or before the rental paying date next ensuing after sixty (60) days from the date of completion of such shut-in oil or gas well, and upon the failure to make such annual rental payment, this lease shall ipso facto terminate. If at the expiration of the primary term or at any time thereafter a shut-in oil or gas well is located on the leased premises, payments may be made in accordance with the provisions of Paragraph 14 of this lease.

12. DRILLING AND REWORKING AT EXPIRATION OF PRIMARY TERM. If, at the expiration of the primary term, neither oil nor gas is being produced on said land, but Lessee is then engaged in drilling or reworking operations thereon, this lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted in good faith and in workmanlike manner without interruptions totaling more than sixty (60) days during any one such operation, and if they result in the production of oil and/or gas, so long thereafter as oil and/or gas is produced in paying quantities from said land, or payment of shut-in oil or gas well royalties or compensatory royalties is made as provided in this lease.

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

14. SHUT IN ROYALTIES. If, at the expiration of the primary term or at any time thereafter, a well or wells capable of producing oil or gas in paying quantities is located on the leased premises but oil or gas is not being produced for lack of suitable production facilities or a suitable market, and the lease is not being maintained in force and effect, Lessee may pay as a shut-in oil or gas royalty an amount equal to double the annual rental provided in Paragraph 3 of this lease but not less than $1,200 a year for each well capable of producing oil or gas in paying quantities. If Paragraph 3 of this lease does not specify

a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre. Any shut-in oil or gas royalty must be paid on or before: (1) the expiration of the primary term, (2) 30 days after the lessee ceases to produce oil or gas from the leased premises, or (3) 60 days after lessee completes a drilling and reworking operation in accordance with the lease provisions; whichever date is latest. Such payment shall be made one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil. If the shut-in oil or gas royalty is paid, the lease shall be considered to be a producing lease and the payment shall extend the term of the lease for a period of one (1) year from the end of the primary term or from the first day of the month next succeeding the month in which production ceased and after that, if no suitable production facilities or suitable market for the oil or gas exists, Lessee may extend the lease for four (4) additional and successive periods of one year by paying the same amount each year on or before the expiration of the extended term. If, during the period the lease is kept in effect by payment of the shut-in oil or gas royalty, oil or gas is sold and delivered in paying quantities from a well located within 1,000 feet of the leased premises and completed in the same producing reservoir or, in any case in which drainage is occurring, the right to continue to extend the lease by paying the shut-in oil or gas royalty shall cease. The lease shall remain effective for the remainder of the year for which the royalty has been paid and for four (4) additional and successive periods of one year each by the Lessee paying compensatory royalty at the royalty rate provided in the lease of the value at the well of production from the well that is causing the drainage or that is completed in the same producing reservoir and within 1,000 feet of the leased premises. The compensatory royalty is to be paid monthly, one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil, beginning on or before the last day of the month next succeeding the month in which the oil or gas is sold and delivered from the well. If the compensatory royalty paid in any 12-month period is in an amount less than the annual shut-in oil or gas royalty, Lessee shall pay an amount equal to the difference within 30 days from the end of the 12-month period. None of these provisions will relieve Lessee of the obligation of reasonable development or the obligation to drill offset wells as provided in Texas Natural Resources Code §52.173.

15. DEVELOPMENT. Notwithstanding any provision of this lease to the contrary, after a well producing, or capable of producing, oil or gas has been completed on the leased premises, Lessee shall exercise the diligence of a reasonably prudent operator in drilling such additional well or wells as may be reasonably necessary for the proper development of the leased premises and in marketing the oil and gas produced. In the event this lease is in force and effect three (3) years after the expiration date of the primary term, it shall then terminate as to all of the leased premises, EXCEPT: 1) 40 acres surrounding each producing oil well and 320 acres surrounding each producing gas well (including a shut-in oil or gas well as provided in Paragraph 14 of this lease), or a well upon which Lessee is then engaged in continuous drilling or reworking operations, or 2) the number of acres included in a producing pooled unit pursuant to Texas Natural Resources Code §52.151 - §52.153, or 3) such greater or lesser number of acres as may then be allocated for production purposes to a proration unit for each such producing well under the rules and regulations of the Railroad Commission of Texas, or any successor agency, or other governmental authority having jurisdiction. "Producing" as used in this lease means producing in paying quantities. The acreage retained under this provision as to each well shall, as nearly as practical, be in the form of a square with the well located in the center or in such other shape as may be approved by the Commissioner of the General Land Office. Lessee shall execute and record a release or releases containing a satisfactory description of the acreage terminated under this provision, and the recorded release, or a certified copy of same, shall be filed in the General Land Office, accompanied by the prescribed filing fee.

16. OFFSET WELLS. Neither the bonus, delay rentals, nor royalties paid, or to be paid, under this lease shall relieve Lessee of his obligation to protect the oil and gas under the above-described land from being drained. To prevent drainage, Lessee is obligated to drill as many wells as the facts may justify and to the depth or depths necessary for effective protection against undue drainage. In addition, if a draining well which is producing in commercial quantities is located within 1,000 feet of the above-described land, or in any case where the above described land is being drained, Lessee is statutorily obligated to drill an offset well on the leased premises within 100 days after the draining well begins production in commercial quantities. Failure to satisfy the statutory offset obligation may subject this lease and the owner of the soil's agency rights to forfeiture. Only upon the determination of the Commissioner of the General Land Office and with his written approval may the payment of compensatory royalty satisfy obligation to drill an offset well or wells required under this paragraph.

17. FORCE MAJEURE. If, after a good faith effort, Lessee is prevented from complying with any express or implied covenant of this lease, from conducting drilling operations on the leased premises, or from producing oil or gas from the leased premises by reason of war, rebellion, riots, strikes, acts of God, or any valid order, rule or regulation of government authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended and Lessee shall not be liable for damages for failure to comply with such covenants; additionally, this lease shall be extended while Lessee is prevented, by any such cause, from conducting drilling and reworking operations or from producing oil or gas from the leased premises. However, nothing in this paragraph shall suspend the payment of delay rentals in order to maintain this lease in effect during the primary term in the absence of such drilling or reworking operations or production of oil or gas.

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

19. PROPORTIONATE REDUCTION CLAUSE. If the owner of the soil owns less than the entire undivided surface estate in the above described land, whether or not Lessee's interest is specified herein, then the royalties ~~and rental~~ herein provided to be paid to the owner of the soil shall be paid to him in the proportion which his interest bears to the entire undivided surface estate and the royalties ~~and rental~~ herein provided to be paid to the Commissioner of the General Land Office of the State of Texas shall be likewise proportionately reduced. However, before Lessee adjusts the royalty or rental due to the Commissioner of the General Land Office, Lessee or his authorized representative must submit to the Commissioner of the General Land Office a written statement which explains the discrepancy between the interest purportedly leased under this lease and the actual interest owned by the owner of the soil. The Commissioner of the General Land Office shall be paid the value of the whole production allocable to any undivided interest not covered by a lease, less the proportionate development and production cost allocable to such undivided interest. However, in no event shall the Commissioner of the General Land Office receive as a royalty on the gross production allocable to the undivided interest not leased an amount less than the value of one-sixteenth (1/16) of such gross production.

20. USE OF WATER. Lessee shall have the right to use water produced on said land necessary for operations under this lease except water from wells or tanks of the owner of the soil; provided, however, Lessee shall not use potable water or water suitable for livestock or irrigation purposes for waterflood operations without the prior consent of the owner of the soil.

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

22. PIPELINE DEPTH. When requested by the owner of the soil, Lessee shall bury its pipelines below plow depth.

23. WELL LOCATION LIMIT. No well shall be drilled nearer than two hundred (200) feet to any house or barn now on said premises without the written consent of the owner of the soil.

24. CONSERVATION CLAUSE. Lessee shall have the exclusive right to build, operate and maintain pits, reservoirs, pickup stations and plants for the purpose of picking up and conserving waste oil that flows down the creeks, ravines and across the leased premises, whether such waste oil is produced from the leased premises or from other lands. Royalties, as provided in this lease for regularly produced oil, are also owed on all such waste oil.

25. REMOVAL OF EQUIPMENT. Subject to limitations in this paragraph, Lessee shall have the right to remove machinery and fixtures placed by Lessee on the leased premises, including the right to draw and remove casing, within one hundred twenty (120) days after the expiration or the termination of this lease unless the owner of the soil grants Lessee an extension of this 120-day period. However, Lessee may not remove casing from any well capable of producing oil and gas in paying quantities. Additionally, Lessee may not draw and remove casing until after thirty (30) days written notice to the Commissioner of the General Land Office and to the owner of the soil. The owner of the soil shall become the owner of any machinery, fixtures, or casing which are not timely removed by Lessee under the terms of this paragraph.

26. (a) ASSIGNMENTS. Under the conditions contained in this paragraph and Paragraph 28 of this lease, the rights and estates of either party to this lease may be assigned, in whole or in part, and the provisions of this lease shall extend to and be binding upon their heirs, devisees, legal representatives, successors and assigns. However, a change or division in ownership of the land, rentals, or royalties will not enlarge the obligations of Lessee, diminish the rights, privileges and estates of Lessee, impair the effectiveness of any payment made by Lessee or impair the effectiveness of any act performed by Lessee. And no change or division in ownership of the land, rentals, or royalties shall bind Lessee for any purpose until thirty (30) days after the owner of the soil (or his heirs, devisees, legal representatives or assigns) furnishes the Lessee with satisfactory written evidence of the change in ownership, including the original recorded muniments of title (or a certified copy of such original) when the ownership changed because of a conveyance. A total or partial assignment of this lease shall, to the extent of the interest assigned, relieve and discharge Lessee of all subsequent obligations under this lease. If this lease is assigned in its entirety as to only part of the acreage, the right and option to pay rentals shall be apportioned as between the several owners ratably, according to the area of each, and failure by one or more of them to pay his share of the rental shall not affect

this lease on the part of the land upon which pro rata rentals are timely paid or tendered; however, if the assignor or assignee does not file a certified copy of such assignment in the General Land Office before the next rental paying date, the entire lease shall terminate for failure to pay the entire rental due under Paragraph 3. Every assignee shall succeed to all rights and be subject to all obligations, liabilities, and penalties owed to the State by the original lessee or any prior assignee of the lease, including any liabilities to the State for unpaid royalties.

(b) ASSIGNMENT LIMITATION. Notwithstanding any provision in Paragraph 26(a), if the owner of the soil acquires this lease in whole or in part by assignment without the prior written approval of the Commissioner of the General Land Office, this lease is void as of the time of assignment and the agency power of the owner may be forfeited by the Commissioner. An assignment will be treated as if it were made to the owner of the soil if the assignee is:

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

27. RELEASES. Under the conditions contained in this paragraph and Paragraph 28, Lessee may at any time execute and deliver to the owner of the soil and place of record a release or releases covering any portion or portions of the leased premises, and thereby surrender this lease as to such portion or portions, and be relieved of all subsequent obligations as to acreage surrendered. If any part of this lease is properly surrendered, the delay rental due under this lease shall be reduced by the proportion that the surrendered acreage bears to the acreage which was covered by this lease immediately prior to such surrender; however, such release will not relieve Lessee of any liabilities which may have accrued under this lease prior to the surrender of such acreage.

28. FILING OF ASSIGNMENTS AND RELEASES. If all or any part of this lease is assigned or released, such assignment or release must be recorded in the county where the land is situated, and the recorded instrument, or a copy of the recorded instrument certified by the County Clerk of the county in which the instrument is recorded, must be filed in the General Land Office within 90 days of the last execution date accompanied by the prescribed filing fee. If any such assignment is not so filed, the rights acquired under this lease shall be subject to forfeiture at the option of the Commissioner of the General Land Office.

29. LEASE FILING. It is recognized that before this lease is effective a certified copy of this lease (which is made and certified by the County Clerk from his records) shall be filed in the General Land Office in accordance with Texas Natural Resources Code §52.183, and this lease shall not be binding upon the State unless it recites the actual and true consideration paid or promised for execution of this lease. The bonus due the State and the prescribed filing fee shall accompany such certified copy to the General Land Office.

30. DISCLOSURE CLAUSE. All provisions pertaining to the lease of the above-described land have been included in this instrument, including the statement of the true consideration to be paid for the execution of this lease and the rights and duties of the parties. Any collateral agreements concerning the development of oil and gas from the leased premises which are not contained in this lease render this lease invalid.

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

32. FORFEITURE. If Lessee shall fail or refuse to make the payment of any sum within thirty days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if Lessee should fail to file reports in the manner required by law or fail to comply with rules and regulations promulgated by the General Land Office, the School Land Board, or the Railroad Commission, or if Lessee should refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or knowingly fail or refuse

to furnish the General Land Office a correct log of any well, or if Lessee shall knowingly violate any of the material provisions of this lease, or if this lease is assigned and the assignment is not filed in the General Land Office as required by law, the rights acquired under this lease shall be subject to forfeiture by the Commissioner, and he shall forfeit same when sufficiently informed of the facts which authorize a forfeiture, and when forfeited the area shall again be subject to lease under the terms of the Relinquishment Act. However, nothing herein shall be construed as waiving the automatic termination of this lease by operation of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this lease and all rights thereunder reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

33. **RAILROAD COMMISSION HEARINGS ON GAS.** No natural gas or casinghead gas, including both associated and nonassociated gas, produced from the mineral estate subject to this lease may be sold or contracted for sale to any person for ultimate use outside the State of Texas unless the Railroad Commission, after notice and hearing as provided in Title 3 of the Texas Natural Resources Code, finds that:

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

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

(c) no public or private school in this State that provides elementary, secondary, or higher education requires the natural gas or casinghead gas to meet its existing needs for fuel;

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

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

(f) no person who resides in this State and who relies on natural gas or casinghead gas to provide in whole or part his existing needs for fuel or raw material requires the natural gas or casinghead gas to meet those needs; provided, however, after notice and hearing as provided in Title 3 of the Texas Natural Resources Code the Railroad Commission may grant exceptions to these provisions as set forth in Texas Natural Resources Code §52.296.

34. This lease is issued under the provisions of Texas Natural Resources Code §52.171 through §52.188, commonly known as the Relinquishment Act, and other applicable statutes and amendments thereto, and if any provision in this lease does not conform to these statutes, the statutes will prevail over any nonconforming lease provisions.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

STATE OF TEXAS
BY: _____
Individually and as agent for the State of Texas

STATE OF TEXAS
BY: Richard Kiel
Individually and as agent for the State of Texas
Richard Kiel [redacted]

STATE OF TEXAS
BY: _____
Individually and as agent for the State of Texas

STATE OF TEXAS
BY: _____
Individually and as agent for the State of Texas

STATE OF TEXAS, OHIO
COUNTY OF Auglaize

This instrument acknowledged before me on October 4, 1988 by

Richard Kiel.

Mary C. Stuever
Notary Public in and for Auglaize County, Texas
My commission expires: April 16, 1992

STATE OF TEXAS
COUNTY OF _____

This instrument acknowledged before me on _____ by

_____.

_____
Notary Public in and for _____ County, Texas
My commission expires: _____

STATE OF TEXAS
COUNTY OF _____

This instrument acknowledged before me on _____ by

_____.

_____
Notary Public in and for _____ County, Texas
My commission expires: _____

FOR SALE BY STAFFORD-LOWDON CO. FORT WORTH 55326

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 }

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 OIL & GAS LEASE FROM RICHARD KIEL TO BLAKE OIL & GAS CORP. FILED 11-4-88

as the same appears of record in my office in book 489 page 382 OF DEED RECORDS

Given under my Hand and Seal of said Court, at office in PECOS, TEXAS

this 4th day of NOVEMBER 19 88.

CATHERINE ASHLEY Clerk,

By Patricia Monroe Deputy.

Patricia Monroe

ANY PROVISION HEREIN WHICH RESTRICTS THE SALE, RENTAL, OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

FILED FOR RECORD ON THE 4th DAY OF November A.D. 1988 at 8:15A. M.

DULY RECORDED ON THE 4th DAY OF November A.D. 1988 at 9:00A. M.

BY Billie Jo Freeman DEPUTY

CATHERINE ASHLEY, COUNTY CLERK,
REEVES COUNTY, TEXAS.

RECEIVED AS STATED.
$16.65 bonus, & 25.00 filing fee

Date 11-7-88
Reg No 13007

GENERAL LAND OFFICE

GENERAL LAND OFFICE
GARRY MAURO
COMMISSIONER

MEMORANDUM

DATE:

TO: Garry Mauro, Commissioner

FROM: Peter Boone, Petroleum and Minerals

SUBJECT: Relinquishment Act Lease
County: Reeves
Description: 80 ac of N 440 ac of Sec. 12, Blk-57, T&P RR T-2
Applicant: Blake O&G
Consideration: $75 ac/10 mos, 3/16, $1.00 rental 3 yrs

Consideration

Recommended: PAB 2-16-88
Not Recommended
Comments:

Form

Recommended:
Not Recommended:
Recommended, after technical changes: PAB 2-16-88
Comments:

Legal Services Comments (if requested)

Jack Giberson, Chief Clerk Date

Recommended: Hold until final action
Not Recommended
Garry Mauro, Commissioner Date

Approved: Not Approved:

Approved, after technical changes:

Surface to base of Brushy Canyon fm

Mineral Classified Land Lease Consideration Comparison

UI

County Reeves
Area SE 80 ac of N 440 ac, Sec D Blk 57, T-2, T&P

M. F.	Acres	Lease Date	Term	Total Bonus	B/Ac	Rental	Comparison
New	13.53 80	11-2-88	3 yrs	$1,688.40	$100	$1.00	11½ %
M-92678	640	1-11-88	9 mo.	$6,400	$10	N/A	8.5% 3½ mi W
M-92187	160	2-23-87	3 yrs	$8,000	$50	$1.00	3/32 5½ mi E
M-92197	640	4-12-87	3 yrs	$36,800	$60	$1.00	1/10 1½ mi W
M-92207	320	5-25-87	5 yrs	$16,000	$50	$1.00	3/32 2 mi S

142477

Land 100 Hz 225 Mc 175

Remarks: within Matthews (L. Cherry Canyon) Fld Disc. 5/84, 279,347 Mcfs, 30 il wells adj South producing 7 to 29 bbls/day Last lease issued 9/88, $75/ac bonus

Consideration
Recommended PGB 3-14-89
Not Recommended

MF - 88676

Surface Owner Name	Net Acres	State's Royalty	Net Acres/80 acres	Net State's Royalty
Schuler, R.A & James	8.88	0.09375	0.111	0.01040625
Schuler, Evelyn	4.44	0.09375	0.0555	0.005203125
Schuler, Viiolet	13.33	0.09375	0.166625	0.015621094
Oestrich, Lois & Clint	0.296	0.09375	0.0037	0.000346875
Max, Mildred	0.89	0.09375	0.011125	0.001042969
Kiel, Richard	0.444	0.09375	0.00555	0.000520313
Gehle, Richard	0.89	0.09375	0.011125	0.001042969
Gehle, Mary C.	1.34	0.09375	0.01675	0.001570313
Farwell, Altha M.	1.34	0.09375	0.01675	0.001570313
Kiel, Donald	0.296	0.09375	0.0037	0.000346875
Rybacheck, L.J.	0.296	0.09375	0.0037	0.000346875
Novallo, Algo A.	1.34	0.09375	0.01675	0.001570313
Campbell, Shirley	1.34	0.09375	0.01675	0.001570313
Wurm ,E. I.	0.89	0.09375	0.011125	0.001042969
Wagner, Carol & Arthur	0.444	0.09375	0.00555	0.000520313
Blake, Jack & Carol	16.884	0.115	0.21105	0.02427075
Staples, B.J.	13.33	0.115	0.166625	0.019161875
Blake, Robert & Marion	13.33	0.115	0.166625	0.019161875
	80			0.105316375

VOL 489 PAGE 352

FILE NO. 2780 ROBERT W. BLAKE, ET UX TO BLAKE OIL & GAS CORPORATION

Released

No. 5367--General Land
Office Lease Form Under
Relinquishment Act
Revised, September 1987
GLO-L-19-(9-87)

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 30th day of Sept., 19 88, between the State of Texas, acting by and through its agent, Robert W. Blake and wife, Marion of P.O. Box 2584, Lubbock, Texas 79400 said agent
(Give Permanent Address)
herein referred to as the owner of the soil (whether one or more), and Blake Oil & Gas Corporation of 400 N. Main, Midland, Texas 79701
(Give Permanent Address)
hereinafter called Lessee.

1. GRANTING CLAUSE. For and in consideration of the amounts stated below and of the covenants and agreements to be paid, kept and performed by Lessee under this lease, the State of Texas acting by and through the owner of the soil, hereby grants, leases and lets unto Lessee, for the sole and only purpose of prospecting and drilling for and producing oil and gas, laying pipe lines, building tanks, storing oil and building power stations, telephone lines and other structures thereon, to produce, save, take care of, treat and transport said products of the lease, the following lands situated in Reeves County, State of Texas, to-wit:

The Southeast 80 acres of the North 440 acres of said Section 12, Block 57, T-2, T&P Ry. Co. Survey, Reeves County, Texas more fully described as follows:

The Southeast part of the North 440 acres of said Section 12 was duly patented to Frank H. Schuler, F. C. Gehle and Fred M. Ulrich on November 17, 1943, by Patent No. 54, Volume 92-A as containing 80 acres, described by metes and bounds as follows:

BEGINNING at the SE/corner of the E/2 of the NE/4 of this Section in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey, and the NE/corner of this survey;

THENCE West 1267.2 varas with the South line of the N/2 to the NE/corner of the NW/ part of the S/2 and the NW/corner of this Survey;

THENCE South 356.4 varas with the East line of said NW/part of the S/2 to its SE/ corner in the North line of the South part and the SW/corner of this survey;

THENCE East 1267.2 varas with the North line of said South part to its NE/corner in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey, and the SE/corner of this Survey;

THENCE North 356.4 varas with the West line of said Section 7 to the place of beginning, containing 80 acres, more or less.

containing 80 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Four hundred ninety-nine and 88/100---------- Dollars ($ 499.88)

To the owner of the soil: Four hundred ninety-nine and 87/100---------- Dollars ($ 499.87)

Total bonus consideration: Nine hundred ninety-nine and 75/100---------- Dollars ($ 999.75)

The total bonus consideration paid represents a bonus of Seventy-five---------- ----------Dollars ($ 75.00----------) per acre, on 13.33 net acres.

2. TERM. Subject to the other provisions in this lease, this lease shall be for a term of three (3) years from this date (herein called "primary term") and as long thereafter as oil and gas, or either of them, is produced in paying quantities* from said land.

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*As used in this lease, the term "produced in paying quantities" means that the receipts from the sale or other authorized commercial use of the substance(s) covered exceed out of pocket operational expenses for the six months last past.

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

To the owner of the soil: Six and 66/100---------- Dollars ($ 6.66----------)

To the State of Texas: Six and 67/100---------- Dollars ($ 6.67----------)

Total Rental: Thirteen and 33/100---------- Dollars ($ 13.33----------)

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

4. PRODUCTION ROYALTIES. When production of oil and/or gas is secured during the term of this lease, Lessee agrees to pay or cause to be paid one-half (1/2) of the royalty provided for in this lease to the Commissioner of the General Land Office of the State of Texas, at Austin, Texas, and one-half (1/2) of such royalty to the owner of the soil:

(a) OIL. Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be 3/16ths part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be determined by 1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity in the general area where produced and when run, or 2) the highest market price thereof offered or paid in the general area where produced and when run, or 3) the gross proceeds of the sale thereof, whichever is greatest. Lessee agrees that before any gas produced from the leased premises is sold, used or processed in a plant, it will be run free of cost to the parties entitled to royalties through an adequate oil and gas separator of conventional type, or other equipment at least as efficient, so that all liquid hydrocarbons recoverable from the gas by such means will be recovered. The requirement that such gas be run through a separator or other equipment may be waived in writing by the royalty owners upon such terms and conditions as they prescribe.

(b) NON PROCESSED GAS. Royalty on any gas (including flared gas), which is defined as all hydrocarbons and gaseous substances not defined as oil in subparagraph (a) above, produced from any well on said land (except as provided herein with respect to gas processed in a plant for the extraction of gasoline, liquid hydrocarbons or other products) shall be 3/16ths part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality in the general area where produced and when run, or the gross price paid or offered to the producer, whichever is greater; provided that the maximum pressure base in measuring the gas under this lease shall not at any time exceed 14.65 pounds per square inch absolute, and the standard base temperature shall be sixty (60) degrees Fahrenheit, correction to be made for pressure according to Boyle's Law, and for specific gravity according to tests made by the Balance Method or by the most approved method of testing being used by the industry at the time of testing.

(c) PROCESSED GAS. Royalty on any gas processed in a gasoline plant or other plant for the recovery of gasoline or other liquid hydrocarbons shall be 3/16ths part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease, and on fifty percent (50%), or that percent accruing to Lessee, whichever is greater, of the total plant production of liquid hydrocarbons attributable to the gas produced from this lease; provided that if liquid hydrocarbons

are recovered from gas processed in a plant in which Lessee (or its parent, subsidiary or affiliate) owns an interest, then the percentage applicable to liquid hydrocarbons shall be fifty percent (50%) or the highest percent accruing to a third party processing gas through such plant under a processing agreement negotiated at arm's length (or if there is no such third party, the highest percent then being specified in processing agreements or contracts in the industry), whichever is greater. The respective royalties on residue gas and on liquid hydrocarbons shall be determined by 1) the highest market price paid or offered for any gas (or liquid hydrocarbons) of comparable quality in the general area, or 2) the gross price paid or offered for such residue gas (or the weighted average gross selling price for the respective grades of liquid hydrocarbons, F.O.B. at the plant in which said gas is processed), whichever is greater.

(d) OTHER PRODUCTS. Royalty on carbon black, sulphur or any other products produced or manufactured from gas (excepting liquid hydrocarbons) whether said gas be "casinghead," "dry," or any other gas, by fractionating, burning or any other processing shall be 3/16ths part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows: 1) on the basis of the highest market price of each product for the same month in which such product is produced, or 2) on the basis of the average gross sale price of each product for the same month in which such product is sold, whichever is greater.

5. MINIMUM ROYALTY. For each calendar year following the date of the expiration of the primary term when this lease is held for any part of such calendar year by production, the royalty received under this lease must not be less than an amount equal to the total annual delay rental provided for in Paragraph 3. If Paragraph 3 of this lease does not specify a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre.

6. ROYALTY IN KIND. Notwithstanding any other provision in this lease, at any time or from time to time, the owner of the soil or the Commissioner of the General Land Office may, at the option of either, upon not less than sixty (60) days notice to the holder of the lease, require that the payment of any royalties accruing to such royalty owner under this lease be made in kind.

7. NO DEDUCTIONS. Lessee agrees that all royalties accruing under this lease (including those paid in kind) shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and otherwise making the oil, gas and other products hereunder ready for sale or use. Lessee agrees to compute and pay royalties on the gross value received, including any reimbursements for severance taxes and production related costs.

8. PLANT FUEL AND RECYCLED GAS. No royalty shall be payable on any gas as may represent this lease's proportionate share of any fuel used to process gas produced hereunder in any processing plant. Notwithstanding any other provision of this lease, and subject to the written consent of the owner of the soil and the Commissioner of the General Land Office, Lessee may recycle gas for gas lift purposes on the leased premises or for injection into any oil or gas producing formation underlying the leased premises after the liquid hydrocarbons contained in the gas have been removed; no royalties shall be payable on the recycled gas until it is produced and sold or used by Lessee in a manner which entitles the royalty owners to a royalty under this lease.

9. ROYALTY PAYMENTS AND REPORTS. All royalties which are required to be paid to the Commissioner of the General Land Office under this lease shall be due and payable in the following manner: Royalty on oil is due and must be received in the General Land Office on or before the 5th day of the second month succeeding the month of production, and royalty on gas is due and must be received in the General Land Office on or before the 15th day of the second month succeeding the month of production, accompanied by the affidavit of the owner, manager or other authorized agent, completed in the form and manner prescribed by the General Land Office and showing the gross amount and disposition of all oil and gas produced and the market value of the oil and gas, together with a copy of all documents, records or reports confirming the gross production, disposition and market value including gas meter readings, pipeline receipts, gas line receipts and other checks or memoranda of amount produced and put into pipelines, tanks, or pools and gas lines or gas storage, and any other reports or records which the General Land Office may require to verify the gross production, disposition and market value. Each royalty payment shall be accompanied by a check stub, schedule, summary or other remittance advice showing by the assigned General Land Office lease number, the amount of royalty being paid on each lease. If Lessee pays his royalty late but on or before thirty (30) days after the royalty payment was due, then Lessee owes a penalty of 5% of the royalty or $25.00, whichever is greater. A royalty payment which is over thirty (30) days late shall accrue a penalty of 10% of the royalty due or $25.00, whichever is greater. In addition to a penalty, royalties shall accrue interest at a rate of 12% per year; such interest will begin accruing when the royalty is sixty (60) days overdue. Affidavits and supporting documents which are not filed when due shall incur a penalty in an amount set by the General Land Office administrative rule which is effective on the date when the affidavits or supporting documents were due. The Lessee shall

a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre. Any shut-in oil or gas royalty must be paid on or before: (1) the expiration of the primary term, (2) 60 days after the lessee ceases to produce oil or gas from the leased premises, or (3) 60 days after lessee completes a drilling and reworking operation in accordance with the lease provisions; whichever date is latest. Such payment shall be made one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil. If the shut-in oil or gas royalty is paid, the lease shall be considered to be a producing lease and the payment shall extend the term of the lease for a period of one (1) year from the end of the primary term or from the first day of the month next succeeding the month in which production ceased and after that, if no suitable production facilities or suitable market for the oil or gas exists, Lessee may extend the lease for four (4) additional and successive periods of one year by paying the same amount each year on or before the expiration of the extended term. If, during the period the lease is kept in effect by payment of the shut-in oil or gas royalty, oil or gas is sold and delivered in paying quantities from a well located within 1,000 feet of the leased premises and completed in the same producing reservoir or, in any case in which drainage is occurring, the right to continue to extend the lease by paying the shut-in oil or gas royalty shall cease. The lease shall remain effective for the remainder of the year for which the royalty has been paid and for four (4) additional and successive periods of one year each by the Lessee paying compensatory royalty at the royalty rate provided in the lease of the value at the well of production from the well that is causing the drainage or that is completed in the same producing reservoir and within 1,000 feet of the leased premises. The compensatory royalty is to be paid monthly, one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil, beginning on or before the last day of the month next succeeding the month in which the oil or gas is sold and delivered from the well. If the compensatory royalty paid in any 12-month period is in an amount less than the annual shut-in oil or gas royalty, Lessee shall pay an amount equal to the difference within 30 days from the end of the 12-month period. None of these provisions will relieve Lessee of the obligation of reasonable development or the obligation to drill offset wells as provided in Texas Natural Resources Code §52.173.

15. DEVELOPMENT. Notwithstanding any provision of this lease to the contrary, after a well producing, or capable of producing, oil or gas has been completed on the leased premises, Lessee shall exercise the diligence of a reasonably prudent operator in drilling such additional well or wells as may be reasonably necessary for the proper development of the leased premises and in marketing the oil and gas produced. In the event this lease is in force and effect three (3) years after the expiration date of the primary term, it shall then terminate as to all of the leased premises, EXCEPT: 1) 40 acres surrounding each producing oil well and 320 acres surrounding each producing gas well (including a shut-in oil or gas well as provided in Paragraph 14 of this lease), or a well upon which Lessee is then engaged in continuous drilling or reworking operations, or 2) the number of acres included in a producing pooled unit pursuant to Texas Natural Resources Code §52.151 - §52.153, or 3) such greater or lesser number of acres as may then be allocated for production purposes to a proration unit for each such producing well under the rules and regulations of the Railroad Commission of Texas, or any successor agency, or other governmental authority having jurisdiction. "Producing" as used in this lease means producing in paying quantities. The acreage retained under this provision as to each well shall, as nearly as practical, be in the form of a square with the well located in the center or in such other shape as may be approved by the Commissioner of the General Land Office. Lessee shall execute and record a release or releases containing a satisfactory description of the acreage terminated under this provision, and the recorded release, or a certified copy of same, shall be filed in the General Land Office, accompanied by the prescribed filing fee.

16. OFFSET WELLS. Neither the bonus, delay rentals, nor royalties paid, or to be paid, under this lease shall relieve Lessee of his obligation to protect the oil and gas under the above-described land from being drained. To prevent drainage, Lessee is obligated to drill as many wells as the facts may justify and to the depth or depths necessary for effective protection against undue drainage. In addition, if a draining well which is producing in commercial quantities is located within 1,000 feet of the above-described land, or in any case where the above described land is being drained, Lessee is statutorily obligated to drill an offset well on the leased premises within 100 days after the draining well begins production in commercial quantities. Failure to satisfy the statutory offset obligation may subject this lease and the owner of the soil's agency rights to forfeiture. Only upon the determination of the Commissioner of the General Land Office and with his written approval may the payment of compensatory royalty satisfy obligation to drill an offset well or wells required under this paragraph.

17. FORCE MAJEURE. If, after a good faith effort, Lessee is prevented from complying with any express or implied covenant of this lease, from conducting drilling operations on the leased premises, or from producing oil or gas from the leased premises by reason of war, rebellion, riots, strikes, acts of God, or any valid order, rule or regulation of government authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended and Lessee shall not be liable for damages for failure to comply with such covenants; additionally, this lease shall be extended while Lessee is prevented, by any such cause, from conducting drilling and reworking operations or from producing oil or gas from the leased premises. However, nothing in this paragraph shall suspend the payment of delay rentals in order to maintain this lease in effect during the primary term in the absence of such drilling or reworking operations or production of oil or gas.

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

19. PROPORTIONATE REDUCTION CLAUSE. If the owner of the soil owns less than the entire undivided surface estate in the above described land, whether or not Lessee's interest is specified herein, then the royalties ~~and rental~~ herein provided to be paid to the owner of the soil shall be paid to him in the proportion which his interest bears to the entire undivided surface estate and the royalties ~~and rental~~ herein provided to be paid to the Commissioner of the General Land Office of the State of Texas shall be likewise proportionately reduced. However, before Lessee adjusts the royalty or rental due to the Commissioner of the General Land Office, Lessee or his authorized representative must submit to the Commissioner of the General Land Office a written statement which explains the discrepancy between the interest purportedly leased under this lease and the actual interest owned by the owner of the soil. The Commissioner of the General Land Office shall be paid the value of the whole production allocable to any undivided interest not covered by a lease, less the proportionate development and production cost allocable to such undivided interest. However, in no event shall the Commissioner of the General Land Office receive as a royalty on the gross production allocable to the undivided interest not leased an amount less than the value of one-sixteenth (1/16) of such gross production.

20. USE OF WATER. Lessee shall have the right to use water produced on said land necessary for operations under this lease except water from wells or tanks of the owner of the soil; provided, however, Lessee shall not use potable water or water suitable for livestock or irrigation purposes for waterflood operations without the prior consent of the owner of the soil.

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

22. PIPELINE DEPTH. When requested by the owner of the soil, Lessee shall bury its pipelines below plow depth.

23. WELL LOCATION LIMIT. No well shall be drilled nearer than two hundred (200) feet to any house or barn now on said premises without the written consent of the owner of the soil.

24. CONSERVATION CLAUSE. Lessee shall have the exclusive right to build, operate and maintain pits, reservoirs, pickup stations and plants for the purpose of picking up and conserving waste oil that flows down the creeks, ravines and across the leased premises, whether such waste oil is produced from the leased premises or from other lands. Royalties, as provided in this lease for regularly produced oil, are also owed on all such waste oil.

25. REMOVAL OF EQUIPMENT. Subject to limitations in this paragraph, Lessee shall have the right to remove machinery and fixtures placed by Lessee on the leased premises, including the right to draw and remove casing, within one hundred twenty (120) days after the expiration or the termination of this lease unless the owner of the soil grants Lessee an extension of this 120-day period. However, Lessee may not remove casing from any well capable of producing oil and gas in paying quantities. Additionally, Lessee may not draw and remove casing until after thirty (30) days written notice to the Commissioner of the General Land Office and to the owner of the soil. The owner of the soil shall become the owner of any machinery, fixtures, or casing which are not timely removed by Lessee under the terms of this paragraph.

26. (a) ASSIGNMENTS. Under the conditions contained in this paragraph and Paragraph 28 of this lease, the rights and estates of either party to this lease may be assigned, in whole or in part, and the provisions of this lease shall extend to and be binding upon their heirs, devisees, legal representatives, successors and assigns. However, a change or division in ownership of the land, rentals, or royalties will not enlarge the obligations of Lessee, diminish the rights, privileges and estates of Lessee, impair the effectiveness of any payment made by Lessee or impair the effectiveness of any act performed by Lessee. And no change or division in ownership of the land, rentals, or royalties shall bind Lessee for any purpose until thirty (30) days after the owner of the soil (or his heirs, devisees, legal representatives or assigns) furnishes the Lessee with satisfactory written evidence of the change in ownership, including the original recorded muniments of title (or a certified copy of such original) when the ownership changed because of a conveyance. A total or partial assignment of this lease shall, to the extent of the interest assigned, relieve and discharge Lessee of all subsequent obligations under this lease. If this lease is assigned in its entirety as to only part of the acreage, the right and option to pay rentals shall be apportioned as between the several owners ratably, according to the area of each, and failure by one or more of them to pay his share of the rental shall not affect

this lease on the part of the land upon which pro rata rentals are timely paid or tendered; however, if the assignor or assignee does not file a certified copy of such assignment in the General Land Office before the next rental paying date, the entire lease shall terminate for failure to pay the entire rental due under Paragraph 3. Every assignee shall succeed to all rights and be subject to all obligations, liabilities, and penalties owed to the State by the original lessee or any prior assignee of the lease, including any liabilities to the State for unpaid royalties.

(b) ASSIGNMENT LIMITATION. Notwithstanding any provision in Paragraph 26(a), if the owner of the soil acquires this lease in whole or in part by assignment without the prior written approval of the Commissioner of the General Land Office, this lease is void as of the time of assignment and the agency power of the owner may be forfeited by the Commissioner. An assignment will be treated as if it were made to the owner of the soil if the assignee is:

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

27. RELEASES. Under the conditions contained in this paragraph and Paragraph 28, Lessee may at any time execute and deliver to the owner of the soil and place of record a release or releases covering any portion or portions of the leased premises, and thereby surrender this lease as to such portion or portions, and be relieved of all subsequent obligations as to acreage surrendered. If any part of this lease is properly surrendered, the delay rental due under this lease shall be reduced by the proportion that the surrendered acreage bears to the acreage which was covered by this lease immediately prior to such surrender; however, such release will not relieve Lessee of any liabilities which may have accrued under this lease prior to the surrender of such acreage.

28. FILING OF ASSIGNMENTS AND RELEASES. If all or any part of this lease is assigned or released, such assignment or release must be recorded in the county where the land is situated, and the recorded instrument, or a copy of the recorded instrument certified by the County Clerk of the county in which the instrument is recorded, must be filed in the General Land Office within 90 days of the last execution date accompanied by the prescribed filing fee. If any such assignment is not so filed, the rights acquired under this lease shall be subject to forfeiture at the option of the Commissioner of the General Land Office.

29. LEASE FILING. It is recognized that before this lease is effective a certified copy of this lease (which is made and certified by the County Clerk from his records) shall be filed in the General Land Office in accordance with Texas Natural Resources Code §52.183, and this lease shall not be binding upon the State unless it recites the actual and true consideration paid or promised for execution of this lease. The bonus due the State and the prescribed filing fee shall accompany such certified copy to the General Land Office.

30. DISCLOSURE CLAUSE. All provisions pertaining to the lease of the above-described land have been included in this instrument, including the statement of the true consideration to be paid for the execution of this lease and the rights and duties of the parties. Any collateral agreements concerning the development of oil and gas from the leased premises which are not contained in this lease render this lease invalid.

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

32. FORFEITURE. If Lessee shall fail or refuse to make the payment of any sum within thirty days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if Lessee should fail to file reports in the manner required by law or fail to comply with rules and regulations promulgated by the General Land Office, the School Land Board, or the Railroad Commission, or if Lessee should refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or knowingly fail or refuse

to furnish the General Land Office a correct log of any well, or if Lessee shall knowingly violate any of the material provisions of this lease, or if this lease is assigned and the assignment is not filed in the General Land Office as required by law, the rights acquired under this lease shall be subject to forfeiture by the Commissioner, and he shall forfeit same when sufficiently informed of the facts which authorize a forfeiture, and when forfeited the area shall again be subject to lease under the terms of the Relinquishment Act. However, nothing herein shall be construed as waiving the automatic termination of this lease by operation of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this lease and all rights thereunder reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

33. **RAILROAD COMMISSION HEARINGS ON GAS.** No natural gas or casinghead gas, including both associated and nonassociated gas, produced from the mineral estate subject to this lease may be sold or contracted for sale to any person for ultimate use outside the State of Texas unless the Railroad Commission, after notice and hearing as provided in Title 3 of the Texas Natural Resources Code, finds that:

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

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

(c) no public or private school in this State that provides elementary, secondary, or higher education requires the natural gas or casinghead gas to meet its existing needs for fuel;

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

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

(f) no person who resides in this State and who relies on natural gas or casinghead gas to provide in whole or part his existing needs for fuel or raw material requires the natural gas or casinghead gas to meet those needs; provided, however, after notice and hearing as provided in Title 3 of the Texas Natural Resources Code the Railroad Commission may grant exceptions to these provisions as set forth in Texas Natural Resources Code §52.296.

34. This lease is issued under the provisions of Texas Natural Resources Code §52.171 through §52.188, commonly known as the Relinquishment Act, and other applicable statutes and amendments thereto, and if any provision in this lease does not conform to these statutes, the statutes will prevail over any nonconforming lease provisions.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

STATE OF TEXAS
BY: Robert W. Blake
Individually and as agent for the State of Texas

Robert W. Blake [redacted]

STATE OF TEXAS
BY: Marion Blake
Individually and as agent for the State of Texas

Marion Blake S.S. [redacted]

STATE OF TEXAS
BY: _____
Individually and as agent for the State of Texas

STATE OF TEXAS
BY: _____
Individually and as agent for the State of Texas

STATE OF TEXAS
COUNTY OF Lubbock

This instrument acknowledged before me on October 4, 1988 by

Robert W. Blake.

Don X. Richardson
Notary Public in and for Lubbock County, Texas
My commission expires: 2-25-89

STATE OF TEXAS
COUNTY OF Lubbock

This instrument acknowledged before me on October 4, 1988 by

Marion Blake.

Don X. Richardson
Notary Public in and for Lubbock County, Texas
My commission expires: 2-25-89

STATE OF TEXAS
COUNTY OF _____

This instrument acknowledged before me on _____ by

_____.

_____
Notary Public in and for _____ County, Texas
My commission expires: _____

FOR SALE BY STAFFORD-LOWDON CO. FORT WORTH 55326

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 }

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 OIL & GAS LEASE FROM ROBERT W. BLAKE ET UX TO BLAKE OIL & GAS CORP. FILED 11-4-88

as the same appears of record in my office in book 489 page 352 OF DEED RECORDS

Given under my Hand and Seal of said Court, at office in PECOS, TEXAS

this 4th day of NOVEMBER 19 88.

CATHERINE ASHLEY Clerk,

By Patricia Monroe Deputy.

Patricia Monroe

ANY PROVISION HEREIN WHICH RESTRICTS THE SALE, RENTAL, OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

FILED FOR RECORD ON THE 4th DAY OF November A.D. 1988 at 8:15A. M.

DULY RECORDED ON THE 4th DAY OF November A.D. 1988 at 9:00A. M.

BY Bitsi Jo Freeman DEPUTY

CATHERINE ASHLEY, COUNTY CLERK,
REEVES COUNTY, TEXAS.

RECEIVED AS STATED
$499.00 bonus & $25 filing fee

Date 11-7-58
Reg. No 13007

GENERAL LAND OFFICE

GENERAL LAND OFFICE
GARRY MAURO
COMMISSIONER

MEMORANDUM

DATE:

TO: Garry Mauro, Commissioner

FROM: Peter Boone, Petroleum and Minerals

SUBJECT: Relinquishment Act Lease
County: Reeves
Description: 80 ac of N 440 ac of Sec. 12, Blk-57, TE PRR T-2
Applicant: Blake O&G
Consideration: $75 ac/bonus, 3/16, $1.00 rental 3 yrs

Consideration

Recommended: PAB 9-16-88
Not Recommended
Comments:

Form

Recommended:
Not Recommended:
Recommended, after technical changes: PAB 9-16-88
Comments: (see comments attached)

Legal Services Comments (if requested)

Jack Giberson, Chief Clerk Date

Recommended: OK JG after technical changes
Not Recommended

Garry Mauro, Commissioner Date

Hold & return after changes JG

Approved: Not Approved:

Approved, after technical changes:

Mineral Classified Land
Lease Consideration Comparison

County Reeves
Area SE 80 ac. of N 440 ac. of Sec 12, Blk 57, T-2, T&P

M. F.	Acres	Lease Date	Term	Total Bonus	B/Ac	Rental	Comparison
New	1.34 80	8-26-88	3 yrs	$100.00	$75	$1.00	3/32
M-92187	160	2-23-87	3 yrs	$8000	$50	$1.00	3/32 5½ mi E
M-92197	640	4-12-87	3 yrs	$36,400	$60	$1.00	1/10 1½ mi W
M-92207	320	5-25-87	5 yrs	$16,000	$50	1.00	3/32 2 mi S
M-92678	640	1-11-88	9 mo.	$6,400	$10	N/A	8.5% 3½ mi W 142477

LOW 100 HA 225 MC 175

Remarks: within Mathews (Lower Cherry Dix 5/84, [redacted] 279,347 66b Canyon) Fld. 3 oil wells adj S. currently producing as little as 7 66ls/day and as much as 24 bbls/day last lease on tract issued 10/87

Consideration
Recommended PAB 2-16-88
Not Recommended

MF:- 88676

Surface Owner Name	Net Acres	State's Royalty	Net Acres/80 acres	Net State's Royalty
Schuler, R.A & James	8.88	0.09375	0.111	0.01040625
Schuler, Evelyn	4.44	0.09375	0.0555	0.005203125
Schuler, Viiolet	13.33	0.09375	0.166625	0.015621094
Oestrich, Lois & Clint	0.296	0.09375	0.0037	0.000346875
Max, Mildred	0.89	0.09375	0.011125	0.001042969
Kiel, Richard	0.444	0.09375	0.00555	0.000520313
Gehle, Richard	0.89	0.09375	0.011125	0.001042969
Gehle, Mary C.	1.34	0.09375	0.01675	0.001570313
Farwell, Altha M.	1.34	0.09375	0.01675	0.001570313
Kiel, Donald	0.296	0.09375	0.0037	0.000346875
Rybacheck, L.J.	0.296	0.09375	0.0037	0.000346875
Novallo, Algo A.	1.34	0.09375	0.01675	0.001570313
Campbell, Shirley	1.34	0.09375	0.01675	0.001570313
Wurm ,E. I.	0.89	0.09375	0.011125	0.001042969
Wagner, Carol & Arthur	0.444	0.09375	0.00555	0.000520313
Blake, Jack & Carol	16.884	0.115	0.21105	0.02427075
Staples, B.J.	13.33	0.115	0.166625	0.019161875
Blake, Robert & Marion	13.33	0.115	0.166625	0.019161875
	80			0.105316375

FILE NO. 2781 ALTHA M. FARWELL TO BLAKE OIL & GAS CORPORATION

No. 5367--General Land
Office Lease Form Under
Relinquishment Act
Revised, September 1987
GLO-L-19-(9-87)

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 30th day of Sept., 19 88, between the State of Texas, acting by and through its agent, Altha M. Farwell of 958 Huntington, Mt. Clemens, Michigan 48043 4100003568 2 said agent
(Give Permanent Address)
herein referred to as the owner of the soil (whether one or more), and Blake Oil & Gas Corporation of
400 N. Main, Midland, Texas 79701 2463011 3017
(Give Permanent Address)
hereinafter called Lessee.

1. GRANTING CLAUSE. For and in consideration of the amounts stated below and of the covenants and agreements to be paid, kept and performed by Lessee under this lease, the State of Texas acting by and through the owner of the soil, hereby grants, leases and lets unto Lessee, for the sole and only purpose of prospecting and drilling for and producing oil and gas, laying pipe lines, building tanks, storing oil and building power stations, telephone lines and other structures thereon, to produce, save, take care of, treat and transport said products of the lease, the following lands situated in Reeves County, State of Texas, to-wit:

The Southeast 80 acres of the North 440 acres of said Section 12, Block 57, T-2, T&P Ry. Co. Survey, Reeves County, Texas more fully described as follows:

The Southeast part of the North 440 acres of said Section 12 was duly patented to Frank H. Schuler, F. C. Gehle and Fred M. Ulrich on November 17, 1943, by Patent No. 54, Volume 92-A as containing 80 acres, described by metes and bounds as follows:

BEGINNING at the SE/corner of the E/2 of the NE/4 of this Section in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey, and the NE/corner of this survey;

THENCE West 1267.2 varas with the South line of the N/2 to the NE/corner of the NW/ part of the S/2 and the NW/corner of this Survey;

THENCE South 356.4 varas with the East line of said NW/part of the S/2 to its SE/ corner in the North line of the South part and the SW/corner of this survey;

THENCE East 1267.2 varas with the North line of said South part to its NE/corner in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey, and the SE/corner of this Survey;

THENCE North 356.4 varas with the West line of said Section 7 to the place of beginning, containing 80 acres, more or less.

containing 80 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Fifty and 25/100---------- Dollars ($ 50.25)

To the owner of the soil: Fifty and 25/100---------- Dollars ($ 50.25)

Total bonus consideration: One hundred and 50/100---------- Dollars ($ 100.50)

The total bonus consideration paid represents a bonus of Seventy-five---------- ----------Dollars ($ 75.00----------) per acre, on 1.34 net acres.

2. TERM. Subject to the other provisions in this lease, this lease shall be for a term of three (3) years from this date (herein called "primary term") and as long thereafter as oil and gas, or either of them, is produced in paying quantities* from said land.

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*As used in this lease, the term "produced in paying quantities" means that the receipts from the sale or other authorized commercial use of the substance(s) covered exceed out of pocket operational expenses for the six months last past.

3. **DELAY RENTALS.** If no well is commenced on the leased premises on or before one (1) year from this date, this lease shall terminate, unless on or before such anniversary date Lessee shall pay or tender to the owner of the soil or to his credit in the _____ Bank, at _____, or its successors (which shall continue as the depository regardless of changes in the ownership of said land), the amount specified below; in addition, Lessee shall pay or tender to the COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS, AT AUSTIN, TEXAS, a like sum on or before said date. Payments under this paragraph shall operate as a rental and shall cover the privilege of deferring the commencement of a well for one (1) year from said date. Payments under this paragraph shall be in the following amounts:

To the owner of the soil: None and 67/100---------- Dollars ($ .67----------)

To the State of Texas: None and 67/100---------- Dollars ($ .67----------)

Total Rental: One and 34/100---------- Dollars ($ 1.34----------)

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

4. **PRODUCTION ROYALTIES.** When production of oil and/or gas is secured during the term of this lease, Lessee agrees to pay or cause to be paid one-half (1/2) of the royalty provided for in this lease to the Commissioner of the General Land Office of the State of Texas, at Austin, Texas, and one-half (1/2) of such royalty to the owner of the soil:

(a) **OIL.** Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be 3/16ths part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be determined by 1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity in the general area where produced and when run, or 2) the highest market price thereof offered or paid in the general area where produced and when run, or 3) the gross proceeds of the sale thereof, whichever is greatest. Lessee agrees that before any gas produced from the leased premises is sold, used or processed in a plant, it will be run free of cost to the parties entitled to royalties through an adequate oil and gas separator of conventional type, or other equipment at least as efficient, so that all liquid hydrocarbons recoverable from the gas by such means will be recovered. The requirement that such gas be run through a separator or other equipment may be waived in writing by the royalty owners upon such terms and conditions as they prescribe.

(b) **NON PROCESSED GAS.** Royalty on any gas (including flared gas), which is defined as all hydrocarbons and gaseous substances not defined as oil in subparagraph (a) above, produced from any well on said land (except as provided herein with respect to gas processed in a plant for the extraction of gasoline, liquid hydrocarbons or other products) shall be 3/16ths part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality in the general area where produced and when run, or the gross price paid or offered to the producer, whichever is greater; provided that the maximum pressure base in measuring the gas under this lease shall not at any time exceed 14.65 pounds per square inch absolute, and the standard base temperature shall be sixty (60) degrees Fahrenheit, correction to be made for pressure according to Boyle's Law, and for specific gravity according to tests made by the Balance Method or by the most approved method of testing being used by the industry at the time of testing.

(c) **PROCESSED GAS.** Royalty on any gas processed in a gasoline plant or other plant for the recovery of gasoline or other liquid hydrocarbons shall be 3/16ths part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease, and on fifty percent (50%), or that percent accruing to Lessee, whichever is greater, of the total plant production of liquid hydrocarbons attributable to the gas produced from this lease; provided that if liquid hydrocarbons

are recovered from gas processed in a plant in which Lessee (or its parent, subsidiary or affiliate) owns an interest, then the percentage applicable to liquid hydrocarbons shall be fifty percent (50%) or the highest percent accruing to a third party processing gas through such plant under a processing agreement negotiated at arm's length (or if there is no such third party, the highest percent then being specified in processing agreements or contracts in the industry), whichever is greater. The respective royalties on residue gas and on liquid hydrocarbons shall be determined by 1) the highest market price paid or offered for any gas (or liquid hydrocarbons) of comparable quality in the general area, or 2) the gross price paid or offered for such residue gas (or the weighted average gross selling price for the respective grades of liquid hydrocarbons, F.O.B. at the plant in which said gas is processed), whichever is greater.

(d) **OTHER PRODUCTS.** Royalty on carbon black, sulphur or any other products produced or manufactured from gas (excepting liquid hydrocarbons) whether said gas be "casinghead," "dry," or any other gas, by fractionating, burning or any other processing shall be 3/16ths part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows: 1) on the basis of the highest market price of each product for the same month in which such product is produced, or 2) on the basis of the average gross sale price of each product for the same month in which such product is sold, whichever is greater.

5. **MINIMUM ROYALTY.** For each calendar year following the date of the expiration of the primary term when this lease is held for any part of such calendar year by production, the royalty received under this lease must not be less than an amount equal to the total annual delay rental provided for in Paragraph 3. If Paragraph 3 of this lease does not specify a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre.

6. **ROYALTY IN KIND.** Notwithstanding any other provision in this lease, at any time or from time to time, the owner of the soil or the Commissioner of the General Land Office may, at the option of either, upon not less than sixty (60) days notice to the holder of the lease, require that the payment of any royalties accruing to such royalty owner under this lease be made in kind.

7. **NO DEDUCTIONS.** Lessee agrees that all royalties accruing under this lease (including those paid in kind) shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and otherwise making the oil, gas and other products hereunder ready for sale or use. Lessee agrees to compute and pay royalties on the gross value received, including any reimbursements for severance taxes and production related costs.

8. **PLANT FUEL AND RECYCLED GAS.** No royalty shall be payable on any gas as may represent this lease's proportionate share of any fuel used to process gas produced hereunder in any processing plant. Notwithstanding any other provision of this lease, and subject to the written consent of the owner of the soil and the Commissioner of the General Land Office, Lessee may recycle gas for gas lift purposes on the leased premises or for injection into any oil or gas producing formation underlying the leased premises after the liquid hydrocarbons contained in the gas have been removed; no royalties shall be payable on the recycled gas until it is produced and sold or used by Lessee in a manner which entitles the royalty owners to a royalty under this lease.

9. **ROYALTY PAYMENTS AND REPORTS.** All royalties which are required to be paid to the Commissioner of the General Land Office under this lease shall be due and payable in the following manner: Royalty on oil is due and must be received in the General Land Office on or before the 5th day of the second month succeeding the month of production, and royalty on gas is due and must be received in the General Land Office on or before the 15th day of the second month succeeding the month of production, accompanied by the affidavit of the owner, manager or other authorized agent, completed in the form and manner prescribed by the General Land Office and showing the gross amount and disposition of all oil and gas produced and the market value of the oil and gas, together with a copy of all documents, records or reports confirming the gross production, disposition and market value including gas meter readings, pipeline receipts, gas line receipts and other checks or memoranda of amount produced and put into pipelines, tanks, or pools and gas lines or gas storage, and any other reports or records which the General Land Office may require to verify the gross production, disposition and market value. Each royalty payment shall be accompanied by a check stub, schedule, summary or other remittance advice showing by the assigned General Land Office lease number, the amount of royalty being paid on each lease. If Lessee pays his royalty late but on or before thirty (30) days after the royalty payment was due, then Lessee owes a penalty of 5% of the royalty or $25.00, whichever is greater. A royalty payment which is over thirty (30) days late shall accrue a penalty of 10% of the royalty due or $25.00, whichever is greater. In addition to a penalty, royalties shall accrue interest at a rate of 12% per year; such interest will begin accruing when the royalty is sixty (60) days overdue. Affidavits and supporting documents which are not filed when due shall incur a penalty in an amount set by the General Land Office administrative rule which is effective on the date when the affidavits or supporting documents were due. The Lessee shall

bear all responsibility for paying or causing royalties to be paid in the manner prescribed in this paragraph. Payment of the delinquency penalty shall in no way operate to prohibit the State's right of forfeiture as provided by law nor act to postpone the date on which royalties were originally due. The above penalty provisions shall not apply in cases of title dispute as to the State's portion of the royalty or to that portion of the royalty in dispute as to fair market value. Penalties due under this paragraph are subject to change in order to conform to any future penalty statutes. The State shall have a first lien upon all oil and gas produced from the area covered by this lease to secure the payment of all unpaid royalty and other sums of money that may become due to the State under this lease.

10. PERMITS, REPORTS, AND RESERVES. Lessee shall file all drilling permits in the name of the "State" and require each well and/or tank battery on the leased premises to be designated by the word "State" for identification and reporting to the Railroad Commission or any other governmental agency. Written notice of operations under this lease shall be submitted to the Commissioner of the General Land Office by Lessee five (5) days before spud date, cessation of production, workover, re-entry, temporary abandonment or abandonment of any well, and shall include copies of Railroad Commission forms for application to drill, well tests, completion reports and plugging records. Lessee shall supply the General Land Office with any records, memoranda, accounts, reports, cuttings and cores, or other information relative to the operation of the above described premises, which may be requested by the General Land Office, in addition to those herein expressly provided for. Lessee shall have an electrical and/or radioactivity survey made on the bore-hole section, from the base of the surface casing to total depth of well, of all wells drilled on the above described premises and shall transmit a true copy of the log of each survey on each well to the General Land Office within fifteen (15) days after making of said survey. The Commissioner of the General Land Office reserves the right to require Lessee to annually furnish the said Commissioner with its best possible estimate of oil and gas reserves underlying this lease or allocable to this lease.

11. DRY HOLE CLAUSE. If, during the primary term hereof and prior to discovery and production of oil or gas on said land, Lessee should drill a dry hole or holes thereon, or if, after discovery and production of oil or gas, the production thereof should cease from any cause, this lease shall not terminate if, on or before the rental paying date next ensuing after the expiration of sixty (60) days from date of completion of said dry hole or cessation of production, Lessee commences additional drilling or reworking operations thereon, or commences or resumes the payment of annual delay rental in the same manner as provided in Paragraph 3 of this lease. If a dry hole be completed and abandoned during the last year of the primary term, Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in oil or gas well within the primary term hereof, Lessee may resume payment of annual rental in the same manner as provided in Paragraph 3 in this lease on or before the rental paying date next ensuing after sixty (60) days from the date of completion of such shut-in oil or gas well, and upon the failure to make such annual rental payment, this lease shall ipso facto terminate. If at the expiration of the primary term or at any time thereafter a shut-in oil or gas well is located on the leased premises, payments may be made in accordance with the provisions of Paragraph 14 of this lease.

12. DRILLING AND REWORKING AT EXPIRATION OF PRIMARY TERM. If, at the expiration of the primary term, neither oil nor gas is being produced on said land, but Lessee is then engaged in drilling or reworking operations thereon, this lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted in good faith and in workmanlike manner without interruptions totaling more than sixty (60) days during any one such operation, and if they result in the production of oil and/or gas, so long thereafter as oil and/or gas is produced in paying quantities from said land, or payment of shut-in oil or gas well royalties or compensatory royalties is made as provided in this lease.

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

14. SHUT IN ROYALTIES. If, at the expiration of the primary term or at any time thereafter, a well or wells capable of producing oil or gas in paying quantities is located on the leased premises but oil or gas is not being produced for lack of suitable production facilities or a suitable market, and the lease is not being maintained in force and effect, Lessee may pay as a shut-in oil or gas royalty an amount equal to double the annual rental provided in Paragraph 3 of this lease but not less than $1,200 a year for each well capable of producing oil or gas in paying quantities. If Paragraph 3 of this lease does not specify

a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre. Any shut-in oil or gas royalty must be paid on or before: (1) the expiration of the primary term, (2) 60 days after the lessee ceases to produce oil or gas from the leased premises, or (3) 60 days after lessee completes a drilling and reworking operation in accordance with the lease provisions; whichever date is latest. Such payment shall be made one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil. If the shut-in oil or gas royalty is paid, the lease shall be considered to be a producing lease and the payment shall extend the term of the lease for a period of one (1) year from the end of the primary term or from the first day of the month next succeeding the month in which production ceased and after that, if no suitable production facilities or suitable market for the oil or gas exists, Lessee may extend the lease for four (4) additional and successive periods of one year by paying the same amount each year on or before the expiration of the extended term. If, during the period the lease is kept in effect by payment of the shut-in oil or gas royalty, oil or gas is sold and delivered in paying quantities from a well located within 1,000 feet of the leased premises and completed in the same producing reservoir or, in any case in which drainage is occurring, the right to continue to extend the lease by paying the shut-in oil or gas royalty shall cease. The lease shall remain effective for the remainder of the year for which the royalty has been paid and for four (4) additional and successive periods of one year each by the Lessee paying compensatory royalty at the royalty rate provided in the lease of the value at the well of production from the well that is causing the drainage or that is completed in the same producing reservoir and within 1,000 feet of the leased premises. The compensatory royalty is to be paid monthly, one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil, beginning on or before the last day of the month next succeeding the month in which the oil or gas is sold and delivered from the well. If the compensatory royalty paid in any 12-month period is in an amount less than the annual shut-in oil or gas royalty, Lessee shall pay an amount equal to the difference within 30 days from the end of the 12-month period. None of these provisions will relieve Lessee of the obligation of reasonable development or the obligation to drill offset wells as provided in Texas Natural Resources Code §52.173.

15. **DEVELOPMENT.** Notwithstanding any provision of this lease to the contrary, after a well producing, or capable of producing, oil or gas has been completed on the leased premises, Lessee shall exercise the diligence of a reasonably prudent operator in drilling such additional well or wells as may be reasonably necessary for the proper development of the leased premises and in marketing the oil and gas produced. In the event this lease is in force and effect three (3) years after the expiration date of the primary term, it shall then terminate as to all of the leased premises, EXCEPT: 1) 40 acres surrounding each producing oil well and 320 acres surrounding each producing gas well (including a shut-in oil or gas well as provided in Paragraph 14 of this lease), or a well upon which Lessee is then engaged in continuous drilling or reworking operations, or 2) the number of acres included in a producing pooled unit pursuant to Texas Natural Resources Code §52.151 - §52.153, or 3) such greater or lesser number of acres as may then be allocated for production purposes to a proration unit for each such producing well under the rules and regulations of the Railroad Commission of Texas, or any successor agency, or other governmental authority having jurisdiction. "Producing" as used in this lease means producing in paying quantities. The acreage retained under this provision as to each well shall, as nearly as practical, be in the form of a square with the well located in the center or in such other shape as may be approved by the Commisssioner of the General Land Office. Lessee shall execute and record a release or releases containing a satisfactory description of the acreage terminated under this provision, and the recorded release, or a certified copy of same, shall be filed in the General Land Office, accompanied by the prescribed filing fee.

16. **OFFSET WELLS.** Neither the bonus, delay rentals, nor royalties paid, or to be paid, under this lease shall relieve Lessee of his obligation to protect the oil and gas under the above-described land from being drained. To prevent drainage, Lessee is obligated to drill as many wells as the facts may justify and to the depth or depths necessary for effective protection against undue drainage. In addition, if a draining well which is producing in commercial quantities is located within 1,000 feet of the above-described land, or in any case where the above described land is being drained, Lessee is statutorily obligated to drill an offset well on the leased premises within 100 days after the draining well begins production in commercial quantities. Failure to satisfy the statutory offset obligation may subject this lease and the owner of the soil's agency rights to forfeiture. Only upon the determination of the Commissioner of the General Land Office and with his written approval may the payment of compensatory royalty satisfy obligation to drill an offset well or wells required under this paragraph.

17. **FORCE MAJEURE.** If, after a good faith effort, Lessee is prevented from complying with any express or implied covenant of this lease, from conducting drilling operations on the leased premises, or from producing oil or gas from the leased premises by reason of war, rebellion, riots, strikes, acts of God, or any valid order, rule or regulation of government authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended and Lessee shall not be liable for damages for failure to comply with such covenants; additionally, this lease shall be extended while Lessee is prevented, by any such cause, from conducting drilling and reworking operations or from producing oil or gas from the leased premises. However, nothing in this paragraph shall suspend the payment of delay rentals in order to maintain this lease in effect during the primary term in the absence of such drilling or reworking operations or production of oil or gas.

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

19. PROPORTIONATE REDUCTION CLAUSE. If the owner of the soil owns less than the entire undivided surface estate in the above described land, whether or not Lessee's interest is specified herein, then the royalties ~~and rental~~ herein provided to be paid to the owner of the soil shall be paid to him in the proportion which his interest bears to the entire undivided surface estate and the royalties ~~and rental~~ herein provided to be paid to the Commissioner of the General Land Office of the State of Texas shall be likewise proportionately reduced. However, before Lessee adjusts the royalty or rental due to the Commissioner of the General Land Office, Lessee or his authorized representative must submit to the Commissioner of the General Land Office a written statement which explains the discrepancy between the interest purportedly leased under this lease and the actual interest owned by the owner of the soil. The Commissioner of the General Land Office shall be paid the value of the whole production allocable to any undivided interest not covered by a lease, less the proportionate development and production cost allocable to such undivided interest. However, in no event shall the Commissioner of the General Land Office receive as a royalty on the gross production allocable to the undivided interest not leased an amount less than the value of one-sixteenth (1/16) of such gross production.

20. USE OF WATER. Lessee shall have the right to use water produced on said land necessary for operations under this lease except water from wells or tanks of the owner of the soil; provided, however, Lessee shall not use potable water or water suitable for livestock or irrigation purposes for waterflood operations without the prior consent of the owner of the soil.

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

22. PIPELINE DEPTH. When requested by the owner of the soil, Lessee shall bury its pipelines below plow depth.

23. WELL LOCATION LIMIT. No well shall be drilled nearer than two hundred (200) feet to any house or barn now on said premises without the written consent of the owner of the soil.

24. CONSERVATION CLAUSE. Lessee shall have the exclusive right to build, operate and maintain pits, reservoirs, pickup stations and plants for the purpose of picking up and conserving waste oil that flows down the creeks, ravines and across the leased premises, whether such waste oil is produced from the leased premises or from other lands. Royalties, as provided in this lease for regularly produced oil, are also owed on all such waste oil.

25. REMOVAL OF EQUIPMENT. Subject to limitations in this paragraph, Lessee shall have the right to remove machinery and fixtures placed by Lessee on the leased premises, including the right to draw and remove casing, within one hundred twenty (120) days after the expiration or the termination of this lease unless the owner of the soil grants Lessee an extension of this 120-day period. However, Lessee may not remove casing from any well capable of producing oil and gas in paying quantities. Additionally, Lessee may not draw and remove casing until after thirty (30) days written notice to the Commissioner of the General Land Office and to the owner of the soil. The owner of the soil shall become the owner of any machinery, fixtures, or casing which are not timely removed by Lessee under the terms of this paragraph.

26. (a) ASSIGNMENTS. Under the conditions contained in this paragraph and Paragraph 28 of this lease, the rights and estates of either party to this lease may be assigned, in whole or in part, and the provisions of this lease shall extend to and be binding upon their heirs, devisees, legal representatives, successors and assigns. However, a change or division in ownership of the land, rentals, or royalties will not enlarge the obligations of Lessee, diminish the rights, privileges and estates of Lessee, impair the effectiveness of any payment made by Lessee or impair the effectiveness of any act performed by Lessee. And no change or division in ownership of the land, rentals, or royalties shall bind Lessee for any purpose until thirty (30) days after the owner of the soil (or his heirs, devisees, legal representatives or assigns) furnishes the Lessee with satisfactory written evidence of the change in ownership, including the original recorded muniments of title (or a certified copy of such original) when the ownership changed because of a conveyance. A total or partial assignment of this lease shall, to the extent of the interest assigned, relieve and discharge Lessee of all subsequent obligations under this lease. If this lease is assigned in its entirety as to only part of the acreage, the right and option to pay rentals shall be apportioned as between the several owners ratably, according to the area of each, and failure by one or more of them to pay his share of the rental shall not affect

this lease on the part of the land upon which pro rata rentals are timely paid or tendered; however, if the assignor or assignee does not file a certified copy of such assignment in the General Land Office before the next rental paying date, the entire lease shall terminate for failure to pay the entire rental due under Paragraph 3. Every assignee shall succeed to all rights and be subject to all obligations, liabilities, and penalties owed to the State by the original lessee or any prior assignee of the lease, including any liabilities to the State for unpaid royalties.

(b) ASSIGNMENT LIMITATION. Notwithstanding any provision in Paragraph 26(a), if the owner of the soil acquires this lease in whole or in part by assignment without the prior written approval of the Commissioner of the General Land Office, this lease is void as of the time of assignment and the agency power of the owner may be forfeited by the Commissioner. An assignment will be treated as if it were made to the owner of the soil if the assignee is:

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

27. RELEASES. Under the conditions contained in this paragraph and Paragraph 28, Lessee may at any time execute and deliver to the owner of the soil and place of record a release or releases covering any portion or portions of the leased premises, and thereby surrender this lease as to such portion or portions, and be relieved of all subsequent obligations as to acreage surrendered. If any part of this lease is properly surrendered, the delay rental due under this lease shall be reduced by the proportion that the surrendered acreage bears to the acreage which was covered by this lease immediately prior to such surrender; however, such release will not relieve Lessee of any liabilities which may have accrued under this lease prior to the surrender of such acreage.

28. FILING OF ASSIGNMENTS AND RELEASES. If all or any part of this lease is assigned or released, such assignment or release must be recorded in the county where the land is situated, and the recorded instrument, or a copy of the recorded instrument certified by the County Clerk of the county in which the instrument is recorded, must be filed in the General Land Office within 90 days of the last execution date accompanied by the prescribed filing fee. If any such assignment is not so filed, the rights acquired under this lease shall be subject to forfeiture at the option of the Commissioner of the General Land Office.

29. LEASE FILING. It is recognized that before this lease is effective a certified copy of this lease (which is made and certified by the County Clerk from his records) shall be filed in the General Land Office in accordance with Texas Natural Resources Code §52.183, and this lease shall not be binding upon the State unless it recites the actual and true consideration paid or promised for execution of this lease. The bonus due the State and the prescribed filing fee shall accompany such certified copy to the General Land Office.

30. DISCLOSURE CLAUSE. All provisions pertaining to the lease of the above-described land have been included in this instrument, including the statement of the true consideration to be paid for the execution of this lease and the rights and duties of the parties. Any collateral agreements concerning the development of oil and gas from the leased premises which are not contained in this lease render this lease invalid.

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

32. FORFEITURE. If Lessee shall fail or refuse to make the payment of any sum within thirty days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if Lessee should fail to file reports in the manner required by law or fail to comply with rules and regulations promulgated by the General Land Office, the School Land Board, or the Railroad Commission, or if Lessee should refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or knowingly fail or refuse

to furnish the General Land Office a correct log of any well, or if Lessee shall knowingly violate any of the material provisions of this lease, or if this lease is assigned and the assignment is not filed in the General Land Office as required by law, the rights acquired under this lease shall be subject to forfeiture by the Commissioner, and he shall forfeit same when sufficiently informed of the facts which authorize a forfeiture, and when forfeited the area shall again be subject to lease under the terms of the Relinquishment Act. However, nothing herein shall be construed as waiving the automatic termination of this lease by operation of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this lease and all rights thereunder reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

33. **RAILROAD COMMISSION HEARINGS ON GAS.** No natural gas or casinghead gas, including both associated and nonassociated gas, produced from the mineral estate subject to this lease may be sold or contracted for sale to any person for ultimate use outside the State of Texas unless the Railroad Commission, after notice and hearing as provided in Title 3 of the Texas Natural Resources Code, finds that:

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

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

(c) no public or private school in this State that provides elementary, secondary, or higher education requires the natural gas or casinghead gas to meet its existing needs for fuel;

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

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

(f) no person who resides in this State and who relies on natural gas or casinghead gas to provide in whole or part his existing needs for fuel or raw material requires the natural gas or casinghead gas to meet those needs; provided, however, after notice and hearing as provided in Title 3 of the Texas Natural Resources Code the Railroad Commission may grant exceptions to these provisions as set forth in Texas Natural Resources Code §52.296.

34. This lease is issued under the provisions of Texas Natural Resources Code §52.171 through §52.188, commonly known as the Relinquishment Act, and other applicable statutes and amendments thereto, and if any provision in this lease does not conform to these statutes, the statutes will prevail over any nonconforming lease provisions.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

STATE OF TEXAS
BY:_____
Individually and as agent for the State of Texas

STATE OF ~~TEXAS~~ Michigan
BY: Altha M. Farwell
Individually and as agent for the State of Texas
Altha M. Farwell

STATE OF TEXAS
BY:_____
Individually and as agent for the State of Texas

STATE OF TEXAS
BY:_____
Individually and as agent for the State of Texas

STATE OF ~~TEXAS~~ MICHIGAN
COUNTY OF Macomb

This instrument acknowledged before me on October 27, 1988 by

Altha M. Farwell.

Joanne M. Gladstone
Notary Public in and for Macomb County, ~~Texas~~ Michigan
My commission expires: March 5, 1989

JOANNE M. GLADSTONE
Notary Public, Macomb County, Michigan
My Commission Expires March 5, 1989

STATE OF TEXAS
COUNTY OF _____

This instrument acknowledged before me on _____ by

_____.

_____
Notary Public in and for _____ County, Texas
My commission expires: _____

STATE OF TEXAS
COUNTY OF _____

This instrument acknowledged before me on _____ by

_____.

_____
Notary Public in and for _____ County, Texas
My commission expires: _____

FOR SALE BY STAFFORD-LOWDON CO. FORT WORTH 55326

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 }

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 OIL & GAS LEASE FROM ALTHA M. FARWELL TO BLAKE OIL & GAS CORP. FILED 11-4-88

as the same appears of record in my office in book 489 page 362 OF DEED RECORDS

Given under my Hand and Seal of said Court, at office in PECOS, TEXAS

this 4th day of NOVEMBER 1988.

CATHERINE ASHLEY Clerk,

By Patricia Monroe Deputy.

Patricia Monroe

ANY PROVISION HEREIN WHICH RESTRICTS THE SALE, RENTAL, OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

FILED FOR RECORD ON THE 4th DAY OF November A.D. 1988 at 8:15A. M.

DULY RECORDED ON THE 4th DAY OF November A.D. 1988 at 9:00A. M.

BY Billie Jo Frances DEPUTY

CATHERINE ASHLEY, COUNTY CLERK,
REEVES COUNTY, TEXAS.

(55)

RECEIVED AS STATED
$ 50.25 bonus & $25 filing fee

Date 11-7-88
Reg No 13007

GENERAL LAND OFFICE

GENERAL LAND OFFICE
GARRY MAURO
COMMISSIONER

MEMORANDUM

DATE:

TO: Garry Mauro, Commissioner

FROM: Peter Boone, Petroleum and Minerals

SUBJECT: Relinquishment Act Lease
County: Reeves
Description: 80 ac of N 440 ac of Sec. 12, Blk-57, TE PRR T-2
Applicant: Blake O&G
Consideration: $75 ac/10 mos, 3/16, $1.00 rental 3 yrs

Consideration

Recommended: PAB 9-16-88
Not Recommended
Comments:

Form

Recommended:
Not Recommended:
Recommended, after technical changes: PAB 9-16-88
Comments:

Legal Services Comments (if requested)

Jack Giberson, Chief Clerk Date

Recommended: Hold until technical changes made & then return
Not Recommended

Garry Mauro, Commissioner Date

Approved: Not Approved:

Approved, after technical changes:

STATE OF ARIZONA }
}
COUNTY OF PIMA }

AFFIDAVIT OF HEIRSHIP

RE: F. C. Gehle, deceased
Theodore F. Gehle, deceased
Henry C. Gehle, deceased
Otto A. Gehle, deceased
Marie Charlotte Moehlman, deceased
Anna Louise Kiel, deceased
Emma Gehle, deceased
Clara Dorothy Gehle, deceased

Property involved:
Southeast part of the North 440 acres of Section 12, Block 57, T-2, T&P Ry. Co. Survey, Reeves County, Texas

Before me, the undersigned authority, on this day personally appeared Algo A. Novallo (being the husband of Violet E. Novallo), to me well known, and who, after being duly sworn, deposes and says that he is familiar with and acquainted with the family history of F. C. Gehle, Theodore F. Gehle, Henry C. Gehle, Otto A. Gehle, Marie Charlotte Moehlman, Anna Louise Kiel, Emma Gehle and Clara Dorthy Gehle.

And that Algo A. Novallo states as follows:

1. F. C. Gehle was born on January 12, 1884. Death date is not in my records. He was survived by his wife, Evelyn M. Gehle, born December 16, 1898 and died on February 21, 1980. F. C. Gehle and Evelyn had no children.

2. F. C. Gehle's father, Fred Gehle was born October 11, 1850 and died in Indianapolis, Indiana January 28, 1932. F. C. Gehle's mother was Louise Charlotte (nee Bahde), born March 23, 1859, died in Indianapolis, Indiana July 12, 1911.

3. The children of the marriage of Fred and Louise Gehle are:

   a. Marie Charlotte, a daughter
   b. Anna Louise, a daughter
   c. Fred Conrad, a son
   d. Henry Conrad, a son
   e. Theodore Francis, a son
   f. Otto Anton, a son
   g. Emma, a daughter
   h. Clara Dorothy, a daughter

4. Marie Charlotte, a sister of F. C. Gehle, was born August 5, 1880 or 1881. Date of death not known. Marie married a Mr. Moehlman and had one son, Carl, born May 3, 1902 and died October 22, 1936 in LaPorte, Indiana. Carl married Ruth (nee Wuellner) born December 19, 1904. Ruth is living, the last I heard on December 1984. Ruth resides at 412 John Street, La Porte Indiana 46350. She resides with her daughter Carolyn. Carl and Ruth had three children.

   a. Carolyn, born April 14, 1925 (now Mrs. Al Peters), residing at 412 John Street, LaPorte, Indiana 46350. Phone: 219/362-3051.
   b. Helen, born August 27, 1926 (now Mrs. J. Brush),

residing at 501 John Street, LaPorte, Indiana 46350.

c. Lois, born May 24, 1928 (now Mrs. Wm. Tarnow), residing at 2677 South 75 West, LaPorte, Indiana 46350.

5. Anna Louise, a sister of F. C. Gehle, was born January 8, 1882 or 1883 and died in 1960. Anna married Fred Kiel, born in 1879 and died in 1943. Anna and Fred Kiel had three children.

a. Arthur, born December 30, 1902 and died December 22, 1974. Arthur married Edna (nee Haugk), born October 2, 1903 and died November 17, 1975. Arthur and Edna had two children.

(1) Richard, born November 28, 1929, resides at 1118 Robin Road, St. Marys, Ohio 45885. Phone: 419/394-5086.

(2) Carol, born June 24, 1934 (now Mr. Arthur Wagner), resides at 284 Rusk Circle Spring Hill, Florida 33526. Phone: 904/683-1416.

b. Harold, born March 2, 1907, date of death unknown. Harold married Laverne (nee Clippenger), birth and death dates unknown. Harold and Laverne had three children.

(1) Lorna Jean (now Mrs. L. Rybacheck), birth date unknown.

(2) Danny, birth date unknown.

(3) Lois (now Mrs. Clint Oestrich), birth date unknown, resides at 90 Donny Drive, Wappingers Falls, New York 12590.

c. Mildred, born January 11, 1916, married Leland Rice who died August 1967. Mildred and Leland had two children. December of 1981, Mildred married a Mr. Mox and resided, at that time, at 2301 Fairfield Avenue, Apt. #114, Fort Wayne, Indiana 46807.

(1) Kenneth, birth date unknown.

(2) Maurice, birth date unknown.

6. Henry Conrad, a brother of F. C. Gehle, born July 8, 1886, and died in Detroit, Michigan on October 14, 1972. Henry had a first marriage to Flora and had one child, a son, before divorcing.

(a) Elmer Otto, born May 25, 1912, now resides at 15 South Rebecca Drive, Indianapolis, Indiana 46241. Phone: 371/244-1234.

Henry married a second time, to Elsie (nee Much) on August 29, 1923. Elsie was born June 5, 1902 and died October 15, 1975. Henry and Elsie had four children.

(a) Loretta, deceased. Date of birth and death unknown.

(b) Esther, born May 28, 1927, (now Mrs. Donald Wurm), resides at 43554 Leisure Drive, Mt. Clemens, Michigan 48043. Phone: 313/465-5826. Esther and Don

have no children.

c. Richard, born April 5, 1933, married Betty (nee Ritter) and resides at 39633 Cobridge Drive, Mt. Clemens, Michigan 48044. Phone: 313/286-3218. Richard and Betty have three children.

d. Barbara, deceased. Dates of birth and death unknown.

7. Theodore Francis, a brother of F. C. Gehle, born June 15, 1888 and died in Pompano Beach, Florida September 10, 1968. Ted married Carolyn J. (nee Lehman) on October 21, 1944. Ted and Carrie had two children.

a. Robert W., date of birth unknown, died on April 15, 1986, resides 4 Golfcrest Court, Dearborn, Michigan 48124. Phone: 313/561-1114.

b. Shirley E., (now Mrs. Neil Campbell, widowed), date of birth unknown, resides at 9822 Cedar Drive, Sun City, Arizona 85351. Phone: 602/ 972-9030.

Ted married a second time, to Hilda B. on June 3, 1956. Hilda was born July 21, 1909, and now resides at Mulberry Hill 1, Bldg. 400, Apt. #408, Easton, Maryland 21601. Phone: 301/820-7035. Ted and Hilda had no children.

8. Otto Anton, a brother of F. C. Gehle, born April 27, 1892, died in Detroit, Michigan August 23, 1973. Otto Married Emma (nee Kuschel) September 27, 1916. Emma was born March 8, 1895 and died in Tucson, Arizona August 24, 1980. Otto and Emma had two children.

a. Altha M., (now Mrs. A. L. Farwell), born May 28, 1917, resides at 958 Huntington, Mt. Clemens, Michigan 48043. Phone: 313/463-8209. They have two children.

b. Violet E., (now Mrs. Algo A. Novallo), born May 7, 1924, died April 16, 1986, Intestate in Tucson, Arizona, Phone: 602/298-2225. Violet and Algo have three children.

9. Emma, a sister of F. C. Gehle, born August 23, 1894 and died in 1901 or 1905.

10. Clara Dorothy, a sister of F. C. Gehle, born January 27, 1901 and died August 26, 1927 or 1931. Clara never married.

Algo A. Novallo

Algo A. Novallo

Subscribed and sworn to before me on this 8th day of May, A.D. 1986.

Doris J. Reynolds
Notary Public in and for the
State of Arizona

My Commission expires:
May 20,1989

OFFICIAL SEAL
DORIS J. REYNOLDS
NOTARY PUBLIC
PIMA COUNTY
My Commission Expires May 20, 1989

THE STATE OF ARIZONA }
}
COUNTY OF PIMA }

Before me, the undersigned authority, on this day personally appeared ALGO A. NOVALLO, 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 purpose and consideration therein expressed.

Given under my hand and seal of office, this 8th day of May, A.D. 1986.

Doris J. Reynolds
Notary Public in and for the
State of Arizona

OFFICIAL SEAL
DORIS J. REYNOLDS
NOTARY PUBLIC
PIMA COUNTY
My Commission Expires May 20, 1989

My Commission expires:
May 20,1989

Notary's printed name
Doris J. Reynolds

FILED FOR RECORD

001281

1988 MAY 13 AM 11:44

COMPARED

CATHERINE ASHLEY
CLERK COUNTY COURT, REEVES COUNTY, TEXAS

Patricia Moore

ANY PROVISION HEREIN WHICH RESTRICTS THE SALE, RENTAL, OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

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

Court of said County do hereby certify that the foregoing instrument of writing dated the 8th day of May A.D. 86 h its certificate of authentication was filed for record in my office the 13th May A.D. 19 88 at 11:44 o'clock A. M. and duly recorded the 13th day of May A.D. 19 88 at 12:30 o'clock P. M. in the DEED records of said county in volume 485 on page 466

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)

Upon filing, return to:

JACK E. BLAKE
400 N. MAIN
MIDLAND, TEXAS 79701

(57)

M-8867C

Affidavit of Hei Shi C

11-15-89

Mineral Classified Land
Lease Consideration Comparison

County Reeves
Area SE 80 ac of N 440 ac of Sec 12, Blk 57, T-2, T&P

M. F.	Acres	Lease Date	Term	Total Bonus	B/Ac	Rental	Comparison
New	.296 80	10-10-88	3 yrs	$22,50	$75	$1,00	3/50
M-92187	160	2-23-87	3yrs	$8,000	$50	$1.00	3/50 5.5mi E
M-92197	640	4-12-87	3yrs	$36,400	$60	$1.00	1/10 1.5mi W
M-92207	320	5-25-87	5yrs	$16,000	$50	$1.00	3/50 2mi S
M-92678	640	7-11-88	9mo.	$6,400	$10	N/A	8.5% 3.5mi W

1412477

Low 100 Hi 225 Mc 175

Remarks:
within Matthews (Low Cherry Canyon) fld
Disc. 5/84
Soil wells adj South
last lease issued 10/87

Consideration
Recommended RAB-11-16-88
Not Recommended

MF - 88676

Surface Owner Name	Net Acres	State's Royalty	Net Acres/80 acres	Net State's Royalty
Schuler, R.A & James	8.88	0.09375	0.111	0.01040625
Schuler, Evelyn	4.44	0.09375	0.0555	0.005203125
Schuler, Viiolet	13.33	0.09375	0.166625	0.015621094
Oestrich, Lois & Clint	0.296	0.09375	0.0037	0.000346875
Max, Mildred	0.89	0.09375	0.011125	0.001042969
Kiel, Richard	0.444	0.09375	0.00555	0.000520313
Gehle, Richard	0.89	0.09375	0.011125	0.001042969
Gehle, Mary C.	1.34	0.09375	0.01675	0.001570313
Farwell, Altha M.	1.34	0.09375	0.01675	0.001570313
Kiel, Donald	0.296	0.09375	0.0037	0.000346875
Rybacheck, L.J.	0.296	0.09375	0.0037	0.000346875
Novallo, Algo A.	1.34	0.09375	0.01675	0.001570313
Campbell, Shirley	1.34	0.09375	0.01675	0.001570313
Wurm ,E. I.	0.89	0.09375	0.011125	0.001042969
Wagner, Carol & Arthur	0.444	0.09375	0.00555	0.000520313
Blake, Jack & Carol	16.884	0.115	0.21105	0.02427075
Staples, B.J.	13.33	0.115	0.166625	0.019161875
Blake, Robert & Marion	13.33	0.115	0.166625	0.019161875
	80			0.105316375

FILE NO. 2784 DONALD H. KIEL TO BLAKE OIL & GAS CORPORATION

No. 5367--General Land
Office Lease Form Under
Relinquishment Act
Revised, September 1987
GLO-L-19-(9-87)

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 10th day of October 1988, between the State of Texas, acting by and through its agent, Donald H. Kiel of 403 S.E. 105th Ave., Vancover, WA 98664 said agent
(Give Permanent Address)
herein referred to as the owner of the soil (whether one or more), and Blake Oil & Gas Corporation of
400 N. Main, Midland, Texas 79701
(Give Permanent Address)
hereinafter called Lessee.

1. GRANTING CLAUSE. For and in consideration of the amounts stated below and of the covenants and agreements to be paid, kept and performed by Lessee under this lease, the State of Texas acting by and through the owner of the soil, hereby grants, leases and lets unto Lessee, for the sole and only purpose of prospecting and drilling for and producing oil and gas, laying pipe lines, building tanks, storing oil and building power stations, telephone lines and other structures thereon, to produce, save, take care of, treat and transport said products of the lease, the following lands situated in Reeves County, State of Texas, to-wit:

The Southeast 80 acres of the North 440 acres of said Section 12, Block 57, T-2, T&P Ry. Co. Survey, Reeves County, Texas more fully described as follows:

The Southeast part of the North 440 acres of said Section 12 was duly patented to Frank H. Schuler, F. C. Gehle and Fred M. Ulrich on November 17, 1943, by Patent No. 54, Volume 92-A as containing 80 acres, described by metes and bounds as follows:

BEGINNING at the SE/corner of the E/2 of the NE/4 of this Section in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey, and the NE/corner of this survey;

THENCE West 1267.2 varas with the South line of the N/2 to the NE/corner of the NW/ part of the S/2 and the NW/corner of this Survey;

THENCE South 356.4 varas with the East line of said NW/part of the S/2 to its SE/ corner in the North line of the South part and the SW/corner of this survey;

THENCE East 1267.2 varas with the North line of said South part to its NE/corner in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey, and the SE/corner of this Survey;

THENCE North 356.4 varas with the West line of said Section 7 to the place of beginning, containing 80 acres, more or less.

containing 80 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Eleven and 10/100---------- Dollars ($ 11.10)

To the owner of the soil: Eleven and 10/100---------- Dollars ($ 11.10)

Total bonus consideration: Twenty-two and 20/100---------- Dollars ($ 22.20)

The total bonus consideration paid represents a bonus of Seventy-five---------- ----------Dollars ($ 75.00----------) per acre, on 296 net acres.

2. TERM. Subject to the other provisions in this lease, this lease shall be for a term of three (3) years from this date (herein called "primary term") and as long thereafter as oil and gas, or either of them, is produced in paying quantities* from said land.

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*As used in this lease, the term "produced in paying quantities" means that the receipts from the sale or other authorized commercial use of the substance(s) covered exceed out of pocket operational expenses for the six months last past.

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

To the owner of the soil: None and 15/100---------- Dollars ($ .15----------)

To the State of Texas: None and 15/100---------- Dollars ($ .15----------)

Total Rental: None and 30/100---------- Dollars ($ .30----------)

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

4. PRODUCTION ROYALTIES. When production of oil and/or gas is secured during the term of this lease, Lessee agrees to pay or cause to be paid one-half (1/2) of the royalty provided for in this lease to the Commissioner of the General Land Office of the State of Texas, at Austin, Texas, and one-half (1/2) of such royalty to the owner of the soil:

(a) OIL. Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be 3/16ths part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be determined by 1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity in the general area where produced and when run, or 2) the highest market price thereof offered or paid in the general area where produced and when run, or 3) the gross proceeds of the sale thereof, whichever is greatest. Lessee agrees that before any gas produced from the leased premises is sold, used or processed in a plant, it will be run free of cost to the parties entitled to royalties through an adequate oil and gas separator of conventional type, or other equipment at least as efficient, so that all liquid hydrocarbons recoverable from the gas by such means will be recovered. The requirement that such gas be run through a separator or other equipment may be waived in writing by the royalty owners upon such terms and conditions as they prescribe.

(b) NON PROCESSED GAS. Royalty on any gas (including flared gas), which is defined as all hydrocarbons and gaseous substances not defined as oil in subparagraph (a) above, produced from any well on said land (except as provided herein with respect to gas processed in a plant for the extraction of gasoline, liquid hydrocarbons or other products) shall be 3/16ths part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality in the general area where produced and when run, or the gross price paid or offered to the producer, whichever is greater; provided that the maximum pressure base in measuring the gas under this lease shall not at any time exceed 14.65 pounds per square inch absolute, and the standard base temperature shall be sixty (60) degrees Fahrenheit, correction to be made for pressure according to Boyle's Law, and for specific gravity according to tests made by the Balance Method or by the most approved method of testing being used by the industry at the time of testing.

(c) PROCESSED GAS. Royalty on any gas processed in a gasoline plant or other plant for the recovery of gasoline or other liquid hydrocarbons shall be 3/16ths part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease, and on fifty percent (50%), or that percent accruing to Lessee, whichever is greater, of the total plant production of liquid hydrocarbons attributable to the gas produced from this lease; provided that if liquid hydrocarbons

are recovered from gas processed in a plant in which Lessee (or its parent, subsidiary or affiliate) owns an interest, then the percentage applicable to liquid hydrocarbons shall be fifty percent (50%) or the highest percent accruing to a third party processing gas through such plant under a processing agreement negotiated at arm's length (or if there is no such third party, the highest percent then being specified in processing agreements or contracts in the industry), whichever is greater. The respective royalties on residue gas and on liquid hydrocarbons shall be determined by 1) the highest market price paid or offered for any gas (or liquid hydrocarbons) of comparable quality in the general area, or 2) the gross price paid or offered for such residue gas (or the weighted average gross selling price for the respective grades of liquid hydrocarbons, F.O.B. at the plant in which said gas is processed), whichever is greater.

(d) **OTHER PRODUCTS.** Royalty on carbon black, sulphur or any other products produced or manufactured from gas (excepting liquid hydrocarbons) whether said gas be "casinghead," "dry," or any other gas, by fractionating, burning or any other processing shall be 3/16ths part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows: 1) on the basis of the highest market price of each product for the same month in which such product is produced, or 2) on the basis of the average gross sale price of each product for the same month in which such product is sold, whichever is greater.

5. **MINIMUM ROYALTY.** For each calendar year following the date of the expiration of the primary term when this lease is held for any part of such calendar year by production, the royalty received under this lease must not be less than an amount equal to the total annual delay rental provided for in Paragraph 3. If Paragraph 3 of this lease does not specify a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre.

6. **ROYALTY IN KIND.** Notwithstanding any other provision in this lease, at any time or from time to time, the owner of the soil or the Commissioner of the General Land Office may, at the option of either, upon not less than sixty (60) days notice to the holder of the lease, require that the payment of any royalties accruing to such royalty owner under this lease be made in kind.

7. **NO DEDUCTIONS.** Lessee agrees that all royalties accruing under this lease (including those paid in kind) shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and otherwise making the oil, gas and other products hereunder ready for sale or use. Lessee agrees to compute and pay royalties on the gross value received, including any reimbursements for severance taxes and production related costs.

8. **PLANT FUEL AND RECYCLED GAS.** No royalty shall be payable on any gas as may represent this lease's proportionate share of any fuel used to process gas produced hereunder in any processing plant. Notwithstanding any other provision of this lease, and subject to the written consent of the owner of the soil and the Commissioner of the General Land Office, Lessee may recycle gas for gas lift purposes on the leased premises or for injection into any oil or gas producing formation underlying the leased premises after the liquid hydrocarbons contained in the gas have been removed; no royalties shall be payable on the recycled gas until it is produced and sold or used by Lessee in a manner which entitles the royalty owners to a royalty under this lease.

9. **ROYALTY PAYMENTS AND REPORTS.** All royalties which are required to be paid to the Commissioner of the General Land Office under this lease shall be due and payable in the following manner: Royalty on oil is due and must be received in the General Land Office on or before the 5th day of the second month succeeding the month of production, and royalty on gas is due and must be received in the General Land Office on or before the 15th day of the second month succeeding the month of production, accompanied by the affidavit of the owner, manager or other authorized agent, completed in the form and manner prescribed by the General Land Office and showing the gross amount and disposition of all oil and gas produced and the market value of the oil and gas, together with a copy of all documents, records or reports confirming the gross production, disposition and market value including gas meter readings, pipeline receipts, gas line receipts and other checks or memoranda of amount produced and put into pipelines, tanks, or pools and gas lines or gas storage, and any other reports or records which the General Land Office may require to verify the gross production, disposition and market value. Each royalty payment shall be accompanied by a check stub, schedule, summary or other remittance advice showing by the assigned General Land Office lease number, the amount of royalty being paid on each lease. If Lessee pays his royalty late but on or before thirty (30) days after the royalty payment was due, then Lessee owes a penalty of 5% of the royalty or $25.00, whichever is greater. A royalty payment which is over thirty (30) days late shall accrue a penalty of 10% of the royalty due or $25.00, whichever is greater. In addition to a penalty, royalties shall accrue interest at a rate of 12% per year; such interest will begin accruing when the royalty is sixty (60) days overdue. Affidavits and supporting documents which are not filed when due shall incur a penalty in an amount set by the General Land Office administrative rule which is effective on the date when the affidavits or supporting documents were due. The Lessee shall

bear all responsibility for paying or causing royalties to be paid in the manner prescribed in this paragraph. Payment of the delinquency penalty shall in no way operate to prohibit the State's right of forfeiture as provided by law nor act to postpone the date on which royalties were originally due. The above penalty provisions shall not apply in cases of title dispute as to the State's portion of the royalty or to that portion of the royalty in dispute as to fair market value. Penalties due under this paragraph are subject to change in order to conform to any future penalty statutes. The State shall have a first lien upon all oil and gas produced from the area covered by this lease to secure the payment of all unpaid royalty and other sums of money that may become due to the State under this lease.

10. PERMITS, REPORTS, AND RESERVES. Lessee shall file all drilling permits in the name of the "State" and require each well and/or tank battery on the leased premises to be designated by the word "State" for identification and reporting to the Railroad Commission or any other governmental agency. Written notice of operations under this lease shall be submitted to the Commissioner of the General Land Office by Lessee five (5) days before spud date, cessation of production, workover, re-entry, temporary abandonment or abandonment of any well, and shall include copies of Railroad Commission forms for application to drill, well tests, completion reports and plugging records. Lessee shall supply the General Land Office with any records, memoranda, accounts, reports, cuttings and cores, or other information relative to the operation of the above described premises, which may be requested by the General Land Office, in addition to those herein expressly provided for. Lessee shall have an electrical and/or radioactivity survey made on the bore-hole section, from the base of the surface casing to total depth of well, of all wells drilled on the above described premises and shall transmit a true copy of the log of each survey on each well to the General Land Office within fifteen (15) days after making of said survey. The Commissioner of the General Land Office reserves the right to require Lessee to annually furnish the said Commissioner with its best possible estimate of oil and gas reserves underlying this lease or allocable to this lease.

11. DRY HOLE CLAUSE. If, during the primary term hereof and prior to discovery and production of oil or gas on said land, Lessee should drill a dry hole or holes thereon, or if, after discovery and production of oil or gas, the production thereof should cease from any cause, this lease shall not terminate if, on or before the rental paying date next ensuing after the expiration of sixty (60) days from date of completion of said dry hole or cessation of production, Lessee commences additional drilling or reworking operations thereon, or commences or resumes the payment of annual delay rental in the same manner as provided in Paragraph 3 of this lease. If a dry hole be completed and abandoned during the last year of the primary term, Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in oil or gas well within the primary term hereof, Lessee may resume payment of annual rental in the same manner as provided in Paragraph 3 in this lease on or before the rental paying date next ensuing after sixty (60) days from the date of completion of such shut-in oil or gas well, and upon the failure to make such annual rental payment, this lease shall ipso facto terminate. If at the expiration of the primary term or at any time thereafter a shut-in oil or gas well is located on the leased premises, payments may be made in accordance with the provisions of Paragraph 14 of this lease.

12. DRILLING AND REWORKING AT EXPIRATION OF PRIMARY TERM. If, at the expiration of the primary term, neither oil nor gas is being produced on said land, but Lessee is then engaged in drilling or reworking operations thereon, this lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted in good faith and in workmanlike manner without interruptions totaling more than sixty (60) days during any one such operation, and if they result in the production of oil and/or gas, so long thereafter as oil and/or gas is produced in paying quantities from said land, or payment of shut-in oil or gas well royalties or compensatory royalties is made as provided in this lease.

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

14. SHUT IN ROYALTIES. If, at the expiration of the primary term or at any time thereafter, a well or wells capable of producing oil or gas in paying quantities is located on the leased premises but oil or gas is not being produced for lack of suitable production facilities or a suitable market, and the lease is not being maintained in force and effect, Lessee may pay as a shut-in oil or gas royalty an amount equal to double the annual rental provided in Paragraph 3 of this lease but not less than $1,200 a year for each well capable of producing oil or gas in paying quantities. If Paragraph 3 of this lease does not specify

a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre. Any shut-in oil or gas royalty must be paid on or before: (1) the expiration of the primary term, (2) 60 days after the lessee ceases to produce oil or gas from the leased premises, or (3) 60 days after lessee completes a drilling and reworking operation in accordance with the lease provisions; whichever date is latest. Such payment shall be made one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil. If the shut-in oil or gas royalty is paid, the lease shall be considered to be a producing lease and the payment shall extend the term of the lease for a period of one (1) year from the end of the primary term or from the first day of the month next succeeding the month in which production ceased and after that, if no suitable production facilities or suitable market for the oil or gas exists, Lessee may extend the lease for four (4) additional and successive periods of one year by paying the same amount each year on or before the expiration of the extended term. If, during the period the lease is kept in effect by payment of the shut-in oil or gas royalty, oil or gas is sold and delivered in paying quantities from a well located within 1,000 feet of the leased premises and completed in the same producing reservoir or, in any case in which drainage is occurring, the right to continue to extend the lease by paying the shut-in oil or gas royalty shall cease. The lease shall remain effective for the remainder of the year for which the royalty has been paid and for four (4) additional and successive periods of one year each by the Lessee paying compensatory royalty at the royalty rate provided in the lease of the value at the well of production from the well that is causing the drainage or that is completed in the same producing reservoir and within 1,000 feet of the leased premises. The compensatory royalty is to be paid monthly, one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil, beginning on or before the last day of the month next succeeding the month in which the oil or gas is sold and delivered from the well. If the compensatory royalty paid in any 12-month period is in an amount less than the annual shut-in oil or gas royalty, Lessee shall pay an amount equal to the difference within 30 days from the end of the 12-month period. None of these provisions will relieve Lessee of the obligation of reasonable development or the obligation to drill offset wells as provided in Texas Natural Resources Code §52.173.

15. DEVELOPMENT. Notwithstanding any provision of this lease to the contrary, after a well producing, or capable of producing, oil or gas has been completed on the leased premises, Lessee shall exercise the diligence of a reasonably prudent operator in drilling such additional well or wells as may be reasonably necessary for the proper development of the leased premises and in marketing the oil and gas produced. In the event this lease is in force and effect three (3) years after the expiration date of the primary term, it shall then terminate as to all of the leased premises, EXCEPT: 1) 40 acres surrounding each producing oil well and 320 acres surrounding each producing gas well (including a shut-in oil or gas well as provided in Paragraph 14 of this lease), or a well upon which Lessee is then engaged in continuous drilling or reworking operations, or 2) the number of acres included in a producing pooled unit pursuant to Texas Natural Resources Code §52.151 - §52.153, or 3) such greater or lesser number of acres as may then be allocated for production purposes to a proration unit for each such producing well under the rules and regulations of the Railroad Commission of Texas, or any successor agency, or other governmental authority having jurisdiction. "Producing" as used in this lease means producing in paying quantities. The acreage retained under this provision as to each well shall, as nearly as practical, be in the form of a square with the well located in the center or in such other shape as may be approved by the Commissioner of the General Land Office. Lessee shall execute and record a release or releases containing a satisfactory description of the acreage terminated under this provision, and the recorded release, or a certified copy of same, shall be filed in the General Land Office, accompanied by the prescribed filing fee.

16. OFFSET WELLS. Neither the bonus, delay rentals, nor royalties paid, or to be paid, under this lease shall relieve Lessee of his obligation to protect the oil and gas under the above-described land from being drained. To prevent drainage, Lessee is obligated to drill as many wells as the facts may justify and to the depth or depths necessary for effective protection against undue drainage. In addition, if a draining well which is producing in commercial quantities is located within 1,000 feet of the above-described land, or in any case where the above described land is being drained, Lessee is statutorily obligated to drill an offset well on the leased premises within 100 days after the draining well begins production in commercial quantities. Failure to satisfy the statutory offset obligation may subject this lease and the owner of the soil's agency rights to forfeiture. Only upon the determination of the Commissioner of the General Land Office and with his written approval may the payment of compensatory royalty satisfy obligation to drill an offset well or wells required under this paragraph.

17. FORCE MAJEURE. If, after a good faith effort, Lessee is prevented from complying with any express or implied covenant of this lease, from conducting drilling operations on the leased premises, or from producing oil or gas from the leased premises by reason of war, rebellion, riots, strikes, acts of God, or any valid order, rule or regulation of government authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended and Lessee shall not be liable for damages for failure to comply with such covenants; additionally, this lease shall be extended while Lessee is prevented, by any such cause, from conducting drilling and reworking operations or from producing oil or gas from the leased premises. However, nothing in this paragraph shall suspend the payment of delay rentals in order to maintain this lease in effect during the primary term in the absence of such drilling or reworking operations or production of oil or gas.

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

19. PROPORTIONATE REDUCTION CLAUSE. If the owner of the soil owns less than the entire undivided surface estate in the above described land, whether or not Lessee's interest is specified herein, then the royalties ~~and rental~~ herein provided to be paid to the owner of the soil shall be paid to him in the proportion which his interest bears to the entire undivided surface estate and the royalties ~~and rental~~ herein provided to be paid to the Commissioner of the General Land Office of the State of Texas shall be likewise proportionately reduced. However, before Lessee adjusts the royalty or rental due to the Commissioner of the General Land Office, Lessee or his authorized representative must submit to the Commissioner of the General Land Office a written statement which explains the discrepancy between the interest purportedly leased under this lease and the actual interest owned by the owner of the soil. The Commissioner of the General Land Office shall be paid the value of the whole production allocable to any undivided interest not covered by a lease, less the proportionate development and production cost allocable to such undivided interest. However, in no event shall the Commissioner of the General Land Office receive as a royalty on the gross production allocable to the undivided interest not leased an amount less than the value of one-sixteenth (1/16) of such gross production.

20. USE OF WATER. Lessee shall have the right to use water produced on said land necessary for operations under this lease except water from wells or tanks of the owner of the soil; provided, however, Lessee shall not use potable water or water suitable for livestock or irrigation purposes for waterflood operations without the prior consent of the owner of the soil.

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

22. PIPELINE DEPTH. When requested by the owner of the soil, Lessee shall bury its pipelines below plow depth.

23. WELL LOCATION LIMIT. No well shall be drilled nearer than two hundred (200) feet to any house or barn now on said premises without the written consent of the owner of the soil.

24. CONSERVATION CLAUSE. Lessee shall have the exclusive right to build, operate and maintain pits, reservoirs, pickup stations and plants for the purpose of picking up and conserving waste oil that flows down the creeks, ravines and across the leased premises, whether such waste oil is produced from the leased premises or from other lands. Royalties, as provided in this lease for regularly produced oil, are also owed on all such waste oil.

25. REMOVAL OF EQUIPMENT. Subject to limitations in this paragraph, Lessee shall have the right to remove machinery and fixtures placed by Lessee on the leased premises, including the right to draw and remove casing, within one hundred twenty (120) days after the expiration or the termination of this lease unless the owner of the soil grants Lessee an extension of this 120-day period. However, Lessee may not remove casing from any well capable of producing oil and gas in paying quantities. Additionally, Lessee may not draw and remove casing until after thirty (30) days written notice to the Commissioner of the General Land Office and to the owner of the soil. The owner of the soil shall become the owner of any machinery, fixtures, or casing which are not timely removed by Lessee under the terms of this paragraph.

26. (a) ASSIGNMENTS. Under the conditions contained in this paragraph and Paragraph 28 of this lease, the rights and estates of either party to this lease may be assigned, in whole or in part, and the provisions of this lease shall extend to and be binding upon their heirs, devisees, legal representatives, successors and assigns. However, a change or division in ownership of the land, rentals, or royalties will not enlarge the obligations of Lessee, diminish the rights, privileges and estates of Lessee, impair the effectiveness of any payment made by Lessee or impair the effectiveness of any act performed by Lessee. And no change or division in ownership of the land, rentals, or royalties shall bind Lessee for any purpose until thirty (30) days after the owner of the soil (or his heirs, devisees, legal representatives or assigns) furnishes the Lessee with satisfactory written evidence of the change in ownership, including the original recorded muniments of title (or a certified copy of such original) when the ownership changed because of a conveyance. A total or partial assignment of this lease shall, to the extent of the interest assigned, relieve and discharge Lessee of all subsequent obligations under this lease. If this lease is assigned in its entirety as to only part of the acreage, the right and option to pay rentals shall be apportioned as between the several owners ratably, according to the area of each, and failure by one or more of them to pay his share of the rental shall not affect

this lease on the part of the land upon which pro rata rentals are timely paid or tendered; however, if the assignor or assignee does not file a certified copy of such assignment in the General Land Office before the next rental paying date, the entire lease shall terminate for failure to pay the entire rental due under Paragraph 3. Every assignee shall succeed to all rights and be subject to all obligations, liabilities, and penalties owed to the State by the original lessee or any prior assignee of the lease, including any liabilities to the State for unpaid royalties.

(b) ASSIGNMENT LIMITATION. Notwithstanding any provision in Paragraph 26(a), if the owner of the soil acquires this lease in whole or in part by assignment without the prior written approval of the Commissioner of the General Land Office, this lease is void as of the time of assignment and the agency power of the owner may be forfeited by the Commissioner. An assignment will be treated as if it were made to the owner of the soil if the assignee is:

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

27. RELEASES. Under the conditions contained in this paragraph and Paragraph 28, Lessee may at any time execute and deliver to the owner of the soil and place of record a release or releases covering any portion or portions of the leased premises, and thereby surrender this lease as to such portion or portions, and be relieved of all subsequent obligations as to acreage surrendered. If any part of this lease is properly surrendered, the delay rental due under this lease shall be reduced by the proportion that the surrendered acreage bears to the acreage which was covered by this lease immediately prior to such surrender; however, such release will not relieve Lessee of any liabilities which may have accrued under this lease prior to the surrender of such acreage.

28. FILING OF ASSIGNMENTS AND RELEASES. If all or any part of this lease is assigned or released, such assignment or release must be recorded in the county where the land is situated, and the recorded instrument, or a copy of the recorded instrument certified by the County Clerk of the county in which the instrument is recorded, must be filed in the General Land Office within 90 days of the last execution date accompanied by the prescribed filing fee. If any such assignment is not so filed, the rights acquired under this lease shall be subject to forfeiture at the option of the Commissioner of the General Land Office.

29. LEASE FILING. It is recognized that before this lease is effective a certified copy of this lease (which is made and certified by the County Clerk from his records) shall be filed in the General Land Office in accordance with Texas Natural Resources Code §52.183, and this lease shall not be binding upon the State unless it recites the actual and true consideration paid or promised for execution of this lease. The bonus due the State and the prescribed filing fee shall accompany such certified copy to the General Land Office.

30. DISCLOSURE CLAUSE. All provisions pertaining to the lease of the above-described land have been included in this instrument, including the statement of the true consideration to be paid for the execution of this lease and the rights and duties of the parties. Any collateral agreements concerning the development of oil and gas from the leased premises which are not contained in this lease render this lease invalid.

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

32. FORFEITURE. If Lessee shall fail or refuse to make the payment of any sum within thirty days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if Lessee should fail to file reports in the manner required by law or fail to comply with rules and regulations promulgated by the General Land Office, the School Land Board, or the Railroad Commission, or if Lessee should refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or knowingly fail or refuse

to furnish the General Land Office a correct log of any well, or if Lessee shall knowingly violate any of the material provisions of this lease, or if this lease is assigned and the assignment is not filed in the General Land Office as required by law, the rights acquired under this lease shall be subject to forfeiture by the Commissioner, and he shall forfeit same when sufficiently informed of the facts which authorize a forfeiture, and when forfeited the area shall again be subject to lease under the terms of the Relinquishment Act. However, nothing herein shall be construed as waiving the automatic termination of this lease by operation of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this lease and all rights thereunder reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

33. RAILROAD COMMISSION HEARINGS ON GAS. No natural gas or casinghead gas, including both associated and nonassociated gas, produced from the mineral estate subject to this lease may be sold or contracted for sale to any person for ultimate use outside the State of Texas unless the Railroad Commission, after notice and hearing as provided in Title 3 of the Texas Natural Resources Code, finds that:

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

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

(c) no public or private school in this State that provides elementary, secondary, or higher education requires the natural gas or casinghead gas to meet its existing needs for fuel;

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

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

(f) no person who resides in this State and who relies on natural gas or casinghead gas to provide in whole or part his existing needs for fuel or raw material requires the natural gas or casinghead gas to meet those needs; provided, however, after notice and hearing as provided in Title 3 of the Texas Natural Resources Code the Railroad Commission may grant exceptions to these provisions as set forth in Texas Natural Resources Code §52.296.

34. This lease is issued under the provisions of Texas Natural Resources Code §52.171 through §52.188, commonly known as the Relinquishment Act, and other applicable statutes and amendments thereto, and if any provision in this lease does not conform to these statutes, the statutes will prevail over any nonconforming lease provisions.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

STATE OF TEXAS
BY:_____
Individually and as agent for the State of Texas

STATE OF TEXAS
BY:_____
Individually and as agent for the State of Texas
Donald H. Kiel
Donald H. Kiel

STATE OF TEXAS
BY:_____
Individually and as agent for the State of Texas

STATE OF TEXAS
BY:_____
Individually and as agent for the State of Texas

STATE OF ~~TEXAS~~ WASHINGTON
COUNTY OF CLARK

This instrument acknowledged before me on Oct. 24, 1988 by

Donald H. Kiel.

Donald H. Kiel

Pamela J. Smith
Notary Public in and for Clark County, ~~Texas~~ WA.
My commission expires: April 1, 1989

STATE OF TEXAS
COUNTY OF _____

This instrument acknowledged before me on _____ by

_____.

_____
Notary Public in and for _____ County, Texas
My commission expires: _____

STATE OF TEXAS
COUNTY OF _____

This instrument acknowledged before me on _____ by

_____.

_____
Notary Public in and for _____ County, Texas
My commission expires: _____

FOR SALE BY STAFFORD-LOWDON CO. FORT WORTH 55326

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 }

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 OIL AND GAS LEASE FROM DONALD H. KIEL TO BLAKE OIL & GAS CORPORATION

as the same appears of record in my office in book 489 page 392, DEED RECORD.

Given under my Hand and Seal of said Court, at office in Pecos, Texas this 4th day of November 19 88.

CATHERINE ASHLEY Clerk,

By Billie Jo Freeman Deputy.
(Billie Jo Freeman)

ANY PROVISION HEREIN WHICH RESTRICTS THE SALE, RENTAL, OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

FILED FOR RECORD ON THE 4th DAY OF November A.D. 1988 at 8:15A. M.

DULY RECORDED ON THE 4th DAY OF November A.D. 1988 at 9:00A. M.

BY Billie Jo Freeman DEPUTY

CATHERINE ASHLEY, COUNTY CLERK,
REEVES COUNTY, TEXAS

(58)

M-88-76

RECEIVED AS STATED
$11.10 Bonds
Date 11-7-88
Reg No 13007

GENERAL LAND OFFICE

RECEIVED AS STATED
$25.00 filing fee
Date 11-7-88
Reg No 13007

GENERAL LAND OFFICE

GENERAL LAND OFFICE
GARRY MAURO
COMMISSIONER

MEMORANDUM

DATE: 11-16-88

TO: Garry Mauro, Commissioner

FROM: Peter Boone, Petroleum and Minerals

SUBJECT: Relinquishment Act Lease
County: Reeves
Description: SE 80 ac of N 440 ac of Sec 12, Blk 57, T-2 T&P
Applicant: Blake Oil & Gas Corp
Consideration: $75/ac bonus, 3/16 roy, $1.00 rental, 3 yrs

Consideration

Recommended: PGB 11-16-88
Not Recommended
Comments:

Form

Recommended: PGB 11-16-88
Not Recommended:
Recommended, after technical changes:
Comments:

Legal Services Comments (if requested)

Jack Giberson, Chief Clerk Date

Recommended:
Not Recommended

Garry Mauro, Commissioner Date

Approved: GM Not Approved:

Approved, after technical changes:

(59)

M-8867b
Memorandum
11-16-88

Mineral Classified Land
Lease Consideration Comparison

County Reeves
Area SE 80 ac of N 440 ac of Sec. 12, Blk 57, T-2, T&P

M. F.	Acres	Lease Date	Term	Total Bonus	B/Ac	Rental	Comparison
New	.296 80	10-10-88	3 yrs	$22.20	$75	$1.00	3/32
M-92187	160	2-23-87	3 yrs	$8,000	$50	$1.00	3/32 5½ mi E
M-92197	160	4-12-87	3 yrs	$36,000	$60	$1.00	1/10 1½ mi W
M-92207	320	5-25-87	5 yrs	$16,000	$50	$1.00	3/32 2 mi S
M-92678	640	1-11-88	9 mo.	$6,400	$10	N/A	8.5% 3½ mi W

142477

Low 100 Hi 225 Mc 175

Remarks: within Matthews (Low Chary (Lunyon) fld
Disc 5/84, 3 oil wells
adj S.
last lease issued 10/87

Consideration Recommended RAB 11-16-88
Not Recommended

MF - 88676

Surface Owner Name	Net Acres	State's Royalty	Net Acres/80 acres	Net State's Royalty
Schuler, R.A & James	8.88	0.09375	0.111	0.01040625
Schuler, Evelyn	4.44	0.09375	0.0555	0.005203125
Schuler, Viiolet	13.33	0.09375	0.166625	0.015621094
Oestrich, Lois & Clint	0.296	0.09375	0.0037	0.000346875
Max, Mildred	0.89	0.09375	0.011125	0.001042969
Kiel, Richard	0.444	0.09375	0.00555	0.000520313
Gehle, Richard	0.89	0.09375	0.011125	0.001042969
Gehle, Mary C.	1.34	0.09375	0.01675	0.001570313
Farwell, Altha M.	1.34	0.09375	0.01675	0.001570313
Kiel, Donald	0.296	0.09375	0.0037	0.000346875
Rybacheck, L.J.	0.296	0.09375	0.0037	0.000346875
Novallo, Algo A.	1.34	0.09375	0.01675	0.001570313
Campbell, Shirley	1.34	0.09375	0.01675	0.001570313
Wurm ,E. I.	0.89	0.09375	0.011125	0.001042969
Wagner, Carol & Arthur	0.444	0.09375	0.00555	0.000520313
Blake, Jack & Carol	16.884	0.115	0.21105	0.02427075
Staples, B.J.	13.33	0.115	0.166625	0.019161875
Blake, Robert & Marion	13.33	0.115	0.166625	0.019161875
	80			0.105316375

FILE NO. 2786 LORNA JEAN RYBACHECK TO BLAKE OIL & GAS CORPORATION

No. 5367--General Land
Office Lease Form Under
Relinquishment Act
Revised, September 1987
GLO-L-19-(9-87)

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 10th day of October 1988, between the State of Texas, acting by and through its agent, Lorna Jean Rybacheck 410000 33690
of 7963 Sage Ave., Yucca Valley, CA 92284 said agent
(Give Permanent Address)
herein referred to as the owner of the soil (whether one or more), and Blake Oil & Gas Corporation of
400 N. Main, Midland, Texas 79701 2463011301 7
(Give Permanent Address)
hereinafter called Lessee.

1. GRANTING CLAUSE. For and in consideration of the amounts stated below and of the covenants and agreements to be paid, kept and performed by Lessee under this lease, the State of Texas acting by and through the owner of the soil, hereby grants, leases and lets unto Lessee, for the sole and only purpose of prospecting and drilling for and producing oil and gas, laying pipe lines, building tanks, storing oil and building power stations, telephone lines and other structures thereon, to produce, save, take care of, treat and transport said products of the lease, the following lands situated in Reeves County, State of Texas, to-wit:

The Southeast 80 acres of the North 440 acres of said Section 12, Block 57, T-2, T&P Ry. Co. Survey, Reeves County, Texas more fully described as follows:

The Southeast part of the North 440 acres of said Section 12 was duly patented to Frank H. Schuler, F. C. Gehle and Fred M. Ulrich on November 17, 1943, by Patent No. 54, Volume 92-A as containing 80 acres, described by metes and bounds as follows:

BEGINNING at the SE/corner of the E/2 of the NE/4 of this Section in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey, and the NE/corner of this survey;

THENCE West 1267.2 varas with the South line of the N/2 to the NE/corner of the NW/part of the S/2 and the NW/corner of this Survey;

THENCE South 356.4 varas with the East line of said NW/part of the S/2 to its SE/corner in the North line of the South part and the SW/corner of this survey;

THENCE East 1267.2 varas with the North line of said South part to its NE/corner in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey, and the SE/corner of this Survey;

THENCE North 356.4 varas with the West line of said Section 7 to the place of beginning, containing 80 acres, more or less.

containing 80 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Eleven and 10/100---------- Dollars ($ 11.10)

To the owner of the soil: Eleven and 10/100---------- Dollars ($ 11.10)

Total bonus consideration: Twenty-two and 20/100---------- Dollars ($ 22.20)

The total bonus consideration paid represents a bonus of Seventy-five---------- ----------Dollars ($ 75.00----------) per acre, on .296 net acres.

2. TERM. Subject to the other provisions in this lease, this lease shall be for a term of three (3) years from this date (herein called "primary term") and as long thereafter as oil and gas, or either of them, is produced in paying quantities* from said land.

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*As used in this lease, the term "produced in paying quantities" means that the receipts from the sale or other authorized commercial use of the substance(s) covered exceed out of pocket operational expenses for the six months last past.

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

To the owner of the soil: None and 15/100---------- Dollars ($ .15----------)

To the State of Texas: None and 15/100---------- Dollars ($ .15----------)

Total Rental: None and 30/100---------- Dollars ($ .30----------)

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

4. PRODUCTION ROYALTIES. When production of oil and/or gas is secured during the term of this lease, Lessee agrees to pay or cause to be paid one-half (1/2) of the royalty provided for in this lease to the Commissioner of the General Land Office of the State of Texas, at Austin, Texas, and one-half (1/2) of such royalty to the owner of the soil:

(a) OIL. Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be 3/16ths part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be determined by 1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity in the general area where produced and when run, or 2) the highest market price thereof offered or paid in the general area where produced and when run, or 3) the gross proceeds of the sale thereof, whichever is greatest. Lessee agrees that before any gas produced from the leased premises is sold, used or processed in a plant, it will be run free of cost to the parties entitled to royalties through an adequate oil and gas separator of conventional type, or other equipment at least as efficient, so that all liquid hydrocarbons recoverable from the gas by such means will be recovered. The requirement that such gas be run through a separator or other equipment may be waived in writing by the royalty owners upon such terms and conditions as they prescribe.

(b) NON PROCESSED GAS. Royalty on any gas (including flared gas), which is defined as all hydrocarbons and gaseous substances not defined as oil in subparagraph (a) above, produced from any well on said land (except as provided herein with respect to gas processed in a plant for the extraction of gasoline, liquid hydrocarbons or other products) shall be 3/16ths part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality in the general area where produced and when run, or the gross price paid or offered to the producer, whichever is greater; provided that the maximum pressure base in measuring the gas under this lease shall not at any time exceed 14.65 pounds per square inch absolute, and the standard base temperature shall be sixty (60) degrees Fahrenheit, correction to be made for pressure according to Boyle's Law, and for specific gravity according to tests made by the Balance Method or by the most approved method of testing being used by the industry at the time of testing.

(c) PROCESSED GAS. Royalty on any gas processed in a gasoline plant or other plant for the recovery of gasoline or other liquid hydrocarbons shall be 3/16ths part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease, and on fifty percent (50%), or that percent accruing to Lessee, whichever is greater, of the total plant production of liquid hydrocarbons attributable to the gas produced from this lease; provided that if liquid hydrocarbons

are recovered from gas processed in a plant in which Lessee (or its parent, subsidiary or affiliate) owns an interest, then the percentage applicable to liquid hydrocarbons shall be fifty percent (50%) or the highest percent accruing to a third party processing gas through such plant under a processing agreement negotiated at arm's length (or if there is no such third party, the highest percent then being specified in processing agreements or contracts in the industry), whichever is greater. The respective royalties on residue gas and on liquid hydrocarbons shall be determined by 1) the highest market price paid or offered for any gas (or liquid hydrocarbons) of comparable quality in the general area, or 2) the gross price paid or offered for such residue gas (or the weighted average gross selling price for the respective grades of liquid hydrocarbons, F.O.B. at the plant in which said gas is processed), whichever is greater.

(d) OTHER PRODUCTS. Royalty on carbon black, sulphur or any other products produced or manufactured from gas (excepting liquid hydrocarbons) whether said gas be "casinghead," "dry," or any other gas, by fractionating, burning or any other processing shall be 3/16ths part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows: 1) on the basis of the highest market price of each product for the same month in which such product is produced, or 2) on the basis of the average gross sale price of each product for the same month in which such product is sold, whichever is greater.

5. MINIMUM ROYALTY. For each calendar year following the date of the expiration of the primary term when this lease is held for any part of such calendar year by production, the royalty received under this lease must not be less than an amount equal to the total annual delay rental provided for in Paragraph 3. If Paragraph 3 of this lease does not specify a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre.

6. ROYALTY IN KIND. Notwithstanding any other provision in this lease, at any time or from time to time, the owner of the soil or the Commissioner of the General Land Office may, at the option of either, upon not less than sixty (60) days notice to the holder of the lease, require that the payment of any royalties accruing to such royalty owner under this lease be made in kind.

7. NO DEDUCTIONS. Lessee agrees that all royalties accruing under this lease (including those paid in kind) shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and otherwise making the oil, gas and other products hereunder ready for sale or use. Lessee agrees to compute and pay royalties on the gross value received, including any reimbursements for severance taxes and production related costs.

8. PLANT FUEL AND RECYCLED GAS. No royalty shall be payable on any gas as may represent this lease's proportionate share of any fuel used to process gas produced hereunder in any processing plant. Notwithstanding any other provision of this lease, and subject to the written consent of the owner of the soil and the Commissioner of the General Land Office, Lessee may recycle gas for gas lift purposes on the leased premises or for injection into any oil or gas producing formation underlying the leased premises after the liquid hydrocarbons contained in the gas have been removed; no royalties shall be payable on the recycled gas until it is produced and sold or used by Lessee in a manner which entitles the royalty owners to a royalty under this lease.

9. ROYALTY PAYMENTS AND REPORTS. All royalties which are required to be paid to the Commissioner of the General Land Office under this lease shall be due and payable in the following manner: Royalty on oil is due and must be received in the General Land Office on or before the 5th day of the second month succeeding the month of production, and royalty on gas is due and must be received in the General Land Office on or before the 15th day of the second month succeeding the month of production, accompanied by the affidavit of the owner, manager or other authorized agent, completed in the form and manner prescribed by the General Land Office and showing the gross amount and disposition of all oil and gas produced and the market value of the oil and gas, together with a copy of all documents, records or reports confirming the gross production, disposition and market value including gas meter readings, pipeline receipts, gas line receipts and other checks or memoranda of amount produced and put into pipelines, tanks, or pools and gas lines or gas storage, and any other reports or records which the General Land Office may require to verify the gross production, disposition and market value. Each royalty payment shall be accompanied by a check stub, schedule, summary or other remittance advice showing by the assigned General Land Office lease number, the amount of royalty being paid on each lease. If Lessee pays his royalty late but on or before thirty (30) days after the royalty payment was due, then Lessee owes a penalty of 5% of the royalty or $25.00, whichever is greater. A royalty payment which is over thirty (30) days late shall accrue a penalty of 10% of the royalty due or $25.00, whichever is greater. In addition to a penalty, royalties shall accrue interest at a rate of 12% per year; such interest will begin accruing when the royalty is sixty (60) days overdue. Affidavits and supporting documents which are not filed when due shall incur a penalty in an amount set by the General Land Office administrative rule which is effective on the date when the affidavits or supporting documents were due. The Lessee shall

bear all responsibility for paying or causing royalties to be paid in the manner prescribed in this paragraph. Payment of the delinquency penalty shall in no way operate to prohibit the State's right of forfeiture as provided by law nor act to postpone the date on which royalties were originally due. The above penalty provisions shall not apply in cases of title dispute as to the State's portion of the royalty or to that portion of the royalty in dispute as to fair market value. Penalties due under this paragraph are subject to change in order to conform to any future penalty statutes. The State shall have a first lien upon all oil and gas produced from the area covered by this lease to secure the payment of all unpaid royalty and other sums of money that may become due to the State under this lease.

10. **PERMITS, REPORTS, AND RECEIVES.** Lessee shall file all drilling permits in the name of the "State" and require each well and/or tank battery on the leased premises to be designated by the word "State" for identification and reporting to the Railroad Commission or any other governmental agency. Written notice of operations under this lease shall be submitted to the Commissioner of the General Land Office by Lessee five (5) days before spud date, cessation of production, workover, re-entry, temporary abandonment or abandonment of any well, and shall include copies of Railroad Commission forms for application to drill, well tests, completion reports and plugging records. Lessee shall supply the General Land Office with any records, memoranda, accounts, reports, cuttings and cores, or other information relative to the operation of the above described premises, which may be requested by the General Land Office, in addition to those herein expressly provided for. Lessee shall have an electrical and/or radioactivity survey made on the bore-hole section, from the base of the surface casing to total depth of well, of all wells drilled on the above described premises and shall transmit a true copy of the log of each survey on each well to the General Land Office within fifteen (15) days after making of said survey. The Commissioner of the General Land Office reserves the right to require Lessee to annually furnish the said Commissioner with its best possible estimate of oil and gas reserves underlying this lease or allocable to this lease.

11. **DRY HOLE CLAUSE.** If, during the primary term hereof and prior to discovery and production of oil or gas on said land, Lessee should drill a dry hole or holes thereon, or if, after discovery and production of oil or gas, the production thereof should cease from any cause, this lease shall not terminate if, on or before the rental paying date next ensuing after the expiration of sixty (60) days from date of completion of said dry hole or cessation of production, Lessee commences additional drilling or reworking operations thereon, or commences or resumes the payment of annual delay rental in the same manner as provided in Paragraph 3 of this lease. If a dry hole be completed and abandoned during the last year of the primary term, Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in oil or gas well within the primary term hereof, Lessee may resume payment of annual rental in the same manner as provided in Paragraph 3 in this lease on or before the rental paying date next ensuing after sixty (60) days from the date of completion of such shut-in oil or gas well, and upon the failure to make such annual rental payment, this lease shall ipso facto terminate. If at the expiration of the primary term or at any time thereafter a shut-in oil or gas well is located on the leased premises, payments may be made in accordance with the provisions of Paragraph 14 of this lease.

12. **DRILLING AND REWORKING AT EXPIRATION OF PRIMARY TERM.** If, at the expiration of the primary term, neither oil nor gas is being produced on said land, but Lessee is then engaged in drilling or reworking operations thereon, this lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted in good faith and in workmanlike manner without interruptions totaling more than sixty (60) days during any one such operation, and if they result in the production of oil and/or gas, so long thereafter as oil and/or gas is produced in paying quantities from said land, or payment of shut-in oil or gas well royalties or compensatory royalties is made as provided in this lease.

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

14. **SHUT IN ROYALTIES.** If, at the expiration of the primary term or at any time thereafter, a well or wells capable of producing oil or gas in paying quantities is located on the leased premises but oil or gas is not being produced for lack of suitable production facilities or a suitable market, and the lease is not being maintained in force and effect, Lessee may pay as a shut-in oil or gas royalty an amount equal to double the annual rental provided in Paragraph 3 of this lease but not less than $1,200 a year for each well capable of producing oil or gas in paying quantities. If Paragraph 3 of this lease does not specify

a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre. Any shut-in oil or gas royalty must be paid on or before: (1) the expiration of the primary term, (2) 60 days after the lessee ceases to produce oil or gas from the leased premises, or (3) 60 days after lessee completes a drilling and reworking operation in accordance with the lease provisions; whichever date is latest. Such payment shall be made one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil. If the shut-in oil or gas royalty is paid, the lease shall be considered to be a producing lease and the payment shall extend the term of the lease for a period of one (1) year from the end of the primary term or from the first day of the month next succeeding the month in which production ceased and after that, if no suitable production facilities or suitable market for the oil or gas exists, Lessee may extend the lease for four (4) additional and successive periods of one year by paying the same amount each year on or before the expiration of the extended term. If, during the period the lease is kept in effect by payment of the shut-in oil or gas royalty, oil or gas is sold and delivered in paying quantities from a well located within 1,000 feet of the leased premises and completed in the same producing reservoir or, in any case in which drainage is occurring, the right to continue to extend the lease by paying the shut-in oil or gas royalty shall cease. The lease shall remain effective for the remainder of the year for which the royalty has been paid and for four (4) additional and successive periods of one year each by the Lessee paying compensatory royalty at the royalty rate provided in the lease of the value at the well of production from the well that is causing the drainage or that is completed in the same producing reservoir and within 1,000 feet of the leased premises. The compensatory royalty is to be paid monthly, one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil, beginning on or before the last day of the month next succeeding the month in which the oil or gas is sold and delivered from the well. If the compensatory royalty paid in any 12-month period is in an amount less than the annual shut-in oil or gas royalty, Lessee shall pay an amount equal to the difference within 30 days from the end of the 12-month period. None of these provisions will relieve Lessee of the obligation of reasonable development or the obligation to drill offset wells as provided in Texas Natural Resources Code §52.173.

15. DEVELOPMENT. Notwithstanding any provision of this lease to the contrary, after a well producing, or capable of producing, oil or gas has been completed on the leased premises, Lessee shall exercise the diligence of a reasonably prudent operator in drilling such additional well or wells as may be reasonably necessary for the proper development of the leased premises and in marketing the oil and gas produced. In the event this lease is in force and effect three (3) years after the expiration date of the primary term, it shall then terminate as to all of the leased premises, EXCEPT: 1) 40 acres surrounding each producing oil well and 320 acres surrounding each producing gas well (including a shut-in oil or gas well as provided in Paragraph 14 of this lease), or a well upon which Lessee is then engaged in continuous drilling or reworking operations, or 2) the number of acres included in a producing pooled unit pursuant to Texas Natural Resources Code §52.151 - §52.153, or 3) such greater or lesser number of acres as may then be allocated for production purposes to a proration unit for each such producing well under the rules and regulations of the Railroad Commission of Texas, or any successor agency, or other governmental authority having jurisdiction. "Producing" as used in this lease means producing in paying quantities. The acreage retained under this provision as to each well shall, as nearly as practical, be in the form of a square with the well located in the center or in such other shape as may be approved by the Commissioner of the General Land Office. Lessee shall execute and record a release or releases containing a satisfactory description of the acreage terminated under this provision, and the recorded release, or a certified copy of same, shall be filed in the General Land Office, accompanied by the prescribed filing fee.

16. OFFSET WELLS. Neither the bonus, delay rentals, nor royalties paid, or to be paid, under this lease shall relieve Lessee of his obligation to protect the oil and gas under the above-described land from being drained. To prevent drainage, Lessee is obligated to drill as many wells as the facts may justify and to the depth or depths necessary for effective protection against undue drainage. In addition, if a draining well which is producing in commercial quantities is located within 1,000 feet of the above-described land, or in any case where the above described land is being drained, Lessee is statutorily obligated to drill an offset well on the leased premises within 100 days after the draining well begins production in commercial quantities. Failure to satisfy the statutory offset obligation may subject this lease and the owner of the soil's agency rights to forfeiture. Only upon the determination of the Commissioner of the General Land Office and with his written approval may the payment of compensatory royalty satisfy obligation to drill an offset well or wells required under this paragraph.

17. FORCE MAJEURE. If, after a good faith effort, Lessee is prevented from complying with any express or implied covenant of this lease, from conducting drilling operations on the leased premises, or from producing oil or gas from the leased premises by reason of war, rebellion, riots, strikes, acts of God, or any valid order, rule or regulation of government authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended and Lessee shall not be liable for damages for failure to comply with such covenants; additionally, this lease shall be extended while Lessee is prevented, by any such cause, from conducting drilling and reworking operations or from producing oil or gas from the leased premises. However, nothing in this paragraph shall suspend the payment of delay rentals in order to maintain this lease in effect during the primary term in the absence of such drilling or reworking operations or production of oil or gas.

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

19. PROPORTIONATE REDUCTION CLAUSE. If the owner of the soil owns less than the entire undivided surface estate in the above described land, whether or not Lessee's interest is specified herein, then the royalties ~~and rental~~ herein provided to be paid to the owner of the soil shall be paid to him in the proportion which his interest bears to the entire undivided surface estate and the royalties ~~and rental~~ herein provided to be paid to the Commissioner of the General Land Office of the State of Texas shall be likewise proportionately reduced. However, before Lessee adjusts the royalty or rental due to the Commissioner of the General Land Office, Lessee or his authorized representative must submit to the Commissioner of the General Land Office a written statement which explains the discrepancy between the interest purportedly leased under this lease and the actual interest owned by the owner of the soil. The Commissioner of the General Land Office shall be paid the value of the whole production allocable to any undivided interest not covered by a lease, less the proportionate development and production cost allocable to such undivided interest. However, in no event shall the Commissioner of the General Land Office receive as a royalty on the gross production allocable to the undivided interest not leased an amount less than the value of one-sixteenth (1/16) of such gross production.

20. USE OF WATER. Lessee shall have the right to use water produced on said land necessary for operations under this lease except water from wells or tanks of the owner of the soil; provided, however, Lessee shall not use potable water or water suitable for livestock or irrigation purposes for waterflood operations without the prior consent of the owner of the soil.

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

22. PIPELINE DEPTH. When requested by the owner of the soil, Lessee shall bury its pipelines below plow depth.

23. WELL LOCATION LIMIT. No well shall be drilled nearer than two hundred (200) feet to any house or barn now on said premises without the written consent of the owner of the soil.

24. CONSERVATION CLAUSE. Lessee shall have the exclusive right to build, operate and maintain pits, reservoirs, pickup stations and plants for the purpose of picking up and conserving waste oil that flows down the creeks, ravines and across the leased premises, whether such waste oil is produced from the leased premises or from other lands. Royalties, as provided in this lease for regularly produced oil, are also owed on all such waste oil.

25. REMOVAL OF EQUIPMENT. Subject to limitations in this paragraph, Lessee shall have the right to remove machinery and fixtures placed by Lessee on the leased premises, including the right to draw and remove casing, within one hundred twenty (120) days after the expiration or the termination of this lease unless the owner of the soil grants Lessee an extension of this 120-day period. However, Lessee may not remove casing from any well capable of producing oil and gas in paying quantities. Additionally, Lessee may not draw and remove casing until after thirty (30) days written notice to the Commissioner of the General Land Office and to the owner of the soil. The owner of the soil shall become the owner of any machinery, fixtures, or casing which are not timely removed by Lessee under the terms of this paragraph.

26. (a) ASSIGNMENTS. Under the conditions contained in this paragraph and Paragraph 28 of this lease, the rights and estates of either party to this lease may be assigned, in whole or in part, and the provisions of this lease shall extend to and be binding upon their heirs, devisees, legal representatives, successors and assigns. However, a change or division in ownership of the land, rentals, or royalties will not enlarge the obligations of Lessee, diminish the rights, privileges and estates of Lessee, impair the effectiveness of any payment made by Lessee or impair the effectiveness of any act performed by Lessee. And no change or division in ownership of the land, rentals, or royalties shall bind Lessee for any purpose until thirty (30) days after the owner of the soil (or his heirs, devisees, legal representatives or assigns) furnishes the Lessee with satisfactory written evidence of the change in ownership, including the original recorded muniments of title (or a certified copy of such original) when the ownership changed because of a conveyance. A total or partial assignment of this lease shall, to the extent of the interest assigned, relieve and discharge Lessee of all subsequent obligations under this lease. If this lease is assigned in its entirety as to only part of the acreage, the right and option to pay rentals shall be apportioned as between the several owners ratably, according to the area of each, and failure by one or more of them to pay his share of the rental shall not affect

this lease on the part of the land upon which pro rata rentals are timely paid or tendered; however, if the assignor or assignee does not file a certified copy of such assignment in the General Land Office before the next rental paying date, the entire lease shall terminate for failure to pay the entire rental due under Paragraph 3. Every assignee shall succeed to all rights and be subject to all obligations, liabilities, and penalties owed to the State by the original lessee or any prior assignee of the lease, including any liabilities to the State for unpaid royalties.

(b) ASSIGNMENT LIMITATION. Notwithstanding any provision in Paragraph 26(a), if the owner of the soil acquires this lease in whole or in part by assignment without the prior written approval of the Commissioner of the General Land Office, this lease is void as of the time of assignment and the agency power of the owner may be forfeited by the Commissioner. An assignment will be treated as if it were made to the owner of the soil if the assignee is:

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

27. RELEASES. Under the conditions contained in this paragraph and Paragraph 28, Lessee may at any time execute and deliver to the owner of the soil and place of record a release or releases covering any portion or portions of the leased premises, and thereby surrender this lease as to such portion or portions, and be relieved of all subsequent obligations as to acreage surrendered. If any part of this lease is properly surrendered, the delay rental due under this lease shall be reduced by the proportion that the surrendered acreage bears to the acreage which was covered by this lease immediately prior to such surrender; however, such release will not relieve Lessee of any liabilities which may have accrued under this lease prior to the surrender of such acreage.

28. FILING OF ASSIGNMENTS AND RELEASES. If all or any part of this lease is assigned or released, such assignment or release must be recorded in the county where the land is situated, and the recorded instrument, or a copy of the recorded instrument certified by the County Clerk of the county in which the instrument is recorded, must be filed in the General Land Office within 90 days of the last execution date accompanied by the prescribed filing fee. If any such assignment is not so filed, the rights acquired under this lease shall be subject to forfeiture at the option of the Commissioner of the General Land Office.

29. LEASE FILING. It is recognized that before this lease is effective a certified copy of this lease (which is made and certified by the County Clerk from his records) shall be filed in the General Land Office in accordance with Texas Natural Resources Code §52.183, and this lease shall not be binding upon the State unless it recites the actual and true consideration paid or promised for execution of this lease. The bonus due the State and the prescribed filing fee shall accompany such certified copy to the General Land Office.

30. DISCLOSURE CLAUSE. All provisions pertaining to the lease of the above-described land have been included in this instrument, including the statement of the true consideration to be paid for the execution of this lease and the rights and duties of the parties. Any collateral agreements concerning the development of oil and gas from the leased premises which are not contained in this lease render this lease invalid.

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

32. FORFEITURE. If Lessee shall fail or refuse to make the payment of any sum within thirty days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if Lessee should fail to file reports in the manner required by law or fail to comply with rules and regulations promulgated by the General Land Office, the School Land Board, or the Railroad Commission, or if Lessee should refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or knowingly fail or refuse

to furnish the General Land Office a correct log of any well, or if Lessee shall knowingly violate any of the material provisions of this lease, or if this lease is assigned and the assignment is not filed in the General Land Office as required by law, the rights acquired under this lease shall be subject to forfeiture by the Commissioner, and he shall forfeit same when sufficiently informed of the facts which authorize a forfeiture, and when forfeited the area shall again be subject to lease under the terms of the Relinquishment Act. However, nothing herein shall be construed as waiving the automatic termination of this lease by operation of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this lease and all rights thereunder reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

33. RAILROAD COMMISSION HEARINGS ON GAS. No natural gas or casinghead gas, including both associated and nonassociated gas, produced from the mineral estate subject to this lease may be sold or contracted for sale to any person for ultimate use outside the State of Texas unless the Railroad Commission, after notice and hearing as provided in Title 3 of the Texas Natural Resources Code, finds that:

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

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

(c) no public or private school in this State that provides elementary, secondary, or higher education requires the natural gas or casinghead gas to meet its existing needs for fuel;

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

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

(f) no person who resides in this State and who relies on natural gas or casinghead gas to provide in whole or part his existing needs for fuel or raw material requires the natural gas or casinghead gas to meet those needs; provided, however, after notice and hearing as provided in Title 3 of the Texas Natural Resources Code the Railroad Commission may grant exceptions to these provisions as set forth in Texas Natural Resources Code §52.296.

34. This lease is issued under the provisions of Texas Natural Resources Code §52.171 through §52.188, commonly known as the Relinquishment Act, and other applicable statutes and amendments thereto, and if any provision in this lease does not conform to these statutes, the statutes will prevail over any nonconforming lease provisions.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

STATE OF TEXAS
BY:_____
Individually and as agent for the State of Texas

STATE OF TEXAS
BY: Lorna Jean Rybacheck
Individually and as agent for the State of Texas
Lorna Jean Rybacheck

STATE OF TEXAS
BY:_____
Individually and as agent for the State of Texas

STATE OF TEXAS
BY:_____
Individually and as agent for the State of Texas

OIL AND GAS LEASE

STATE OF ~~TEXAS~~ CALIFORNIA
COUNTY OF San Bernardino

This instrument acknowledged before me on October 25, 1988 by

Lorna Jean Rybacheck.

Kathy Jones
Lorna Jean Rybacheck

Notary Public in and for San Bernardino County, ~~Texas~~ California
My commission expires: Aug. 28, 1992

OFFICIAL SEAL
KATHY JONES
NOTARY PUBLIC - CALIFORNIA
PRINCIPAL OFFICE IN
SAN BERNARDINO COUNTY
My Commission Exp. Aug 28, 1992

STATE OF TEXAS
COUNTY OF _____

This instrument acknowledged before me on _____ by

_____.

_____
Notary Public in and for _____ County, Texas
My commission expires: _____

STATE OF TEXAS
COUNTY OF _____

This instrument acknowledged before me on _____ by

_____.

_____
Notary Public in and for _____ County, Texas
My commission expires: _____

FOR SALE BY STAFFORD-LOWDON CO. FORT WORTH 55326

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 } 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 OIL AND GAS LEASE FROM LORNA JEAN RYBACHECK TO BLAKE OIL & GAS CORPORATION

as the same appears of record in my office in book 489 page 412, DEED RECORD.

Given under my Hand and Seal of said Court, at office in Pecos, Texas

this 4th day of November 19 88.

CATHERINE ASHLEY Clerk,

By Billie Jo Freeman Deputy.
(Billie JO Freeman)

ANY PROVISION HEREIN WHICH RESTRICTS THE SALE, RENTAL, OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

FILED FOR RECORD ON THE 4th DAY OF November A.D. 1988 at 8:15A. M.

DULY RECORDED ON THE 4th DAY OF November A.D. 1988 at 9:00A. M.

BY Billie Jo Freeman DEPUTY

CATHERINE ASHLEY, COUNTY CLERK,
REEVES COUNTY, TEXAS.

(D)

M-88675

RECEIVED AS STATED
$11.10 bonus
Date 11-7-88
Reg No 13007

GENERAL LAND OFFICE

RECEIVED AS STATED
$25.00 filing fee
Date 11-7-88
Reg No 13007

GENERAL LAND OFFICE

GENERAL LAND OFFICE
GARRY MAURO
COMMISSIONER

MEMORANDUM

DATE: 11-16-88

TO: Garry Mauro, Commissioner

FROM: Peter Boone, Petroleum and Minerals

SUBJECT: Relinquishment Act Lease
County: Reeves
Description: SE 80 ac of N 440 ac of Sec. 12, Blk 57, T-2 T&P
Applicant: Blake O & G Corp
Consideration: $75/ac bonus, 3/16 roy, $1.00 rental, 3 yrs

Consideration

Recommended: PAB 11-16-88
Not Recommended
Comments:

Form

Recommended: PAB 11-16-88
Not Recommended:
Recommended, after technical changes:
Comments:

Legal Services Comments (if requested)

Jack Giberson, Chief Clerk Date

Recommended:
Not Recommended

Garry Mauro, Commissioner Date

Approved: GM Not Approved:

Approved, after technical changes:

JACK E. BLAKE
400 NORTH MAIN
MIDLAND, TEXAS 79701-4780

OFF. (915) 684-7888

RES. (915) 684-7745

November 30, 1988

General Land Office
Garry Mauro, Commissioner
Attn: Peter A. Boone
Stephen F. Austin Building
1700 N. Congress Ave.
Austin, Texas 78701

Re: Blk. 57, Sec. 12, SE/80 of N/440
T-2, T&P RR Company Survey
Reeves County, Texas
Oil & Gas Leases - MCL

Dear Mr. Boone,

Enclosed please find Oil and Gas Leases covering 2.23 net acres in the captioned lands. These are certified copies. Also enclosed is our check for $133.63 covering the State's share of bonus consideration on each, plus the $25.00 filing fee for each.

89016976

Also enclosed is a certified copy of the Oil and Gas Lease for Shirley E. Campbell. This was previously included in our check #3730 dated 11/2/88 and sent with a number of other leases. If you should have any questions regarding the enclosed, please contact the undersigned.

Very truly yours,

Bruce W. Blake

BWB/jb

Enclosures

M-88676 (60)
Ltr from Jack E Blalp
11-30-88

15. 3.99

Lease Consideration Comparison

County Reeves
Area SE 80 ac. of N 440 ac. of Sec 12, Blk 57, T-2, T&P

M. F.	Acres	Lease Date	Term	Total Bonus	B/Ac	Rental	Comparison
New	1.34 80	8-26-88	3 yrs	$100.00	$75	$1,00	3/32
M-92187	160	2-23-87	3 yrs	$8000	$50	$1.00	3/32 5½ mi E
M-92197	640	4-12-87	3 yrs	$36,400	$60	$1.00	1/10 1½ mi W
M-92207	320	5-25-87	5 yrs	$16,000	$50	1.00	3/32 2 mi S
M-92678	640	1-11-88	9 mo.	$6,400	$10	N/A	8.5% 3½ mi W 14247

Low 100 Hi 225 Mc 175

Remarks: within Mathews (Lower Cherry Canyon) Fld. Dec. 5184, 279347 6015
3 oil wells adj S. currently producing as little as 7 bbls/day and as much as 29 bbls/day, last lease on tract issued 10/87

Consideration Recommended RAB 9-16-88
Not Recommended

MF: 88676

Surface Owner Name	Net Acres	State's Royalty	Net Acres/80 acres	Net State's Royalty
Schuler, R.A & James	8.88	0.09375	0.111	0.01040625
Schuler, Evelyn	4.44	0.09375	0.0555	0.005203125
Schuler, Viiolet	13.33	0.09375	0.166625	0.015621094
Oestrich, Lois & Clint	0.296	0.09375	0.0037	0.000346875
Max, Mildred	0.89	0.09375	0.011125	0.001042969
Kiel, Richard	0.444	0.09375	0.00555	0.000520313
Gehle, Richard	0.89	0.09375	0.011125	0.001042969
Gehle, Mary C.	1.34	0.09375	0.01675	0.001570313
Farwell, Altha M.	1.34	0.09375	0.01675	0.001570313
Kiel, Donald	0.296	0.09375	0.0037	0.000346875
Rybacheck, L.J.	0.296	0.09375	0.0037	0.000346875
Novallo, Algo A.	1.34	0.09375	0.01675	0.001570313
Campbell, Shirley	1.34	0.09375	0.01675	0.001570313
Wurm ,E. I.	0.89	0.09375	0.011125	0.001042969
Wagner, Carol & Arthur	0.444	0.09375	0.00555	0.000520313
Blake, Jack & Carol	16.884	0.115	0.21105	0.02427075
Staples, B.J.	13.33	0.115	0.166625	0.019161875
Blake, Robert & Marion	13.33	0.115	0.166625	0.019161875
	80			0.105316375

FILE NO. 2939 ALGO A. NOVALLO, INDIVI. & AS AGENT FOR THE STATE OF TEXAS TO BLAKE OIL & GAS CORPORATION

No. 5367--General Land
Office Lease Form Under
Relinquishment Act
Revised, September 1987
GLO-L-19-(9-87)

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 30th day of Sept., 19 88, between the State of Texas, acting by and through its agent, Algo A. Novallo of 9614 E. Burnett, Tucson, Arizona 85730 said agent
(Give Permanent Address)
herein referred to as the owner of the soil (whether one or more), and Blake Oil & Gas Corporation of
400 N. Main, Midland, Texas 79701
(Give Permanent Address)
hereinafter called Lessee.

1. GRANTING CLAUSE. For and in consideration of the amounts stated below and of the covenants and agreements to be paid, kept and performed by Lessee under this lease, the State of Texas acting by and through the owner of the soil, hereby grants, leases and lets unto Lessee, for the sole and only purpose of prospecting and drilling for and producing oil and gas, laying pipe lines, building tanks, storing oil and building power stations, telephone lines and other structures thereon, to produce, save, take care of, treat and transport said products of the lease, the following lands situated in Reeves County, State of Texas, to-wit:

The Southeast 80 acres of the North 440 acres of said Section 12, Block 57, T-2, T&P Ry. Co. Survey, Reeves County, Texas more fully described as follows:

The Southeast part of the North 440 acres of said Section 12 was duly patented to Frank H. Schuler, F. C. Gehle and Fred M. Ulrich on November 17, 1943, by Patent No. 54, Volume 92-A as containing 80 acres, described by metes and bounds as follows:

BEGINNING at the SE/corner of the E/2 of the NE/4 of this Section in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey, and the NE/corner of this survey;

THENCE West 1267.2 varas with the South line of the N/2 to the NE/corner of the NW/ part of the S/2 and the NW/corner of this Survey;

THENCE South 356.4 varas with the East line of said NW/part of the S/2 to its SE/ corner in the North line of the South part and the SW/corner of this survey;

THENCE East 1267.2 varas with the North line of said South part to its NE/corner in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey, and the SE/corner of this Survey;

THENCE North 356.4 varas with the West line of said Section 7 to the place of beginning, containing 80 acres, more or less.

containing 80 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Fifty and 25/100---------- Dollars ($ 50.25)

To the owner of the soil: Fifty and 25/100---------- Dollars ($ 50.25)

Total bonus consideration: One hundred and 50/100---------- Dollars ($ 100.50)

The total bonus consideration paid represents a bonus of Seventy-five---------- ----------Dollars ($ 75.00----------) per acre, on 1.34 net acres.

2. TERM. Subject to the other provisions in this lease, this lease shall be for a term of three (3) years from this date (herein called "primary term") and as long thereafter as oil and gas, or either of them, is produced in paying quantities* from said land.

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*As used in this lease, the term "produced in paying quantities" means that the receipts from the sale or other authorized commercial use of the substance(s) covered exceed out of pocket operational expenses for the six months last past.

3. DELAY RENTALS. If no well is commenced on the leased premises on or before one (1) year from this date, this lease shall terminate, unless on or before such anniversary date Lessee shall pay or tender to the owner of the soil or to his credit in the MEGABANK 6890 E. BROADWAY Bank, at TUCSON, ARIZONA 85710, or its successors (which shall continue as the depository regardless of changes in the ownership of said land), the amount specified below; in addition, Lessee shall pay or tender to the COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS, AT AUSTIN, TEXAS, a like sum on or before said date. Payments under this paragraph shall operate as a rental and shall cover the privilege of deferring the commencement of a well for one (1) year from said date. Payments under this paragraph shall be in the following amounts:

To the owner of the soil: None and 67/100---------- Dollars ($ .67----------)

To the State of Texas: None and 67/100---------- Dollars ($ .67----------)

Total Rental: One and 34/100---------- Dollars ($ 1.34----------)

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

4. PRODUCTION ROYALTIES. When production of oil and/or gas is secured during the term of this lease, Lessee agrees to pay or cause to be paid one-half (1/2) of the royalty provided for in this lease to the Commissioner of the General Land Office of the State of Texas, at Austin, Texas, and one-half (1/2) of such royalty to the owner of the soil:

(a) OIL. Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be 3/16ths part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be determined by 1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity in the general area where produced and when run, or 2) the highest market price thereof offered or paid in the general area where produced and when run, or 3) the gross proceeds of the sale thereof, whichever is greatest. Lessee agrees that before any gas produced from the leased premises is sold, used or processed in a plant, it will be run free of cost to the parties entitled to royalties through an adequate oil and gas separator of conventional type, or other equipment at least as efficient, so that all liquid hydrocarbons recoverable from the gas by such means will be recovered. The requirement that such gas be run through a separator or other equipment may be waived in writing by the royalty owners upon such terms and conditions as they prescribe.

(b) NON PROCESSED GAS. Royalty on any gas (including flared gas), which is defined as all hydrocarbons and gaseous substances not defined as oil in subparagraph (a) above, produced from any well on said land (except as provided herein with respect to gas processed in a plant for the extraction of gasoline, liquid hydrocarbons or other products) shall be 3/16ths part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality in the general area where produced and when run, or the gross price paid or offered to the producer, whichever is greater; provided that the maximum pressure base in measuring the gas under this lease shall not at any time exceed 14.65 pounds per square inch absolute, and the standard base temperature shall be sixty (60) degrees Fahrenheit, correction to be made for pressure according to Boyle's Law, and for specific gravity according to tests made by the Balance Method or by the most approved method of testing being used by the industry at the time of testing.

(c) PROCESSED GAS. Royalty on any gas processed in a gasoline plant or other plant for the recovery of gasoline or other liquid hydrocarbons shall be 3/16ths part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease, and on fifty percent (50%), or that percent accruing to Lessee, whichever is greater, of the total plant production of liquid hydrocarbons attributable to the gas produced from this lease; provided that if liquid hydrocarbons

are recovered from gas processed in a plant in which Lessee (or its parent, subsidiary or affiliate) owns an interest, then the percentage applicable to liquid hydrocarbons shall be fifty percent (50%) or the highest percent accruing to a third party processing gas through such plant under a processing agreement negotiated at arm's length (or if there is no such third party, the highest percent then being specified in processing agreements or contracts in the industry), whichever is greater. The respective royalties on residue gas and on liquid hydrocarbons shall be determined by 1) the highest market price paid or offered for any gas (or liquid hydrocarbons) of comparable quality in the general area, or 2) the gross price paid or offered for such residue gas (or the weighted average gross selling price for the respective grades of liquid hydrocarbons, F.O.B. at the plant in which said gas is processed), whichever is greater.

(d) OTHER PRODUCTS. Royalty on carbon black, sulphur or any other products produced or manufactured from gas (excepting liquid hydrocarbons) whether said gas be "casinghead," "dry," or any other gas, by fractionating, burning or any other processing shall be 3/16ths part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows: 1) on the basis of the highest market price of each product for the same month in which such product is produced, or 2) on the basis of the average gross sale price of each product for the same month in which such product is sold, whichever is greater.

5. MINIMUM ROYALTY. For each calendar year following the date of the expiration of the primary term when this lease is held for any part of such calendar year by production, the royalty received under this lease must not be less than an amount equal to the total annual delay rental provided for in Paragraph 3. If Paragraph 3 of this lease does not specify a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre.

6. ROYALTY IN KIND. Notwithstanding any other provision in this lease, at any time or from time to time, the owner of the soil or the Commissioner of the General Land Office may, at the option of either, upon not less than sixty (60) days notice to the holder of the lease, require that the payment of any royalties accruing to such royalty owner under this lease be made in kind.

7. NO DEDUCTIONS. Lessee agrees that all royalties accruing under this lease (including those paid in kind) shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and otherwise making the oil, gas and other products hereunder ready for sale or use. Lessee agrees to compute and pay royalties on the gross value received, including any reimbursements for severance taxes and production related costs.

8. PLANT FUEL AND RECYCLED GAS. No royalty shall be payable on any gas as may represent this lease's proportionate share of any fuel used to process gas produced hereunder in any processing plant. Notwithstanding any other provision of this lease, and subject to the written consent of the owner of the soil and the Commissioner of the General Land Office, Lessee may recycle gas for gas lift purposes on the leased premises or for injection into any oil or gas producing formation underlying the leased premises after the liquid hydrocarbons contained in the gas have been removed; no royalties shall be payable on the recycled gas until it is produced and sold or used by Lessee in a manner which entitles the royalty owners to a royalty under this lease.

9. ROYALTY PAYMENTS AND REPORTS. All royalties which are required to be paid to the Commissioner of the General Land Office under this lease shall be due and payable in the following manner: Royalty on oil is due and must be received in the General Land Office on or before the 5th day of the second month succeeding the month of production, and royalty on gas is due and must be received in the General Land Office on or before the 15th day of the second month succeeding the month of production, accompanied by the affidavit of the owner, manager or other authorized agent, completed in the form and manner prescribed by the General Land Office and showing the gross amount and disposition of all oil and gas produced and the market value of the oil and gas, together with a copy of all documents, records or reports confirming the gross production, disposition and market value including gas meter readings, pipeline receipts, gas line receipts and other checks or memoranda of amount produced and put into pipelines, tanks, or pools and gas lines or gas storage, and any other reports or records which the General Land Office may require to verify the gross production, disposition and market value. Each royalty payment shall be accompanied by a check stub, schedule, summary or other remittance advice showing by the assigned General Land Office lease number, the amount of royalty being paid on each lease. If Lessee pays his royalty late but on or before thirty (30) days after the royalty payment was due, then Lessee owes a penalty of 5% of the royalty or $25.00, whichever is greater. A royalty payment which is over thirty (30) days late shall accrue a penalty of 10% of the royalty due or $25.00, whichever is greater. In addition to a penalty, royalties shall accrue interest at a rate of 12% per year; such interest will begin accruing when the royalty is sixty (60) days overdue. Affidavits and supporting documents which are not filed when due shall incur a penalty in an amount set by the General Land Office administrative rule which is effective on the date when the affidavits or supporting documents were due. The Lessee shall

bear all responsibility for paying or causing royalties to be paid in the manner prescribed in this paragraph. Payment of the delinquency penalty shall in no way operate to prohibit the State's right of forfeiture as provided by law nor act to postpone the date on which royalties were originally due. The above penalty provisions shall not apply in cases of title dispute as to the State's portion of the royalty or to that portion of the royalty in dispute as to fair market value. Penalties due under this paragraph are subject to change in order to conform to any future penalty statutes. The State shall have a first lien upon all oil and gas produced from the area covered by this lease to secure the payment of all unpaid royalty and other sums of money that may become due to the State under this lease.

10. PERMITS, REPORTS, AND RESERVES. Lessee shall file all drilling permits in the name of the "State" and require each well and/or tank battery on the leased premises to be designated by the word "State" for identification and reporting to the Railroad Commission or any other governmental agency. Written notice of operations under this lease shall be submitted to the Commissioner of the General Land Office by Lessee five (5) days before spud date, cessation of production, workover, re-entry, temporary abandonment or abandonment of any well, and shall include copies of Railroad Commission forms for application to drill, well tests, completion reports and plugging records. Lessee shall supply the General Land Office with any records, memoranda, accounts, reports, cuttings and cores, or other information relative to the operation of the above described premises, which may be requested by the General Land Office, in addition to those herein expressly provided for. Lessee shall have an electrical and/or radioactivity survey made on the bore-hole section, from the base of the surface casing to total depth of well, of all wells drilled on the above described premises and shall transmit a true copy of the log of each survey on each well to the General Land Office within fifteen (15) days after making of said survey. The Commissioner of the General Land Office reserves the right to require Lessee to annually furnish the said Commissioner with its best possible estimate of oil and gas reserves underlying this lease or allocable to this lease.

11. DRY HOLE CLAUSE. If, during the primary term hereof and prior to discovery and production of oil or gas on said land, Lessee should drill a dry hole or holes thereon, or if, after discovery and production of oil or gas, the production thereof should cease from any cause, this lease shall not terminate if, on or before the rental paying date next ensuing after the expiration of sixty (60) days from date of completion of said dry hole or cessation of production, Lessee commences additional drilling or reworking operations thereon, or commences or resumes the payment of annual delay rental in the same manner as provided in Paragraph 3 of this lease. If a dry hole be completed and abandoned during the last year of the primary term, Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in oil or gas well within the primary term hereof, Lessee may resume payment of annual rental in the same manner as provided in Paragraph 3 in this lease on or before the rental paying date next ensuing after sixty (60) days from the date of completion of such shut-in oil or gas well, and upon the failure to make such annual rental payment, this lease shall ipso facto terminate. If at the expiration of the primary term or at any time thereafter a shut-in oil or gas well is located on the leased premises, payments may be made in accordance with the provisions of Paragraph 14 of this lease.

12. DRILLING AND REWORKING AT EXPIRATION OF PRIMARY TERM. If, at the expiration of the primary term, neither oil nor gas is being produced on said land, but Lessee is then engaged in drilling or reworking operations thereon, this lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted in good faith and in workmanlike manner without interruptions totaling more than sixty (60) days during any one such operation, and if they result in the production of oil and/or gas, so long thereafter as oil and/or gas is produced in paying quantities from said land, or payment of shut-in oil or gas well royalties or compensatory royalties is made as provided in this lease.

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

14. SHUT IN ROYALTIES. If, at the expiration of the primary term or at any time thereafter, a well or wells capable of producing oil or gas in paying quantities is located on the leased premises but oil or gas is not being produced for lack of suitable production facilities or a suitable market, and the lease is not being maintained in force and effect, Lessee may pay as a shut-in oil or gas royalty an amount equal to double the annual rental provided in Paragraph 3 of this lease but not less than $1,200 a year for each well capable of producing oil or gas in paying quantities. If Paragraph 3 of this lease does not specify

a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre. Any shut-in oil or gas royalty must be paid on or before: (1) the expiration of the primary term, (2) 60 days after the lessee ceases to produce oil or gas from the leased premises, or (3) 60 days after lessee completes a drilling and reworking operation in accordance with the lease provisions; whichever date is latest. Such payment shall be made one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil. If the shut-in oil or gas royalty is paid, the lease shall be considered to be a producing lease and the payment shall extend the term of the lease for a period of one (1) year from the end of the primary term or from the first day of the month next succeeding the month in which production ceased and after that, if no suitable production facilities or suitable market for the oil or gas exists, Lessee may extend the lease for four (4) additional and successive periods of one year by paying the same amount each year on or before the expiration of the extended term. If, during the period the lease is kept in effect by payment of the shut-in oil or gas royalty, oil or gas is sold and delivered in paying quantities from a well located within 1,000 feet of the leased premises and completed in the same producing reservoir or, in any case in which drainage is occurring, the right to continue to extend the lease by paying the shut-in oil or gas royalty shall cease. The lease shall remain effective for the remainder of the year for which the royalty has been paid and for four (4) additional and successive periods of one year each by the Lessee paying compensatory royalty at the royalty rate provided in the lease of the value at the well of production from the well that is causing the drainage or that is completed in the same producing reservoir and within 1,000 feet of the leased premises. The compensatory royalty is to be paid monthly, one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil, beginning on or before the last day of the month next succeeding the month in which the oil or gas is sold and delivered from the well. If the compensatory royalty paid in any 12-month period is in an amount less than the annual shut-in oil or gas royalty, Lessee shall pay an amount equal to the difference within 30 days from the end of the 12-month period. None of these provisions will relieve Lessee of the obligation of reasonable development or the obligation to drill offset wells as provided in Texas Natural Resources Code §52.173.

15. **DEVELOPMENT.** Notwithstanding any provision of this lease to the contrary, after a well producing, or capable of producing, oil or gas has been completed on the leased premises, Lessee shall exercise the diligence of a reasonably prudent operator in drilling such additional well or wells as may be reasonably necessary for the proper development of the leased premises and in marketing the oil and gas produced. In the event this lease is in force and effect three (3) years after the expiration date of the primary term, it shall then terminate as to all of the leased premises, EXCEPT: 1) 40 acres surrounding each producing oil well and 320 acres surrounding each producing gas well (including a shut-in oil or gas well as provided in Paragraph 14 of this lease), or a well upon which Lessee is then engaged in continuous drilling or reworking operations, or 2) the number of acres included in a producing pooled unit pursuant to Texas Natural Resources Code §52.151 - §52.153, or 3) such greater or lesser number of acres as may then be allocated for production purposes to a proration unit for each such producing well under the rules and regulations of the Railroad Commission of Texas, or any successor agency, or other governmental authority having jurisdiction. "Producing" as used in this lease means producing in paying quantities. The acreage retained under this provision as to each well shall, as nearly as practical, be in the form of a square with the well located in the center or in such other shape as may be approved by the Commissioner of the General Land Office. Lessee shall execute and record a release or releases containing a satisfactory description of the acreage terminated under this provision, and the recorded release, or a certified copy of same, shall be filed in the General Land Office, accompanied by the prescribed filing fee.

16. **OFFSET WELLS.** Neither the bonus, delay rentals, nor royalties paid, or to be paid, under this lease shall relieve Lessee of his obligation to protect the oil and gas under the above-described land from being drained. To prevent drainage, Lessee is obligated to drill as many wells as the facts may justify and to the depth or depths necessary for effective protection against undue drainage. In addition, if a draining well which is producing in commercial quantities is located within 1,000 feet of the above-described land, or in any case where the above described land is being drained, Lessee is statutorily obligated to drill an offset well on the leased premises within 100 days after the draining well begins production in commercial quantities. Failure to satisfy the statutory offset obligation may subject this lease and the owner of the soil's agency rights to forfeiture. Only upon the determination of the Commissioner of the General Land Office and with his written approval may the payment of compensatory royalty satisfy obligation to drill an offset well or wells required under this paragraph.

17. **FORCE MAJEURE.** If, after a good faith effort, Lessee is prevented from complying with any express or implied covenant of this lease, from conducting drilling operations on the leased premises, or from producing oil or gas from the leased premises by reason of war, rebellion, riots, strikes, acts of God, or any valid order, rule or regulation of government authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended and Lessee shall not be liable for damages for failure to comply with such covenants; additionally, this lease shall be extended while Lessee is prevented, by any such cause, from conducting drilling and reworking operations or from producing oil or gas from the leased premises. However, nothing in this paragraph shall suspend the payment of delay rentals in order to maintain this lease in effect during the primary term in the absence of such drilling or reworking operations or production of oil or gas.

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

19. PROPORTIONATE REDUCTION CLAUSE. If the owner of the soil owns less than the entire undivided surface estate in the above described land, whether or not Lessee's interest is specified herein, then the royalties ~~and rental~~ herein provided to be paid to the owner of the soil shall be paid to him in the proportion which his interest bears to the entire undivided surface estate and the royalties ~~and rental~~ herein provided to be paid to the Commissioner of the General Land Office of the State of Texas shall be likewise proportionately reduced. However, before Lessee adjusts the royalty or rental due to the Commissioner of the General Land Office, Lessee or his authorized representative must submit to the Commissioner of the General Land Office a written statement which explains the discrepancy between the interest purportedly leased under this lease and the actual interest owned by the owner of the soil. The Commissioner of the General Land Office shall be paid the value of the whole production allocable to any undivided interest not covered by a lease, less the proportionate development and production cost allocable to such undivided interest. However, in no event shall the Commissioner of the General Land Office receive as a royalty on the gross production allocable to the undivided interest not leased an amount less than the value of one-sixteenth (1/16) of such gross production.

20. USE OF WATER. Lessee shall have the right to use water produced on said land necessary for operations under this lease except water from wells or tanks of the owner of the soil; provided, however, Lessee shall not use potable water or water suitable for livestock or irrigation purposes for waterflood operations without the prior consent of the owner of the soil.

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

22. PIPELINE DEPTH. When requested by the owner of the soil, Lessee shall bury its pipelines below plow depth.

23. WELL LOCATION LIMIT. No well shall be drilled nearer than two hundred (200) feet to any house or barn now on said premises without the written consent of the owner of the soil.

24. CONSERVATION CLAUSE. Lessee shall have the exclusive right to build, operate and maintain pits, reservoirs, pickup stations and plants for the purpose of picking up and conserving waste oil that flows down the creeks, ravines and across the leased premises, whether such waste oil is produced from the leased premises or from other lands. Royalties, as provided in this lease for regularly produced oil, are also owed on all such waste oil.

25. REMOVAL OF EQUIPMENT. Subject to limitations in this paragraph, Lessee shall have the right to remove machinery and fixtures placed by Lessee on the leased premises, including the right to draw and remove casing, within one hundred twenty (120) days after the expiration or the termination of this lease unless the owner of the soil grants Lessee an extension of this 120-day period. However, Lessee may not remove casing from any well capable of producing oil and gas in paying quantities. Additionally, Lessee may not draw and remove casing until after thirty (30) days written notice to the Commissioner of the General Land Office and to the owner of the soil. The owner of the soil shall become the owner of any machinery, fixtures, or casing which are not timely removed by Lessee under the terms of this paragraph.

26. (a) ASSIGNMENTS. Under the conditions contained in this paragraph and Paragraph 28 of this lease, the rights and estates of either party to this lease may be assigned, in whole or in part, and the provisions of this lease shall extend to and be binding upon their heirs, devisees, legal representatives, successors and assigns. However, a change or division in ownership of the land, rentals, or royalties will not enlarge the obligations of Lessee, diminish the rights, privileges and estates of Lessee, impair the effectiveness of any payment made by Lessee or impair the effectiveness of any act performed by Lessee. And no change or division in ownership of the land, rentals, or royalties shall bind Lessee for any purpose until thirty (30) days after the owner of the soil (or his heirs, devisees, legal representatives or assigns) furnishes the Lessee with satisfactory written evidence of the change in ownership, including the original recorded muniments of title (or a certified copy of such original) when the ownership changed because of a conveyance. A total or partial assignment of this lease shall, to the extent of the interest assigned, relieve and discharge Lessee of all subsequent obligations under this lease. If this lease is assigned in its entirety as to only part of the acreage, the right and option to pay rentals shall be apportioned as between the several owners ratably, according to the area of each, and failure by one or more of them to pay his share of the rental shall not affect

this lease on the part of the land upon which pro rata rentals are timely paid or tendered; however, if the assignor or assignee does not file a certified copy of such assignment in the General Land Office before the next rental paying date, the entire lease shall terminate for failure to pay the entire rental due under Paragraph 3. Every assignee shall succeed to all rights and be subject to all obligations, liabilities, and penalties owed to the State by the original lessee or any prior assignee of the lease, including any liabilities to the State for unpaid royalties.

(b) ASSIGNMENT LIMITATION. Notwithstanding any provision in Paragraph 26(a), if the owner of the soil acquires this lease in whole or in part by assignment without the prior written approval of the Commissioner of the General Land Office, this lease is void as of the time of assignment and the agency power of the owner may be forfeited by the Commissioner. An assignment will be treated as if it were made to the owner of the soil if the assignee is:

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

27. RELEASES. Under the conditions contained in this paragraph and Paragraph 28, Lessee may at any time execute and deliver to the owner of the soil and place of record a release or releases covering any portion or portions of the leased premises, and thereby surrender this lease as to such portion or portions, and be relieved of all subsequent obligations as to acreage surrendered. If any part of this lease is properly surrendered, the delay rental due under this lease shall be reduced by the proportion that the surrendered acreage bears to the acreage which was covered by this lease immediately prior to such surrender; however, such release will not relieve Lessee of any liabilities which may have accrued under this lease prior to the surrender of such acreage.

28. FILING OF ASSIGNMENTS AND RELEASES. If all or any part of this lease is assigned or released, such assignment or release must be recorded in the county where the land is situated, and the recorded instrument, or a copy of the recorded instrument certified by the County Clerk of the county in which the instrument is recorded, must be filed in the General Land Office within 90 days of the last execution date accompanied by the prescribed filing fee. If any such assignment is not so filed, the rights acquired under this lease shall be subject to forfeiture at the option of the Commissioner of the General Land Office.

29. LEASE FILING. It is recognized that before this lease is effective a certified copy of this lease (which is made and certified by the County Clerk from his records) shall be filed in the General Land Office in accordance with Texas Natural Resources Code §52.183, and this lease shall not be binding upon the State unless it recites the actual and true consideration paid or promised for execution of this lease. The bonus due the State and the prescribed filing fee shall accompany such certified copy to the General Land Office.

30. DISCLOSURE CLAUSE. All provisions pertaining to the lease of the above-described land have been included in this instrument, including the statement of the true consideration to be paid for the execution of this lease and the rights and duties of the parties. Any collateral agreements concerning the development of oil and gas from the leased premises which are not contained in this lease render this lease invalid.

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

32. FORFEITURE. If Lessee shall fail or refuse to make the payment of any sum within thirty days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if Lessee should fail to file reports in the manner required by law or fail to comply with rules and regulations promulgated by the General Land Office, the School Land Board, or the Railroad Commission, or if Lessee should refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or knowingly fail or refuse

to furnish the General Land Office a correct log of any well, or if Lessee shall knowingly violate any of the material provisions of this lease, or if this lease is assigned and the assignment is not filed in the General Land Office as required by law, the rights acquired under this lease shall be subject to forfeiture by the Commissioner, and he shall forfeit same when sufficiently informed of the facts which authorize a forfeiture, and when forfeited the area shall again be subject to lease under the terms of the Relinquishment Act. However, nothing herein shall be construed as waiving the automatic termination of this lease by operation of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this lease and all rights thereunder reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

33. RAILROAD COMMISSION HEARINGS ON GAS. No natural gas or casinghead gas, including both associated and nonassociated gas, produced from the mineral estate subject to this lease may be sold or contracted for sale to any person for ultimate use outside the State of Texas unless the Railroad Commission, after notice and hearing as provided in Title 3 of the Texas Natural Resources Code, finds that:

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

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

(c) no public or private school in this State that provides elementary, secondary, or higher education requires the natural gas or casinghead gas to meet its existing needs for fuel;

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

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

(f) no person who resides in this State and who relies on natural gas or casinghead gas to provide in whole or part his existing needs for fuel or raw material requires the natural gas or casinghead gas to meet those needs; provided, however, after notice and hearing as provided in Title 3 of the Texas Natural Resources Code the Railroad Commission may grant exceptions to these provisions as set forth in Texas Natural Resources Code §52.296.

34. This lease is issued under the provisions of Texas Natural Resources Code §52.171 through §52.188, commonly known as the Relinquishment Act, and other applicable statutes and amendments thereto, and if any provision in this lease does not conform to these statutes, the statutes will prevail over any nonconforming lease provisions.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

STATE OF TEXAS
BY:_____
Individually and as agent for the State of Texas

STATE OF TEXAS
BY: Algo A. Novallo
Individually and as agent for the State of Texas
Algo A. Novallo

STATE OF TEXAS
BY:_____
Individually and as agent for the State of Texas

STATE OF TEXAS
BY:_____
Individually and as agent for the State of Texas

STATE OF ~~TEXAS~~ ARIZONA
COUNTY OF PIMA

This instrument acknowledged before me on Nov 7 1988 by

Algo A. Novallo.

Notary Public in and for [illegible] County, Texas/Pima
My commission expires:

STATE OF TEXAS
COUNTY OF

This instrument acknowledged before me on by

.

Notary Public in and for County, Texas
My commission expires:

STATE OF TEXAS
COUNTY OF

This instrument acknowledged before me on by

.

Notary Public in and for County, Texas
My commission expires:

STATE OF TEXAS

FOR SALE BY STAFFORD-LOWDON CO. FORT WORTH 55326

E 503—CERTIFICATE OF TRUE COPY OF PAPERS RECORDED—Class 1. (Arts. 6600-6625-6684, 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 OIL AND GAS LEASE FROM ALGO A. NOVALLO, INDIVI. & AS AGENT FOR THE STATE OF TEXAS TO BLAKE OIL & GAS CORPORATION

as the same appears of record in my office in book 490, page 23, DEED RECORDS.

Given under my Hand and Seal of said Court, at office in Pecos, Texas
this 22nd day of November 19 88.

CATHERINE ASHLEY Clerk,

By Billie Jo Freeman Deputy.
(Billie JO Freeman)

ANY PROVISION HEREIN WHICH RESTRICTS THE SALE, RENTAL, OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

FILED FOR RECORD ON THE 21st DAY OF November A.D. 1988 at 8:44A. M.

DULY RECORDED ON THE 21st DAY OF November A.D. 1988 at 4:00P. M.

BY Billie Jo Freeman DEPUTY

CATHERINE ASHLEY, COUNTY CLERK,
REEVES COUNTY, TEXAS.

(63)

M-88676

RECEIVED AS STATED
$ 50.25 Bonus
Date 12-3-88
Reg No 16976

GENERAL LAND OFFICE

RECEIVED AS STATED
$ 25.00 filing fee
Date 12-3-88
Reg No 16976

GENERAL LAND OFFICE

Mineral Classified Land
Lease Consideration Comparison

County Reeves
Area SE/4 ac of N440ac of Sec 12, Blk 57, T-2, T&P

M. F.	Acres	Lease Date	Term	Total Bonus	B/Ac	Rental	Comparison
New	89/80	8-26-88	3 yrs	$66.75	$75	$1.00	3/32
M-92187	160	2-23-87	3 yrs	$8000	$50	$1.00	3/30 5½ mi E
M-92197	640	4-12-87	3 yrs	$36,400	$60	$1.00	1/10 1½ mi W
M-92207	320	5-25-87	5 yrs	$16,000	$50	$1.00	3/30 2 mi S
M-92678	640	1-11-88	9 mo	$6,400	$10	N/A	8.5% 3½ mi W

14 2477

Low 100 Hi 225 mc 175

Remarks: within Matthews (Low. Cherry Canyon) fld.
Disc. 5/84, 279,847 bbls
3 oil wells adj S/currently producing as little as 7 bbls/day & as much as 24 bbls/day
last lease issued 10/87

Consideration
Recommended RAB 9-16-88
Not Recommended

BLAKE OIL & GAS CORPORATION

DESCRIPTION	CODE	AMOUNT
Oil & Gas Leases covering Blk. 57, Sec. 12, SE/80 of N/440, T-2, T&P RR Co. Survey, Reeves County, Texas	153-300	X 133.63

89016976

Novallo, Algo A.	1.34 acres	50.25 + 25.00
Gehle, Richard	.89 acres	33.38 + 25.00

171/161

DETACH AND RETAIN THIS STATEMENT

The attached check is in payment of items described above. If not correct please notify us promptly

MF - 88676

Surface Owner Name	Net Acres	State's Royalty	Net Acres/80 acres	Net State's Royalty
Schuler, R.A & James	8.88	0.09375	0.111	0.01040625
Schuler, Evelyn	4.44	0.09375	0.0555	0.005203125
Schuler, Viiolet	13.33	0.09375	0.166625	0.015621094
Oestrich, Lois & Clint	0.296	0.09375	0.0037	0.000346875
Max, Mildred	0.89	0.09375	0.011125	0.001042969
Kiel, Richard	0.444	0.09375	0.00555	0.000520313
Gehle, Richard	0.89	0.09375	0.011125	0.001042969
Gehle, Mary C.	1.34	0.09375	0.01675	0.001570313
Farwell, Altha M.	1.34	0.09375	0.01675	0.001570313
Kiel, Donald	0.296	0.09375	0.0037	0.000346875
Rybacheck, L.J.	0.296	0.09375	0.0037	0.000346875
Novallo, Algo A.	1.34	0.09375	0.01675	0.001570313
Campbell, Shirley	1.34	0.09375	0.01675	0.001570313
Wurm ,E. I.	0.89	0.09375	0.011125	0.001042969
Wagner, Carol & Arthur	0.444	0.09375	0.00555	0.000520313
Blake, Jack & Carol	16.884	0.115	0.21105	0.02427075
Staples, B.J.	13.33	0.115	0.166625	0.019161875
Blake, Robert & Marion	13.33	0.115	0.166625	0.019161875
	80			0.105316375

FILE NO. 2941 RICHARD GEHLE, AS AGENT FOR THE STATE OF TEXAS TO BLAKE OIL & GAS CORPORATION

No. 5367--General Land Office Lease Form Under Relinquishment Act
Revised, September 1987
GLO-L-19-(9-87)

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 30th day of Sept., 1988, between the State of Texas, acting by and through its agent, Richard Gehle of 39633 Cobridge, Mt. Clemens, Michigan 48044 said agent
(Give Permanent Address)
herein referred to as the owner of the soil (whether one or more), and Blake Oil & Gas Corporation of
400 N. Main, Midland, Texas 79701
(Give Permanent Address)
hereinafter called Lessee.

1. GRANTING CLAUSE. For and in consideration of the amounts stated below and of the covenants and agreements to be paid, kept and performed by Lessee under this lease, the State of Texas acting by and through the owner of the soil, hereby grants, leases and lets unto Lessee, for the sole and only purpose of prospecting and drilling for and producing oil and gas, laying pipe lines, building tanks, storing oil and building power stations, telephone lines and other structures thereon, to produce, save, take care of, treat and transport said products of the lease, the following lands situated in Reeves County, State of Texas, to-wit:

The Southeast 80 acres of the North 440 acres of said Section 12, Block 57, T-2, T&P Ry. Co. Survey, Reeves County, Texas more fully described as follows:

The Southeast part of the North 440 acres of said Section 12 was duly patented to Frank H. Schuler, F. C. Gehle and Fred M. Ulrich on November 17, 1943, by Patent No. 54, Volume 92-A as containing 80 acres, described by metes and bounds as follows:

BEGINNING at the SE/corner of the E/2 of the NE/4 of this Section in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey, and the NE/corner of this survey;

THENCE West 1267.2 varas with the South line of the N/2 to the NE/corner of the NW/ part of the S/2 and the NW/corner of this Survey;

THENCE South 356.4 varas with the East line of said NW/part of the S/2 to its SE/ corner in the North line of the South part and the SW/corner of this survey;

THENCE East 1267.2 varas with the North line of said South part to its NE/corner in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey, and the SE/corner of this Survey;

THENCE North 356.4 varas with the West line of said Section 7 to the place of beginning, containing 80 acres, more or less.

containing 80 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Thirty-three and 38/100---------- Dollars ($ 33.38)

To the owner of the soil: Thirty-three and 37/100---------- Dollars ($ 33.37)

Total bonus consideration: Sixty-six and 75/100---------- Dollars ($ 66.75)

The total bonus consideration paid represents a bonus of Seventy-five---------- ----------Dollars ($ 75.00----------) per acre, on .89 net acres.

2. TERM. Subject to the other provisions in this lease, this lease shall be for a term of three (3) years from this date (herein called "primary term") and as long thereafter as oil and gas, or either of them, is produced in paying quantities* from said land.

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*As used in this lease, the term "produced in paying quantities" means that the receipts from the sale or other authorized commercial use of the substance(s) covered exceed out of pocket operational expenses for the six months last past.

3. **DELAY RENTALS.** If no well is commenced on the leased premises on or before one (1) year from this date, this lease shall terminate, unless on or before such anniversary date Lessee shall pay or tender to the owner of the soil or to his credit in the _____ Bank, at _____, or its successors (which shall continue as the depository regardless of changes in the ownership of said land), the amount specified below; in addition, Lessee shall pay or tender to the COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS, AT AUSTIN, TEXAS, a like sum on or before said date. Payments under this paragraph shall operate as a rental and shall cover the privilege of deferring the commencement of a well for one (1) year from said date. Payments under this paragraph shall be in the following amounts:

To the owner of the soil: None and 44/100---------- Dollars ($ .44----------)

To the State of Texas: None and 45/100---------- Dollars ($ .45----------)

Total Rental: None and 89/100---------- Dollars ($ .89----------)

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

4. **PRODUCTION ROYALTIES.** When production of oil and/or gas is secured during the term of this lease, Lessee agrees to pay or cause to be paid one-half (1/2) of the royalty provided for in this lease to the Commissioner of the General Land Office of the State of Texas, at Austin, Texas, and one-half (1/2) of such royalty to the owner of the soil:

(a) **OIL.** Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be 3/16ths part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be determined by 1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity in the general area where produced and when run, or 2) the highest market price thereof offered or paid in the general area where produced and when run, or 3) the gross proceeds of the sale thereof, whichever is greatest. Lessee agrees that before any gas produced from the leased premises is sold, used or processed in a plant, it will be run free of cost to the parties entitled to royalties through an adequate oil and gas separator of conventional type, or other equipment at least as efficient, so that all liquid hydrocarbons recoverable from the gas by such means will be recovered. The requirement that such gas be run through a separator or other equipment may be waived in writing by the royalty owners upon such terms and conditions as they prescribe.

(b) **NON PROCESSED GAS.** Royalty on any gas (including flared gas), which is defined as all hydrocarbons and gaseous substances not defined as oil in subparagraph (a) above, produced from any well on said land (except as provided herein with respect to gas processed in a plant for the extraction of gasoline, liquid hydrocarbons or other products) shall be 3/16ths part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality in the general area where produced and when run, or the gross price paid or offered to the producer, whichever is greater; provided that the maximum pressure base in measuring the gas under this lease shall not at any time exceed 14.65 pounds per square inch absolute, and the standard base temperature shall be sixty (60) degrees Fahrenheit, correction to be made for pressure according to Boyle's Law, and for specific gravity according to tests made by the Balance Method or by the most approved method of testing being used by the industry at the time of testing.

(c) **PROCESSED GAS.** Royalty on any gas processed in a gasoline plant or other plant for the recovery of gasoline or other liquid hydrocarbons shall be 3/16ths part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease, and on fifty percent (50%), or that percent accruing to Lessee, whichever is greater, of the total plant production of liquid hydrocarbons attributable to the gas produced from this lease; provided that if liquid hydrocarbons

are recovered from gas processed, in a plant in which Lessee (or its parent, subsidiary or affiliate) owns an interest, then the percentage applicable to liquid hydrocarbons shall be fifty percent (50%) or the highest percent accruing to a third party processing gas through such plant under a processing agreement negotiated at arm's length (or if there is no such third party, the highest percent then being specified in processing agreements or contracts in the industry), whichever is greater. The respective royalties on residue gas and on liquid hydrocarbons shall be determined by 1) the highest market price paid or offered for any gas (or liquid hydrocarbons) of comparable quality in the general area, or 2) the gross price paid or offered for such residue gas (or the weighted average gross selling price for the respective grades of liquid hydrocarbons, F.O.B. at the plant in which said gas is processed), whichever is greater.

(d) OTHER PRODUCTS. Royalty on carbon black, sulphur or any other products produced or manufactured from gas (excepting liquid hydrocarbons) whether said gas be "casinghead," "dry," or any other gas, by fractionating, burning or any other processing shall be 3/16ths part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows: 1) on the basis of the highest market price of each product for the same month in which such product is produced, or 2) on the basis of the average gross sale price of each product for the same month in which such product is sold, whichever is greater.

5. MINIMUM ROYALTY. For each calendar year following the date of the expiration of the primary term when this lease is held for any part of such calendar year by production, the royalty received under this lease must not be less than an amount equal to the total annual delay rental provided for in Paragraph 3. If Paragraph 3 of this lease does not specify a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre.

6. ROYALTY IN KIND. Notwithstanding any other provision in this lease, at any time or from time to time, the owner of the soil or the Commissioner of the General Land Office may, at the option of either, upon not less than sixty (60) days notice to the holder of the lease, require that the payment of any royalties accruing to such royalty owner under this lease be made in kind.

7. NO DEDUCTIONS. Lessee agrees that all royalties accruing under this lease (including those paid in kind) shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and otherwise making the oil, gas and other products hereunder ready for sale or use. Lessee agrees to compute and pay royalties on the gross value received, including any reimbursements for severance taxes and production related costs.

8. PLANT FUEL AND RECYCLED GAS. No royalty shall be payable on any gas as may represent this lease's proportionate share of any fuel used to process gas produced hereunder in any processing plant. Notwithstanding any other provision of this lease, and subject to the written consent of the owner of the soil and the Commissioner of the General Land Office, Lessee may recycle gas for gas lift purposes on the leased premises or for injection into any oil or gas producing formation underlying the leased premises after the liquid hydrocarbons contained in the gas have been removed; no royalties shall be payable on the recycled gas until it is produced and sold or used by Lessee in a manner which entitles the royalty owners to a royalty under this lease.

9. ROYALTY PAYMENTS AND REPORTS. All royalties which are required to be paid to the Commissioner of the General Land Office under this lease shall be due and payable in the following manner: Royalty on oil is due and must be received in the General Land Office on or before the 5th day of the second month succeeding the month of production, and royalty on gas is due and must be received in the General Land Office on or before the 15th day of the second month succeeding the month of production, accompanied by the affidavit of the owner, manager or other authorized agent, completed in the form and manner prescribed by the General Land Office and showing the gross amount and disposition of all oil and gas produced and the market value of the oil and gas, together with a copy of all documents, records or reports confirming the gross production, disposition and market value including gas meter readings, pipeline receipts, gas line receipts and other checks or memoranda of amount produced and put into pipelines, tanks, or pools and gas lines or gas storage, and any other reports or records which the General Land Office may require to verify the gross production, disposition and market value. Each royalty payment shall be accompanied by a check stub, schedule, summary or other remittance advice showing by the assigned General Land Office lease number, the amount of royalty being paid on each lease. If Lessee pays his royalty late but on or before thirty (30) days after the royalty payment was due, then Lessee owes a penalty of 5% of the royalty or $25.00, whichever is greater. A royalty payment which is over thirty (30) days late shall accrue a penalty of 10% of the royalty due or $25.00, whichever is greater. In addition to a penalty, royalties shall accrue interest at a rate of 12% per year; such interest will begin accruing when the royalty is sixty (60) days overdue. Affidavits and supporting documents which are not filed when due shall incur a penalty in an amount set by the General Land Office administrative rule which is effective on the date when the affidavits or supporting documents were due. The Lessee shall

bear all responsibility for paying or causing royalties to be paid in the manner prescribed in this paragraph. Payment of the delinquency penalty shall in no way operate to prohibit the State's right of forfeiture as provided by law nor act to postpone the date on which royalties were originally due. The above penalty provisions shall not apply in cases of title dispute as to the State's portion of the royalty or to that portion of the royalty in dispute as to fair market value. Penalties due under this paragraph are subject to change in order to conform to any future penalty statutes. The State shall have a first lien upon all oil and gas produced from the area covered by this lease to secure the payment of all unpaid royalty and other sums of money that may become due to the State under this lease.

10. PERMITS, REPORTS, AND RESERVES. Lessee shall file all drilling permits in the name of the "State" and require each well and/or tank battery on the leased premises to be designated by the word "State" for identification and reporting to the Railroad Commission or any other governmental agency. Written notice of operations under this lease shall be submitted to the Commissioner of the General Land Office by Lessee five (5) days before spud date, cessation of production, workover, re-entry, temporary abandonment or abandonment of any well, and shall include copies of Railroad Commission forms for application to drill, well tests, completion reports and plugging records. Lessee shall supply the General Land Office with any records, memoranda, accounts, reports, cuttings and cores, or other information relative to the operation of the above described premises, which may be requested by the General Land Office, in addition to those herein expressly provided for. Lessee shall have an electrical and/or radioactivity survey made on the bore-hole section, from the base of the surface casing to total depth of well, of all wells drilled on the above described premises and shall transmit a true copy of the log of each survey on each well to the General Land Office within fifteen (15) days after making of said survey. The Commissioner of the General Land Office reserves the right to require Lessee to annually furnish the said Commissioner with its best possible estimate of oil and gas reserves underlying this lease or allocable to this lease.

11. DRY HOLE CLAUSE. If, during the primary term hereof and prior to discovery and production of oil or gas on said land, Lessee should drill a dry hole or holes thereon, or if, after discovery and production of oil or gas, the production thereof should cease from any cause, this lease shall not terminate if, on or before the rental paying date next ensuing after the expiration of sixty (60) days from date of completion of said dry hole or cessation of production, Lessee commences additional drilling or reworking operations thereon, or commences or resumes the payment of annual delay rental in the same manner as provided in Paragraph 3 of this lease. If a dry hole be completed and abandoned during the last year of the primary term, Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in oil or gas well within the primary term hereof, Lessee may resume payment of annual rental in the same manner as provided in Paragraph 3 in this lease on or before the rental paying date next ensuing after sixty (60) days from the date of completion of such shut-in oil or gas well, and upon the failure to make such annual rental payment, this lease shall ipso facto terminate. If at the expiration of the primary term or at any time thereafter a shut-in oil or gas well is located on the leased premises, payments may be made in accordance with the provisions of Paragraph 14 of this lease.

12. DRILLING AND REWORKING AT EXPIRATION OF PRIMARY TERM. If, at the expiration of the primary term, neither oil nor gas is being produced on said land, but Lessee is then engaged in drilling or reworking operations thereon, this lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted in good faith and in workmanlike manner without interruptions totaling more than sixty (60) days during any one such operation, and if they result in the production of oil and/or gas, so long thereafter as oil and/or gas is produced in paying quantities from said land, or payment of shut-in oil or gas well royalties or compensatory royalties is made as provided in this lease.

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

14. SHUT IN ROYALTIES. If, at the expiration of the primary term or at any time thereafter, a well or wells capable of producing oil or gas in paying quantities is located on the leased premises but oil or gas is not being produced for lack of suitable production facilities or a suitable market, and the lease is not being maintained in force and effect, Lessee may pay as a shut-in oil or gas royalty an amount equal to double the annual rental provided in Paragraph 3 of this lease but not less than $1,200 a year for each well capable of producing oil or gas in paying quantities. If Paragraph 3 of this lease does not specify

a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre. Any shut-in oil or gas royalty must be paid on or before: (1) the expiration of the primary term, (2) 60 days after the lessee ceases to produce oil or gas from the leased premises, or (3) 60 days after lessee completes a drilling and reworking operation in accordance with the lease provisions; whichever date is latest. Such payment shall be made one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil. If the shut-in oil or gas royalty is paid, the lease shall be considered to be a producing lease and the payment shall extend the term of the lease for a period of one (1) year from the end of the primary term or from the first day of the month next succeeding the month in which production ceased and after that, if no suitable production facilities or suitable market for the oil or gas exists, Lessee may extend the lease for four (4) additional and successive periods of one year by paying the same amount each year on or before the expiration of the extended term. If, during the period the lease is kept in effect by payment of the shut-in oil or gas royalty, oil or gas is sold and delivered in paying quantities from a well located within 1,000 feet of the leased premises and completed in the same producing reservoir or, in any case in which drainage is occurring, the right to continue to extend the lease by paying the shut-in oil or gas royalty shall cease. The lease shall remain effective for the remainder of the year for which the royalty has been paid and for four (4) additional and successive periods of one year each by the Lessee paying compensatory royalty at the royalty rate provided in the lease of the value at the well of production from the well that is causing the drainage or that is completed in the same producing reservoir and within 1,000 feet of the leased premises. The compensatory royalty is to be paid monthly, one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil, beginning on or before the last day of the month next succeeding the month in which the oil or gas is sold and delivered from the well. If the compensatory royalty paid in any 12-month period is in an amount less than the annual shut-in oil or gas royalty, Lessee shall pay an amount equal to the difference within 30 days from the end of the 12-month period. None of these provisions will relieve Lessee of the obligation of reasonable development or the obligation to drill offset wells as provided in Texas Natural Resources Code §52.173.

15. **DEVELOPMENT.** Notwithstanding any provision of this lease to the contrary, after a well producing, or capable of producing, oil or gas has been completed on the leased premises, Lessee shall exercise the diligence of a reasonably prudent operator in drilling such additional well or wells as may be reasonably necessary for the proper development of the leased premises and in marketing the oil and gas produced. In the event this lease is in force and effect three (3) years after the expiration date of the primary term, it shall then terminate as to all of the leased premises, EXCEPT: 1) 40 acres surrounding each producing oil well and 320 acres surrounding each producing gas well (including a shut-in oil or gas well as provided in Paragraph 14 of this lease), or a well upon which Lessee is then engaged in continuous drilling or reworking operations, or 2) the number of acres included in a producing pooled unit pursuant to Texas Natural Resources Code §52.151 - §52.153, or 3) such greater or lesser number of acres as may then be allocated for production purposes to a proration unit for each such producing well under the rules and regulations of the Railroad Commission of Texas, or any successor agency, or other governmental authority having jurisdiction. "Producing" as used in this lease means producing in paying quantities. The acreage retained under this provision as to each well shall, as nearly as practical, be in the form of a square with the well located in the center or in such other shape as may be approved by the Commissioner of the General Land Office. Lessee shall execute and record a release or releases containing a satisfactory description of the acreage terminated under this provision, and the recorded release, or a certified copy of same, shall be filed in the General Land Office, accompanied by the prescribed filing fee.

16. **OFFSET WELLS.** Neither the bonus, delay rentals, nor royalties paid, or to be paid, under this lease shall relieve Lessee of his obligation to protect the oil and gas under the above-described land from being drained. To prevent drainage, Lessee is obligated to drill as many wells as the facts may justify and to the depth or depths necessary for effective protection against undue drainage. In addition, if a draining well which is producing in commercial quantities is located within 1,000 feet of the above-described land, or in any case where the above described land is being drained, Lessee is statutorily obligated to drill an offset well on the leased premises within 100 days after the draining well begins production in commercial quantities. Failure to satisfy the statutory offset obligation may subject this lease and the owner of the soil's agency rights to forfeiture. Only upon the determination of the Commissioner of the General Land Office and with his written approval may the payment of compensatory royalty satisfy obligation to drill an offset well or wells required under this paragraph.

17. **FORCE MAJEURE.** If, after a good faith effort, Lessee is prevented from complying with any express or implied covenant of this lease, from conducting drilling operations on the leased premises, or from producing oil or gas from the leased premises by reason of war, rebellion, riots, strikes, acts of God, or any valid order, rule or regulation of government authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended and Lessee shall not be liable for damages for failure to comply with such covenants; additionally, this lease shall be extended while Lessee is prevented, by any such cause, from conducting drilling and reworking operations or from producing oil or gas from the leased premises. However, nothing in this paragraph shall suspend the payment of delay rentals in order to maintain this lease in effect during the primary term in the absence of such drilling or reworking operations or production of oil or gas.

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

19. PROPORTIONATE REDUCTION CLAUSE. If the owner of the soil owns less than the entire undivided surface estate in the above described land, whether or not Lessee's interest is specified herein, then the royalties ~~and rental~~ herein provided to be paid to the owner of the soil shall be paid to him in the proportion which his interest bears to the entire undivided surface estate and the royalties ~~and rental~~ herein provided to be paid to the Commissioner of the General Land Office of the State of Texas shall be likewise proportionately reduced. However, before Lessee adjusts the royalty or rental due to the Commissioner of the General Land Office, Lessee or his authorized representative must submit to the Commissioner of the General Land Office a written statement which explains the discrepancy between the interest purportedly leased under this lease and the actual interest owned by the owner of the soil. The Commissioner of the General Land Office shall be paid the value of the whole production allocable to any undivided interest not covered by a lease, less the proportionate development and production cost allocable to such undivided interest. However, in no event shall the Commissioner of the General Land Office receive as a royalty on the gross production allocable to the undivided interest not leased an amount less than the value of one-sixteenth (1/16) of such gross production.

20. USE OF WATER. Lessee shall have the right to use water produced on said land necessary for operations under this lease except water from wells or tanks of the owner of the soil; provided, however, Lessee shall not use potable water or water suitable for livestock or irrigation purposes for waterflood operations without the prior consent of the owner of the soil.

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

22. PIPELINE DEPTH. When requested by the owner of the soil, Lessee shall bury its pipelines below plow depth.

23. WELL LOCATION LIMIT. No well shall be drilled nearer than two hundred (200) feet to any house or barn now on said premises without the written consent of the owner of the soil.

24. CONSERVATION CLAUSE. Lessee shall have the exclusive right to build, operate and maintain pits, reservoirs, pickup stations and plants for the purpose of picking up and conserving waste oil that flows down the creeks, ravines and across the leased premises, whether such waste oil is produced from the leased premises or from other lands. Royalties, as provided in this lease for regularly produced oil, are also owed on all such waste oil.

25. REMOVAL OF EQUIPMENT. Subject to limitations in this paragraph, Lessee shall have the right to remove machinery and fixtures placed by Lessee on the leased premises, including the right to draw and remove casing, within one hundred twenty (120) days after the expiration or the termination of this lease unless the owner of the soil grants Lessee an extension of this 120-day period. However, Lessee may not remove casing from any well capable of producing oil and gas in paying quantities. Additionally, Lessee may not draw and remove casing until after thirty (30) days written notice to the Commissioner of the General Land Office and to the owner of the soil. The owner of the soil shall become the owner of any machinery, fixtures, or casing which are not timely removed by Lessee under the terms of this paragraph.

26. (a) ASSIGNMENTS. Under the conditions contained in this paragraph and Paragraph 28 of this lease, the rights and estates of either party to this lease may be assigned, in whole or in part, and the provisions of this lease shall extend to and be binding upon their heirs, devisees, legal representatives, successors and assigns. However, a change or division in ownership of the land, rentals, or royalties will not enlarge the obligations of Lessee, diminish the rights, privileges and estates of Lessee, impair the effectiveness of any payment made by Lessee or impair the effectiveness of any act performed by Lessee. And no change or division in ownership of the land, rentals, or royalties shall bind Lessee for any purpose until thirty (30) days after the owner of the soil (or his heirs, devisees, legal representatives or assigns) furnishes the Lessee with satisfactory written evidence of the change in ownership, including the original recorded muniments of title (or a certified copy of such original) when the ownership changed because of a conveyance. A total or partial assignment of this lease shall, to the extent of the interest assigned, relieve and discharge Lessee of all subsequent obligations under this lease. If this lease is assigned in its entirety as to only part of the acreage, the right and option to pay rentals shall be apportioned as between the several owners ratably, according to the area of each, and failure by one or more of them to pay his share of the rental shall not affect

this lease on the part of the land upon which pro rata rentals are timely paid or tendered; however, if the assignor or assignee does not file a certified copy of such assignment in the General Land Office before the next rental paying date, the entire lease shall terminate for failure to pay the entire rental due under Paragraph 3. Every assignee shall succeed to all rights and be subject to all obligations, liabilities, and penalties owed to the State by the original lessee or any prior assignee of the lease, including any liabilities to the State for unpaid royalties.

(b) ASSIGNMENT LIMITATION. Notwithstanding any provision in Paragraph 26(a), if the owner of the soil acquires this lease in whole or in part by assignment without the prior written approval of the Commissioner of the General Land Office, this lease is void as of the time of assignment and the agency power of the owner may be forfeited by the Commissioner. An assignment will be treated as if it were made to the owner of the soil if the assignee is:

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

27. RELEASES. Under the conditions contained in this paragraph and Paragraph 28, Lessee may at any time execute and deliver to the owner of the soil and place of record a release or releases covering any portion or portions of the leased premises, and thereby surrender this lease as to such portion or portions, and be relieved of all subsequent obligations as to acreage surrendered. If any part of this lease is properly surrendered, the delay rental due under this lease shall be reduced by the proportion that the surrendered acreage bears to the acreage which was covered by this lease immediately prior to such surrender; however, such release will not relieve Lessee of any liabilities which may have accrued under this lease prior to the surrender of such acreage.

28. FILING OF ASSIGNMENTS AND RELEASES. If all or any part of this lease is assigned or released, such assignment or release must be recorded in the county where the land is situated, and the recorded instrument, or a copy of the recorded instrument certified by the County Clerk of the county in which the instrument is recorded, must be filed in the General Land Office within 90 days of the last execution date accompanied by the prescribed filing fee. If any such assignment is not so filed, the rights acquired under this lease shall be subject to forfeiture at the option of the Commissioner of the General Land Office.

29. LEASE FILING. It is recognized that before this lease is effective a certified copy of this lease (which is made and certified by the County Clerk from his records) shall be filed in the General Land Office in accordance with Texas Natural Resources Code §52.183, and this lease shall not be binding upon the State unless it recites the actual and true consideration paid or promised for execution of this lease. The bonus due the State and the prescribed filing fee shall accompany such certified copy to the General Land Office.

30. DISCLOSURE CLAUSE. All provisions pertaining to the lease of the above-described land have been included in this instrument, including the statement of the true consideration to be paid for the execution of this lease and the rights and duties of the parties. Any collateral agreements concerning the development of oil and gas from the leased premises which are not contained in this lease render this lease invalid.

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

32. FORFEITURE. If Lessee shall fail or refuse to make the payment of any sum within thirty days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if Lessee should fail to file reports in the manner required by law or fail to comply with rules and regulations promulgated by the General Land Office, the School Land Board, or the Railroad Commission, or if Lessee should refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or knowingly fail or refuse

to furnish the General Land Office a correct log of any well, or if Lessee shall knowingly violate any of the material provisions of this lease, or if this lease is assigned and the assignment is not filed in the General Land Office as required by law, the rights acquired under this lease shall be subject to forfeiture by the Commissioner, and he shall forfeit same when sufficiently informed of the facts which authorize a forfeiture, and when forfeited the area shall again be subject to lease under the terms of the Relinquishment Act. However, nothing herein shall be construed as waiving the automatic termination of this lease by operation of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this lease and all rights thereunder reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

33. RAILROAD COMMISSION HEARINGS OR GAS. No natural gas or casinghead gas, including both associated and nonassociated gas, produced from the mineral estate subject to this lease may be sold or contracted for sale to any person for ultimate use outside the State of Texas unless the Railroad Commission, after notice and hearing as provided in Title 3 of the Texas Natural Resources Code, finds that:

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

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

(c) no public or private school in this State that provides elementary, secondary, or higher education requires the natural gas or casinghead gas to meet its existing needs for fuel;

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

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

(f) no person who resides in this State and who relies on natural gas or casinghead gas to provide in whole or part his existing needs for fuel or raw material requires the natural gas or casinghead gas to meet those needs; provided, however, after notice and hearing as provided in Title 3 of the Texas Natural Resources Code the Railroad Commission may grant exceptions to these provisions as set forth in Texas Natural Resources Code §52.296.

34. This lease is issued under the provisions of Texas Natural Resources Code §52.171 through §52.188, commonly known as the Relinquishment Act, and other applicable statutes and amendments thereto, and if any provision in this lease does not conform to these statutes, the statutes will prevail over any nonconforming lease provisions.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

STATE OF TEXAS
BY:_____
Individually and as agent for the State of Texas

STATE OF TEXAS
BY: Richard Gehle
Individually and as agent for the State of Texas
Richard Gehle

STATE OF TEXAS
BY:_____
Individually and as agent for the State of Texas

STATE OF TEXAS
BY:_____
Individually and as agent for the State of Texas

VOL 490 PAGE 52

STATE OF ~~TEXAS~~ MICHIGAN
COUNTY OF Macomb

This instrument acknowledged before me on 11-12-88 by

Richard Gehle.

Notary Public in and for Macomb County, ~~Texas~~ Michigan
My commission expires: June 29, 1991

Notary Public, Macomb County, Michigan
My Commission Expires June 29, 1991

STATE OF TEXAS
COUNTY OF

This instrument acknowledged before me on by

.

Notary Public in and for County, Texas
My commission expires:

STATE OF TEXAS
COUNTY OF

This instrument acknowledged before me on by

.

Notary Public in and for County, Texas
My commission expires:

FOR SALE BY STAFFORD-LOWDON CO. FORT WORTH 55326

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

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 OIL AND GAS LEASE FROM RICHARD GEHLE, AS AGENT FOR THE STATE OF TEXAS TO BLAKE OIL & GAS CORPORATION

as the same appears of record in my office in book 490 page 43, DEED RECORD.

Given under my Hand and Seal of said Court, at office in Pecos, Texas
this 22nd day of November 19 88

CATHERINE ASHLEY Clerk,

By Billie Jo Freeman Deputy.
(Billie JO Freeman)

ANY PROVISION HEREIN WHICH RESTRICTS THE SALE, RENTAL, OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

FILED FOR RECORD ON THE 21st DAY OF November A.D. 1988 at 8:44A. M.

DULY RECORDED ON THE 21st DAY OF November A.D. 1988 at 4;00P. M.

BY Billie Jo Freeman DEPUTY

CATHERINE ASHLEY, COUNTY CLERK,
REEVES COUNTY, TEXAS.

File No. 88676
Oil & Gas Lease

Date Filed: 9-30-88
Jerry E. Patterson, Commissioner

By _____

63A.

~~File No.~~

~~Date Filed:~~

~~Jerry E. Patterson, Commissioner~~

~~By~~

RECEIVED AS STATED
$33.38 bonus
Date 12-3-87
Reg No 16976

GENERAL LAND OFFICE

RECEIVED AS STATED
$25.00 F.I.M. fee
Date 12-3-87
Reg No 16976

GENERAL LAND OFFICE

GENERAL LAND OFFICE
GARRY MAURO
COMMISSIONER

MEMORANDUM

DATE:

TO: Garry Mauro, Commissioner

FROM: Peter Boone, Petroleum and Minerals

SUBJECT: Relinquishment Act Lease
County: Reeves
Description: 80 ac of N 440 ac of Sec. 12, Blk-57, T&P RR T-2
Applicant: Blake O&G
Consideration: $75 ac/6mos, 3/16, $1.00 rental 3 yrs

Consideration

Recommended: 9-16-88 PAB
Not Recommended
Comments:

Form

Recommended:
Not Recommended:
Recommended, after technical changes: PAB 9-16-88
Comments:

Legal Services Comments (if requested)

Jack Giberson, Chief Clerk Date

Recommended: Held until technical changes made & then Return
Not Recommended

Garry Mauro, Commissioner Date

Approved: Not Approved:

Approved, after technical changes:

GENERAL LAND OFFICE
GARRY MAURO
COMMISSIONER

MEMORANDUM

DATE:

TO: Garry Mauro, Commissioner

FROM: Peter Boone, Petroleum and Minerals

SUBJECT: Relinquishment Act Lease
County: Reeves
Description: 80 ac of N 440 ac of Sec. 12, Blk-57, TE&PRR T-2
Applicant: Blake O&G
Consideration: $75 acre/bonus, 3/16, $1.00 rental 3 yrs

Consideration

Recommended: RAB 2-16-88
Not Recommended
Comments:

Form

Recommended:
Not Recommended:
Recommended, after technical changes: RAB 2-16-88
Comments:

Legal Services Comments (if requested)

Jack Giberson, Chief Clerk Date

Recommended: See note on Companion lease JG
Not Recommended

Garry Mauro, Commissioner Date

Approved: Not Approved:

Approved, after technical changes:

Mineral Classified Land
Lease Consideration Comparison

County Reeves
Area SE 80 ac of N 440 ac of Sec 12, Blk 57, T-2, T&P

M. F.	Acres	Lease Date	Term	Total Bonus	B/Ac	Rental	Comparison
New	1.34 80	8-26-88	3 yrs	$75.00	$75.00	$1.00	3/32
M-92187	160	2-23-87	3 yrs	$2000	$50	$1.00	3/32 5½ mi E
M-92197	640	4-12-87	3 yrs	$36,400	$60	$1.00	1/10 1½ mi W
M-92207	320	5-25-87	5 yrs	$16,000	$50	$1.00	3/32 2 mi S
M-92678	640	1-11-88	9 mo.	$6,400	$10	N/A	8.5% 3½ mi

142477

Low 100 Hi 225 MC 175

Remarks: within Matthews (Low. Cherry Canyon) Fld.
Disc. 5/84, 279,547 66B
30 oil wells adj S/currently producing as little as 7 bbl/day & as much as 29 bbls/day
last lease issued 10/87

Consideration
Recommended RAB 9-16-88
Not Recommended

MF - 88676

Surface Owner Name	Net Acres	State's Royalty	Net Acres/80 acres	Net State's Royalty
Schuler, R.A & James	8.88	0.09375	0.111	0.01040625
Schuler, Evelyn	4.44	0.09375	0.0555	0.005203125
Schuler, Viiolet	13.33	0.09375	0.166625	0.015621094
Oestrich, Lois & Clint	0.296	0.09375	0.0037	0.000346875
Max, Mildred	0.89	0.09375	0.011125	0.001042969
Kiel, Richard	0.444	0.09375	0.00555	0.000520313
Gehle, Richard	0.89	0.09375	0.011125	0.001042969
Gehle, Mary C.	1.34	0.09375	0.01675	0.001570313
Farwell, Altha M.	1.34	0.09375	0.01675	0.001570313
Kiel, Donald	0.296	0.09375	0.0037	0.000346875
Rybacheck, L.J.	0.296	0.09375	0.0037	0.000346875
Novallo, Algo A.	1.34	0.09375	0.01675	0.001570313
Campbell, Shirley	1.34	0.09375	0.01675	0.001570313
Wurm ,E. I.	0.89	0.09375	0.011125	0.001042969
Wagner, Carol & Arthur	0.444	0.09375	0.00555	0.000520313
Blake, Jack & Carol	16.884	0.115	0.21105	0.02427075
Staples, B.J.	13.33	0.115	0.166625	0.019161875
Blake, Robert & Marion	13.33	0.115	0.166625	0.019161875
	80			0.105316375

FILE NO. 2940 SHIRLEY E., CAMPBELL, AS AGENT FOR THE STATE OF TEXAS TO BLAKE OIL & GAS CORPORATION

No. 5367--General Land
Office Lease Form Under
Relinquishment Act
Revised, September 1987
GLO-L-19-(9-87)

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 17th day of Oct. 19 88, between the State of Texas, acting by and through its agent, Shirley E. Campbell of 506 Rock St., Hannibal, MO 63401 410000 9378 said agent
(Give Permanent Address)
herein referred to as the owner of the soil (whether one or more), and Blake Oil & Gas Corporation of
400 N. Main, Midland, Texas 79701 2463011 3017
(Give Permanent Address)
hereinafter called Lessee.

1. GRANTING CLAUSE. For and in consideration of the amounts stated below and of the covenants and agreements to be paid, kept and performed by Lessee under this lease, the State of Texas acting by and through the owner of the soil, hereby grants, leases and lets unto Lessee, for the sole and only purpose of prospecting and drilling for and producing oil and gas, laying pipe lines, building tanks, storing oil and building power stations, telephone lines and other structures thereon, to produce, save, take care of, treat and transport said products of the lease, the following lands situated in Reeves County, State of Texas, to-wit:

The Southeast 80 acres of the North 440 acres of said Section 12, Block 57, T-2, T&P Ry. Co. Survey, Reeves County, Texas more fully described as follows:

The Southeast part of the North 440 acres of said Section 12 was duly patented to Frank H. Schuler, F. C. Gehle and Fred M. Ulrich on November 17, 1943, by Patent No. 54, Volume 92-A as containing 80 acres, described by metes and bounds as follows:

BEGINNING at the SE/corner of the E/2 of the NE/4 of this Section in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey, and the NE/corner of this survey;

THENCE West 1267.2 varas with the South line of the N/2 to the NE/corner of the NW/part of the S/2 and the NW/corner of this Survey;

THENCE South 356.4 varas with the East line of said NW/part of the S/2 to its SE/corner in the North line of the South part and the SW/corner of this survey;

THENCE East 1267.2 varas with the North line of said South part to its NE/corner in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey, and the SE/corner of this Survey;

THENCE North 356.4 varas with the West line of said Section 7 to the place of beginning, containing 80 acres, more or less.

containing 80 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Fifty and 25/100---------- Dollars ($ 50.25)

To the owner of the soil: Fifty and 25/100---------- Dollars ($ 50.25)

Total bonus consideration: One hundred and 50/100---------- Dollars ($ 100.50)

The total bonus consideration paid represents a bonus of Seventy-five---------- ----------Dollars ($ 75.00----------) per acre, on 1.34 net acres.

2. TERM. Subject to the other provisions in this lease, this lease shall be for a term of three (3) years from this date (herein called "primary term") and as long thereafter as oil and gas, or either of them, is produced in paying quantities* from said land.

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*As used in this lease, the term "produced in paying quantities" means that the receipts from the sale or other authorized commercial use of the substance(s) covered exceed out of pocket operational expenses for the six months last past.

3. **DELAY RENTALS.** If no well is commenced on the leased premises on or before one (1) year from this date, this lease shall terminate, unless on or before such anniversary date Lessee shall pay or tender to the owner of the soil or to his credit in the Commerce Bank of Hannibal Bank at Hannibal Mo - 63401, or its successors (which shall continue as the depository regardless of changes in the ownership of said land), the amount specified below; in addition, Lessee shall pay or tender to the COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS, AT AUSTIN, TEXAS, a like sum on or before said date. Payments under this paragraph shall operate as a rental and shall cover the privilege of deferring the commencement of a well for one (1) year from said date. Payments under this paragraph shall be in the following amounts:

To the owner of the soil: None and 67/100---------- Dollars ($ 0.67----------)

To the State of Texas: None and 67/100---------- Dollars ($ 0.67----------)

Total Rental: One and 34/100---------- Dollars ($ 1.34----------)

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

4. **PRODUCTION ROYALTIES.** When production of oil and/or gas is secured during the term of this lease, Lessee agrees to pay or cause to be paid one-half (1/2) of the royalty provided for in this lease to the Commissioner of the General Land Office of the State of Texas, at Austin, Texas, and one-half (1/2) of such royalty to the owner of the soil:

(a) **OIL.** Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be 3/16ths part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be determined by 1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity in the general area where produced and when run, or 2) the highest market price thereof offered or paid in the general area where produced and when run, or 3) the gross proceeds of the sale thereof, whichever is greatest. Lessee agrees that before any gas produced from the leased premises is sold, used or processed in a plant, it will be run free of cost to the parties entitled to royalties through an adequate oil and gas separator of conventional type, or other equipment at least as efficient, so that all liquid hydrocarbons recoverable from the gas by such means will be recovered. The requirement that such gas be run through a separator or other equipment may be waived in writing by the royalty owners upon such terms and conditions as they prescribe.

(b) **NON PROCESSED GAS.** Royalty on any gas (including flared gas), which is defined as all hydrocarbons and gaseous substances not defined as oil in subparagraph (a) above, produced from any well on said land (except as provided herein with respect to gas processed in a plant for the extraction of gasoline, liquid hydrocarbons or other products) shall be 3/16ths part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality in the general area where produced and when run, or the gross price paid or offered to the producer, whichever is greater; provided that the maximum pressure base in measuring the gas under this lease shall not at any time exceed 14.65 pounds per square inch absolute, and the standard base temperature shall be sixty (60) degrees Fahrenheit, correction to be made for pressure according to Boyle's Law, and for specific gravity according to tests made by the Balance Method or by the most approved method of testing being used by the industry at the time of testing.

(c) **PROCESSED GAS.** Royalty on any gas processed in a gasoline plant or other plant for the recovery of gasoline or other liquid hydrocarbons shall be 3/16ths part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease, and on fifty percent (50%), or that percent accruing to Lessee, whichever is greater, of the total plant production of liquid hydrocarbons attributable to the gas produced from this lease; provided that if liquid hydrocarbons

are recovered from gas processed in a plant in which Lessee (or its parent, subsidiary or affiliate) owns an interest, then the percentage applicable to liquid hydrocarbons shall be fifty percent (50%) or the highest percent accruing to a third party processing gas through such plant under a processing agreement negotiated at arm's length (or if there is no such third party, the highest percent then being specified in processing agreements or contracts in the industry), whichever is greater. The respective royalties on residue gas and on liquid hydrocarbons shall be determined by 1) the highest market price paid or offered for any gas (or liquid hydrocarbons) of comparable quality in the general area, or 2) the gross price paid or offered for such residue gas (or the weighted average gross selling price for the respective grades of liquid hydrocarbons, F.O.B. at the plant in which said gas is processed), whichever is greater.

(d) **OTHER PRODUCTS.** Royalty on carbon black, sulphur or any other products produced or manufactured from gas (excepting liquid hydrocarbons) whether said gas be "casinghead," "dry," or any other gas, by fractionating, burning or any other processing shall be 3/16ths part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows: 1) on the basis of the highest market price of each product for the same month in which such product is produced, or 2) on the basis of the average gross sale price of each product for the same month in which such product is sold, whichever is greater.

5. **MINIMUM ROYALTY.** For each calendar year following the date of the expiration of the primary term when this lease is held for any part of such calendar year by production, the royalty received under this lease must not be less than an amount equal to the total annual delay rental provided for in Paragraph 3. If Paragraph 3 of this lease does not specify a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre.

6. **ROYALTY IN KIND.** Notwithstanding any other provision in this lease, at any time or from time to time, the owner of the soil or the Commissioner of the General Land Office may, at the option of either, upon not less than sixty (60) days notice to the holder of the lease, require that the payment of any royalties accruing to such royalty owner under this lease be made in kind.

7. **NO DEDUCTIONS.** Lessee agrees that all royalties accruing under this lease (including those paid in kind) shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and otherwise making the oil, gas and other products hereunder ready for sale or use. Lessee agrees to compute and pay royalties on the gross value received, including any reimbursements for severance taxes and production related costs.

8. **PLANT FUEL AND RECYCLED GAS.** No royalty shall be payable on any gas as may represent this lease's proportionate share of any fuel used to process gas produced hereunder in any processing plant. Notwithstanding any other provision of this lease, and subject to the written consent of the owner of the soil and the Commissioner of the General Land Office, Lessee may recycle gas for gas lift purposes on the leased premises or for injection into any oil or gas producing formation underlying the leased premises after the liquid hydrocarbons contained in the gas have been removed; no royalties shall be payable on the recycled gas until it is produced and sold or used by Lessee in a manner which entitles the royalty owners to a royalty under this lease.

9. **ROYALTY PAYMENTS AND REPORTS.** All royalties which are required to be paid to the Commissioner of the General Land Office under this lease shall be due and payable in the following manner: Royalty on oil is due and must be received in the General Land Office on or before the 5th day of the second month succeeding the month of production, and royalty on gas is due and must be received in the General Land Office on or before the 15th day of the second month succeeding the month of production, accompanied by the affidavit of the owner, manager or other authorized agent, completed in the form and manner prescribed by the General Land Office and showing the gross amount and disposition of all oil and gas produced and the market value of the oil and gas, together with a copy of all documents, records or reports confirming the gross production, disposition and market value including gas meter readings, pipeline receipts, gas line receipts and other checks or memoranda of amount produced and put into pipelines, tanks, or pools and gas lines or gas storage, and any other reports or records which the General Land Office may require to verify the gross production, disposition and market value. Each royalty payment shall be accompanied by a check stub, schedule, summary or other remittance advice showing by the assigned General Land Office lease number, the amount of royalty being paid on each lease. If Lessee pays his royalty late but on or before thirty (30) days after the royalty payment was due, then Lessee owes a penalty of 5% of the royalty or $25.00, whichever is greater. A royalty payment which is over thirty (30) days late shall accrue a penalty of 10% of the royalty due or $25.00, whichever is greater. In addition to a penalty, royalties shall accrue interest at a rate of 12% per year; such interest will begin accruing when the royalty is sixty (60) days overdue. Affidavits and supporting documents which are not filed when due shall incur a penalty in an amount set by the General Land Office administrative rule which is effective on the date when the affidavits or supporting documents were due. The Lessee shall

bear all responsibility for paying or causing royalties to be paid in the manner prescribed in this paragraph. Payment of the delinquency penalty shall in no way operate to prohibit the State's right of forfeiture as provided by law nor act to postpone the date on which royalties were originally due. The above penalty provisions shall not apply in cases of title dispute as to the State's portion of the royalty or to that portion of the royalty in dispute as to fair market value. Penalties due under this paragraph are subject to change in order to conform to any future penalty statutes. The State shall have a first lien upon all oil and gas produced from the area covered by this lease to secure the payment of all unpaid royalty and other sums of money that may become due to the State under this lease.

10. **PERMITS, REPORTS, AND RESERVES.** Lessee shall file all drilling permits in the name of the "State" and require each well and/or tank battery on the leased premises to be designated by the word "State" for identification and reporting to the Railroad Commission or any other governmental agency. Written notice of operations under this lease shall be submitted to the Commissioner of the General Land Office by Lessee five (5) days before spud date, cessation of production, workover, re-entry, temporary abandonment or abandonment of any well, and shall include copies of Railroad Commission forms for application to drill, well tests, completion reports and plugging records. Lessee shall supply the General Land Office with any records, memoranda, accounts, reports, cuttings and cores, or other information relative to the operation of the above described premises, which may be requested by the General Land Office, in addition to those herein expressly provided for. Lessee shall have an electrical and/or radioactivity survey made on the bore-hole section, from the base of the surface casing to total depth of well, of all wells drilled on the above described premises and shall transmit a true copy of the log of each survey on each well to the General Land Office within fifteen (15) days after making of said survey. The Commissioner of the General Land Office reserves the right to require Lessee to annually furnish the said Commissioner with its best possible estimate of oil and gas reserves underlying this lease or allocable to this lease.

11. **DRY HOLE CLAUSE.** If, during the primary term hereof and prior to discovery and production of oil or gas on said land, Lessee should drill a dry hole or holes thereon, or if, after discovery and production of oil or gas, the production thereof should cease from any cause, this lease shall not terminate if, on or before the rental paying date next ensuing after the expiration of sixty (60) days from date of completion of said dry hole or cessation of production, Lessee commences additional drilling or reworking operations thereon, or commences or resumes the payment of annual delay rental in the same manner as provided in Paragraph 3 of this lease. If a dry hole be completed and abandoned during the last year of the primary term, Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in oil or gas well within the primary term hereof, Lessee may resume payment of annual rental in the same manner as provided in Paragraph 3 in this lease on or before the rental paying date next ensuing after sixty (60) days from the date of completion of such shut-in oil or gas well, and upon the failure to make such annual rental payment, this lease shall ipso facto terminate. If at the expiration of the primary term or at any time thereafter a shut-in oil or gas well is located on the leased premises, payments may be made in accordance with the provisions of Paragraph 14 of this lease.

12. **DRILLING AND REWORKING AT EXPIRATION OF PRIMARY TERM.** If, at the expiration of the primary term, neither oil nor gas is being produced on said land, but Lessee is then engaged in drilling or reworking operations thereon, this lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted in good faith and in workmanlike manner without interruptions totaling more than sixty (60) days during any one such operation, and if they result in the production of oil and/or gas, so long thereafter as oil and/or gas is produced in paying quantities from said land, or payment of shut-in oil or gas well royalties or compensatory royalties is made as provided in this lease.

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

14. **SHUT IN ROYALTIES.** If, at the expiration of the primary term or at any time thereafter, a well or wells capable of producing oil or gas in paying quantities is located on the leased premises but oil or gas is not being produced for lack of suitable production facilities or a suitable market, and the lease is not being maintained in force and effect, Lessee may pay as a shut-in oil or gas royalty an amount equal to double the annual rental provided in Paragraph 3 of this lease but not less than $1,200 a year for each well capable of producing oil or gas in paying quantities. If Paragraph 3 of this lease does not specify

a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre. Any shut-in oil or gas royalty must be paid on or before: (1) the expiration of the primary term, (2) 60 days after the lessee ceases to produce oil or gas from the leased premises, or (3) 60 days after lessee completes a drilling and reworking operation in accordance with the lease provisions; whichever date is latest. Such payment shall be made one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil. If the shut-in oil or gas royalty is paid, the lease shall be considered to be a producing lease and the payment shall extend the term of the lease for a period of one (1) year from the end of the primary term or from the first day of the month next succeeding the month in which production ceased and after that, if no suitable production facilities or suitable market for the oil or gas exists, Lessee may extend the lease for four (4) additional and successive periods of one year by paying the same amount each year on or before the expiration of the extended term. If, during the period the lease is kept in effect by payment of the shut-in oil or gas royalty, oil or gas is sold and delivered in paying quantities from a well located within 1,000 feet of the leased premises and completed in the same producing reservoir or, in any case in which drainage is occurring, the right to continue to extend the lease by paying the shut-in oil or gas royalty shall cease. The lease shall remain effective for the remainder of the year for which the royalty has been paid and for four (4) additional and successive periods of one year each by the Lessee paying compensatory royalty at the royalty rate provided in the lease of the value at the well of production from the well that is causing the drainage or that is completed in the same producing reservoir and within 1,000 feet of the leased premises. The compensatory royalty is to be paid monthly, one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil, beginning on or before the last day of the month next succeeding the month in which the oil or gas is sold and delivered from the well. If the compensatory royalty paid in any 12-month period is in an amount less than the annual shut-in oil or gas royalty, Lessee shall pay an amount equal to the difference within 30 days from the end of the 12-month period. None of these provisions will relieve Lessee of the obligation of reasonable development or the obligation to drill offset wells as provided in Texas Natural Resources Code §52.173.

15. DEVELOPMENT. Notwithstanding any provision of this lease to the contrary, after a well producing, or capable of producing, oil or gas has been completed on the leased premises, Lessee shall exercise the diligence of a reasonably prudent operator in drilling such additional well or wells as may be reasonably necessary for the proper development of the leased premises and in marketing the oil and gas produced. In the event this lease is in force and effect three (3) years after the expiration date of the primary term, it shall then terminate as to all of the leased premises, EXCEPT: 1) 40 acres surrounding each producing oil well and 320 acres surrounding each producing gas well (including a shut-in oil or gas well as provided in Paragraph 14 of this lease), or a well upon which Lessee is then engaged in continuous drilling or reworking operations, or 2) the number of acres included in a producing pooled unit pursuant to Texas Natural Resources Code §52.151 - §52.153, or 3) such greater or lesser number of acres as may then be allocated for production purposes to a proration unit for each such producing well under the rules and regulations of the Railroad Commission of Texas, or any successor agency, or other governmental authority having jurisdiction. "Producing" as used in this lease means producing in paying quantities. The acreage retained under this provision as to each well shall, as nearly as practical, be in the form of a square with the well located in the center or in such other shape as may be approved by the Commissioner of the General Land Office. Lessee shall execute and record a release or releases containing a satisfactory description of the acreage terminated under this provision, and the recorded release, or a certified copy of same, shall be filed in the General Land Office, accompanied by the prescribed filing fee.

16. OFFSET WELLS. Neither the bonus, delay rentals, nor royalties paid, or to be paid, under this lease shall relieve Lessee of his obligation to protect the oil and gas under the above-described land from being drained. To prevent drainage, Lessee is obligated to drill as many wells as the facts may justify and to the depth or depths necessary for effective protection against undue drainage. In addition, if a draining well which is producing in commercial quantities is located within 1,000 feet of the above-described land, or in any case where the above described land is being drained, Lessee is statutorily obligated to drill an offset well on the leased premises within 100 days after the draining well begins production in commercial quantities. Failure to satisfy the statutory offset obligation may subject this lease and the owner of the soil's agency rights to forfeiture. Only upon the determination of the Commissioner of the General Land Office and with his written approval may the payment of compensatory royalty satisfy obligation to drill an offset well or wells required under this paragraph.

17. FORCE MAJEURE. If, after a good faith effort, Lessee is prevented from complying with any express or implied covenant of this lease, from conducting drilling operations on the leased premises, or from producing oil or gas from the leased premises by reason of war, rebellion, riots, strikes, acts of God, or any valid order, rule or regulation of government authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended and Lessee shall not be liable for damages for failure to comply with such covenants; additionally, this lease shall be extended while Lessee is prevented, by any such cause, from conducting drilling and reworking operations or from producing oil or gas from the leased premises. However, nothing in this paragraph shall suspend the payment of delay rentals in order to maintain this lease in effect during the primary term in the absence of such drilling or reworking operations or production of oil or gas.

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

19. PROPORTIONATE REDUCTION CLAUSE. If the owner of the soil owns less than the entire undivided surface estate in the above described land, whether or not Lessee's interest is specified herein, then the royalties ~~and rental~~ herein provided to be paid to the owner of the soil shall be paid to him in the proportion which his interest bears to the entire undivided surface estate and the royalties ~~and rental~~ herein provided to be paid to the Commissioner of the General Land Office of the State of Texas shall be likewise proportionately reduced. However, before Lessee adjusts the royalty or rental due to the Commissioner of the General Land Office, Lessee or his authorized representative must submit to the Commissioner of the General Land Office a written statement which explains the discrepancy between the interest purportedly leased under this lease and the actual interest owned by the owner of the soil. The Commissioner of the General Land Office shall be paid the value of the whole production allocable to any undivided interest not covered by a lease, less the proportionate development and production cost allocable to such undivided interest. However, in no event shall the Commissioner of the General Land Office receive as a royalty on the gross production allocable to the undivided interest not leased an amount less than the value of one-sixteenth (1/16) of such gross production.

20. USE OF WATER. Lessee shall have the right to use water produced on said land necessary for operations under this lease except water from wells or tanks of the owner of the soil; provided, however, Lessee shall not use potable water or water suitable for livestock or irrigation purposes for waterflood operations without the prior consent of the owner of the soil.

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

22. PIPELINE DEPTH. When requested by the owner of the soil, Lessee shall bury its pipelines below plow depth.

23. WELL LOCATION LIMIT. No well shall be drilled nearer than two hundred (200) feet to any house or barn now on said premises without the written consent of the owner of the soil.

24. CONSERVATION CLAUSE. Lessee shall have the exclusive right to build, operate and maintain pits, reservoirs, pickup stations and plants for the purpose of picking up and conserving waste oil that flows down the creeks, ravines and across the leased premises, whether such waste oil is produced from the leased premises or from other lands. Royalties, as provided in this lease for regularly produced oil, are also owed on all such waste oil.

25. REMOVAL OF EQUIPMENT. Subject to limitations in this paragraph, Lessee shall have the right to remove machinery and fixtures placed by Lessee on the leased premises, including the right to draw and remove casing, within one hundred twenty (120) days after the expiration or the termination of this lease unless the owner of the soil grants Lessee an extension of this 120-day period. However, Lessee may not remove casing from any well capable of producing oil and gas in paying quantities. Additionally, Lessee may not draw and remove casing until after thirty (30) days written notice to the Commissioner of the General Land Office and to the owner of the soil. The owner of the soil shall become the owner of any machinery, fixtures, or casing which are not timely removed by Lessee under the terms of this paragraph.

26. (a) ASSIGNMENTS. Under the conditions contained in this paragraph and Paragraph 28 of this lease, the rights and estates of either party to this lease may be assigned, in whole or in part, and the provisions of this lease shall extend to and be binding upon their heirs, devisees, legal representatives, successors and assigns. However, a change or division in ownership of the land, rentals, or royalties will not enlarge the obligations of Lessee, diminish the rights, privileges and estates of Lessee, impair the effectiveness of any payment made by Lessee or impair the effectiveness of any act performed by Lessee. And no change or division in ownership of the land, rentals, or royalties shall bind Lessee for any purpose until thirty (30) days after the owner of the soil (or his heirs, devisees, legal representatives or assigns) furnishes the Lessee with satisfactory written evidence of the change in ownership, including the original recorded muniments of title (or a certified copy of such original) when the ownership changed because of a conveyance. A total or partial assignment of this lease shall, to the extent of the interest assigned, relieve and discharge Lessee of all subsequent obligations under this lease. If this lease is assigned in its entirety as to only part of the acreage, the right and option to pay rentals shall be apportioned as between the several owners ratably, according to the area of each, and failure by one or more of them to pay his share of the rental shall not affect

this lease on the part of the land upon which pro rata rentals are timely paid or tendered; however, if the assignor or assignee does not file a certified copy of such assignment in the General Land Office before the next rental paying date, the entire lease shall terminate for failure to pay the entire rental due under Paragraph 3. Every assignee shall succeed to all rights and be subject to all obligations, liabilities, and penalties owed to the State by the original lessee or any prior assignee of the lease, including any liabilities to the State for unpaid royalties.

(b) ASSIGNMENT LIMITATION. Notwithstanding any provision in Paragraph 26(a), if the owner of the soil acquires this lease in whole or in part by assignment without the prior written approval of the Commissioner of the General Land Office, this lease is void as of the time of assignment and the agency power of the owner may be forfeited by the Commissioner. An assignment will be treated as if it were made to the owner of the soil if the assignee is:

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

27. RELEASES. Under the conditions contained in this paragraph and Paragraph 28, Lessee may at any time execute and deliver to the owner of the soil and place of record a release or releases covering any portion or portions of the leased premises, and thereby surrender this lease as to such portion or portions, and be relieved of all subsequent obligations as to acreage surrendered. If any part of this lease is properly surrendered, the delay rental due under this lease shall be reduced by the proportion that the surrendered acreage bears to the acreage which was covered by this lease immediately prior to such surrender; however, such release will not relieve Lessee of any liabilities which may have accrued under this lease prior to the surrender of such acreage.

28. FILING OF ASSIGNMENTS AND RELEASES. If all or any part of this lease is assigned or released, such assignment or release must be recorded in the county where the land is situated, and the recorded instrument, or a copy of the recorded instrument certified by the County Clerk of the county in which the instrument is recorded, must be filed in the General Land Office within 90 days of the last execution date accompanied by the prescribed filing fee. If any such assignment is not so filed, the rights acquired under this lease shall be subject to forfeiture at the option of the Commissioner of the General Land Office.

29. LEASE FILING. It is recognized that before this lease is effective a certified copy of this lease (which is made and certified by the County Clerk from his records) shall be filed in the General Land Office in accordance with Texas Natural Resources Code §52.183, and this lease shall not be binding upon the State unless it recites the actual and true consideration paid or promised for execution of this lease. The bonus due the State and the prescribed filing fee shall accompany such certified copy to the General Land Office.

30. DISCLOSURE CLAUSE. All provisions pertaining to the lease of the above-described land have been included in this instrument, including the statement of the true consideration to be paid for the execution of this lease and the rights and duties of the parties. Any collateral agreements concerning the development of oil and gas from the leased premises which are not contained in this lease render this lease invalid.

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

32. FORFEITURE. If Lessee shall fail or refuse to make the payment of any sum within thirty days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if Lessee should fail to file reports in the manner required by law or fail to comply with rules and regulations promulgated by the General Land Office, the School Land Board, or the Railroad Commission, or if Lessee should refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or knowingly fail or refuse

to furnish the General Land Office a correct log of any well, or if Lessee shall knowingly violate any of the material provisions of this lease, or if this lease is assigned and the assignment is not filed in the General Land Office as required by law, the rights acquired under this lease shall be subject to forfeiture by the Commissioner, and he shall forfeit same when sufficiently informed of the facts which authorize a forfeiture, and when forfeited the area shall again be subject to lease under the terms of the Relinquishment Act. However, nothing herein shall be construed as waiving the automatic termination of this lease by operation of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this lease and all rights thereunder reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

33., RAILROAD COMMISSION HEARINGS ON GAS. No natural gas or casinghead gas, including both associated and nonassociated gas, produced from the mineral estate subject to this lease may be sold or contracted for sale to any person for ultimate use outside the State of Texas unless the Railroad Commission, after notice and hearing as provided in Title 3 of the Texas Natural Resources Code, finds that:

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

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

(c) no public or private school in this State that provides elementary, secondary, or higher education requires the natural gas or casinghead gas to meet its existing needs for fuel;

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

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

(f) no person who resides in this State and who relies on natural gas or casinghead gas to provide in whole or part his existing needs for fuel or raw material requires the natural gas or casinghead gas to meet those needs; provided, however, after notice and hearing as provided in Title 3 of the Texas Natural Resources Code the Railroad Commission may grant exceptions to these provisions as set forth in Texas Natural Resources Code §52.296.

34. This lease is issued under the provisions of Texas Natural Resources Code §52.171 through §52.188, commonly known as the Relinquishment Act, and other applicable statutes and amendments thereto, and if any provision in this lease does not conform to these statutes, the statutes will prevail over any nonconforming lease provisions.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

STATE OF TEXAS
BY: _____
Individually and as agent for the State of Texas

STATE OF TEXAS
BY: Shirley E. Campbell
Individually and as agent for the State of Texas
Shirley E. Campbell

STATE OF TEXAS
BY: _____
Individually and as agent for the State of Texas

STATE OF TEXAS
BY: _____
Individually and as agent for the State of Texas

STATE OF TEXAS MISSOURI
COUNTY OF Marion

This instrument acknowledged before me on Shirley E. Campbell by
Shirley E. Campbell.
S.S. 368-12-5749

Ann Atkins
Notary Public in and for Marion County, Texas
My commission expires: Jan 16, 1991 Missouri

STATE OF TEXAS
COUNTY OF _____

This instrument acknowledged before me on _____ by
_____.

_____
Notary Public in and for _____ County, Texas
My commission expires: _____

STATE OF TEXAS
COUNTY OF _____

This instrument acknowledged before me on _____ by
_____.

_____
Notary Public in and for _____ County, Texas
My commission expires: _____

STATE OF TEXAS

FOR SALE BY STAFFORD-LOWDON CO. FORT WORTH 55326

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

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 OIL AND GAS LEASE FROM SHIRLEY E. CAMPBELL, AS AGENT FOR THE STATE OF TEXAS TO BLAKE OIL & GAS CORPORATION

as the same appears of record in my office in book 490 page 33, DEED RECORDS.

Given under my Hand and Seal of said Court, at office in Pecos, Texas this 22nd day of November 19 88.

CATHERINE ASHLEY Clerk,

By Billie Jo Freeman Deputy.
(Billie JO Freeman)

ANY PROVISION HEREIN WHICH RESTRICTS THE SALE, RENTAL, OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

FILED FOR RECORD ON THE 21ST DAY OF November A.D. 1988 at 8:44A. M.

DULY RECORDED ON THE 21ST DAY OF November A.D. 1988 at 4:00P. M.

BY Billie Jo Freeman DEPUTY

CATHERINE ASHLEY, COUNTY CLERK,
REEVES COUNTY, TEXAS.

(9)

96988-W

RECEIVED AS STATED
$50.25 Bonus
Date 11-7-88
Reg No. 13007

GENERAL LAND OFFICE

RECEIVED AS STATED
$25.00 filing fee
Date 11-7-88
Reg No 13007

GENERAL LAND OFFICE

[redacted]

Mineral Classified Land
Lease Consideration Comparison

County Reeves
Area SE 80 ac of N 440 ac of Sec 12, Blk 57, T-2, T&P

M. F.	Acres	Lease Date	Term	Total Bonus	B/Ac	Rental	Comparison
New	1.34 80	8-26-88	3 yrs	$100.50	$75	$1.00	3/32
M-92187	160	2-23-87	3 yrs	$8000	$50	$1.00	3/32 5½ mi E
M-92197	640	4-12-87	3 yrs	$36,400	$60	$1.00	1/10 1½ mi W
M-92207	320	5-25-87	5 yrs	$16,000	$50	1.00	3/32 2 mi S
M-92678	640	1-11-88	9 mo.	$6,400	$10	N/A	8.5% 3½ mi W 142477

LOW 100 HA 225 MC 175

Remarks: within Mathews (Lower Cherry Canyon) Fld. Disc. 5/84, 2.6 Bcf
3 oil wells adj S. currently producing as little as 7 bbls/day and as much as 29 bbls/day
last lease on tract issued 10/87

Consideration Recommended RAB 9-16-88
Not Recommended _____

BLAKE OIL & GAS CORPORATION

DESCRIPTION		CODE	AMOUNT
Oil & Gas Leases covering Blk. 57, Sec. 12, SE/80 of N/440, T-2, T&P RR Co. Survey, Reeves County, Texas		153-300	958.96
Blake, Robert W. & Marion	13.33 acres		499.88 + 25.00
Oestrich, Lois & Clint	.296 acres		11.10 + 25.00
Rybacheck, Lorna Jean	.296 acres		11.10 + 25.00
Farwell, Altha M.	1.34 acres		50.25 + 25.00
Kiel, Donald H.	.296 acres		11.10 + 25.00
Kiel, Richard	.444 acres		16.65 + 25.00
Gehle, Mary C.	1.34 acres		50.25 + 25.00
Max, Mildred	.89 acres		33.38 + 25.00
Campbell, Shirley E.	1.34 acres		50.25 + 25.00

958.96

89013007

171

161

DETACH AND RETAIN THIS STATEMENT

The attached check is in payment of items described above. If not correct please notify us promptly

MF - 88676

Surface Owner Name	Net Acres	State's Royalty	Net Acres/80 acres	Net State's Royalty
Schuler, R.A & James	8.88	0.09375	0.111	0.01040625
Schuler, Evelyn	4.44	0.09375	0.0555	0.005203125
Schuler, Viiolet	13.33	0.09375	0.166625	0.015621094
Oestrich, Lois & Clint	0.296	0.09375	0.0037	0.000346875
Max, Mildred	0.89	0.09375	0.011125	0.001042969
Kiel, Richard	0.444	0.09375	0.00555	0.000520313
Gehle, Richard	0.89	0.09375	0.011125	0.001042969
Gehle, Mary C.	1.34	0.09375	0.01675	0.001570313
Farwell, Altha M.	1.34	0.09375	0.01675	0.001570313
Kiel, Donald	0.296	0.09375	0.0037	0.000346875
Rybacheck, L.J.	0.296	0.09375	0.0037	0.000346875
Novallo, Algo A.	1.34	0.09375	0.01675	0.001570313
Campbell, Shirley	1.34	0.09375	0.01675	0.001570313
Wurm ,E. I.	0.89	0.09375	0.011125	0.001042969
Wagner, Carol & Arthur	0.444	0.09375	0.00555	0.000520313
Blake, Jack & Carol	16.884	0.115	0.21105	0.02427075
Staples, B.J.	13.33	0.115	0.166625	0.019161875
Blake, Robert & Marion	13.33	0.115	0.166625	0.019161875
	80			0.105316375

VOL 489 PAGE 372

FILE NO. 2782 MARY C. GEHLE TO BLAKE OIL & GAS CORPORATION

No. 5367--General Land
Office Lease Form Under
Relinquishment Act
Revised, September 1987
GLO-L-19-(9-87)

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 30th day of Sept., 19 88, between the State of Texas, acting by and through its agent, Mary C. Gehle of #4 Colfreat, Dearborn, Michigan 48124 said agent
(Give Permanent Address)
herein referred to as the owner of the soil (whether one or more), and Blake Oil & Gas Corporation of
400 N. Main, Midland, Texas 79701
(Give Permanent Address)
hereinafter called Lessee.

1. GRANTING CLAUSE. For and in consideration of the amounts stated below and of the covenants and agreements to be paid, kept and performed by Lessee under this lease, the State of Texas acting by and through the owner of the soil, hereby grants, leases and lets unto Lessee, for the sole and only purpose of prospecting and drilling for and producing oil and gas, laying pipe lines, building tanks, storing oil and building power stations, telephone lines and other structures thereon, to produce, save, take care of, treat and transport said products of the lease, the following lands situated in Reeves County, State of Texas, to-wit:

The Southeast 80 acres of the North 440 acres of said Section 12, Block 57, T-2, T&P Ry. Co. Survey, Reeves County, Texas more fully described as follows:

The Southeast part of the North 440 acres of said Section 12 was duly patented to Frank H. Schuler, F. C. Gehle and Fred M. Ulrich on November 17, 1943, by Patent No. 54, Volume 92-A as containing 80 acres, described by metes and bounds as follows:

BEGINNING at the SE/corner of the E/2 of the NE/4 of this Section in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey, and the NE/corner of this survey;

THENCE West 1267.2 varas with the South line of the N/2 to the NE/corner of the NW/ part of the S/2 and the NW/corner of this Survey;

THENCE South 356.4 varas with the East line of said NW/part of the S/2 to its SE/ corner in the North line of the South part and the SW/corner of this survey;

THENCE East 1267.2 varas with the North line of said South part to its NE/corner in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey, and the SE/corner of this Survey;

THENCE North 356.4 varas with the West line of said Section 7 to the place of beginning, containing 80 acres, more or less.

containing 80 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Fifty and 25/100---------- Dollars ($ 50.25)

To the owner of the soil: Fifty and 25/100---------- Dollars ($ 50.25)

Total bonus consideration: One hundred and 50/100---------- Dollars ($ 100.50)

The total bonus consideration paid represents a bonus of Seventy-five and no/100---------- Dollars ($ 75.00----------) per acre, on 1.34 net acres.

2. TERM. Subject to the other provisions in this lease, this lease shall be for a term of three (3) years from this date (herein called "primary term") and as long thereafter as oil and gas, or either of them, is produced in paying quantities* from said land.

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*As used in this lease, the term "produced in paying quantities" means that the receipts from the sale or other authorized commercial use of the substance(s) covered exceed out of pocket operational expenses for the six months last past.

3. **DELAY RENTALS.** If no well is commenced on the leased premises on or before one (1) year from this date, this lease shall terminate, unless on or before such anniversary date Lessee shall pay or tender to the owner of the soil or to his credit in the _____ Bank, at _____, or its successors (which shall continue as the depository regardless of changes in the ownership of said land), the amount specified below; in addition, Lessee shall pay or tender to the COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS, AT AUSTIN, TEXAS, a like sum on or before said date. Payments under this paragraph shall operate as a rental and shall cover the privilege of deferring the commencement of a well for one (1) year from said date. Payments under this paragraph shall be in the following amounts:

To the owner of the soil: None and 67/100---------- Dollars ($ .67----------)

To the State of Texas: None and 67/100---------- Dollars ($ .67----------)

Total Rental: One and 34/100---------- Dollars ($ 1.34----------)

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

4. **PRODUCTION ROYALTIES.** When production of oil and/or gas is secured during the term of this lease, Lessee agrees to pay or cause to be paid one-half (1/2) of the royalty provided for in this lease to the Commissioner of the General Land Office of the State of Texas, at Austin, Texas, and one-half (1/2) of such royalty to the owner of the soil:

(a) **OIL.** Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be 3/16ths part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be determined by 1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity in the general area where produced and when run, or 2) the highest market price thereof offered or paid in the general area where produced and when run, or 3) the gross proceeds of the sale thereof, whichever is greatest. Lessee agrees that before any gas produced from the leased premises is sold, used or processed in a plant, it will be run free of cost to the parties entitled to royalties through an adequate oil and gas separator of conventional type, or other equipment at least as efficient, so that all liquid hydrocarbons recoverable from the gas by such means will be recovered. The requirement that such gas be run through a separator or other equipment may be waived in writing by the royalty owners upon such terms and conditions as they prescribe.

(b) **NON PROCESSED GAS.** Royalty on any gas (including flared gas), which is defined as all hydrocarbons and gaseous substances not defined as oil in subparagraph (a) above, produced from any well on said land (except as provided herein with respect to gas processed in a plant for the extraction of gasoline, liquid hydrocarbons or other products) shall be 3/16ths part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality in the general area where produced and when run, or the gross price paid or offered to the producer, whichever is greater; provided that the maximum pressure base in measuring the gas under this lease shall not at any time exceed 14.65 pounds per square inch absolute, and the standard base temperature shall be sixty (60) degrees Fahrenheit, correction to be made for pressure according to Boyle's Law, and for specific gravity according to tests made by the Balance Method or by the most approved method of testing being used by the industry at the time of testing.

(c) **PROCESSED GAS.** Royalty on any gas processed in a gasoline plant or other plant for the recovery of gasoline or other liquid hydrocarbons shall be 3/16ths part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease, and on fifty percent (50%), or that percent accruing to Lessee, whichever is greater, of the total plant production of liquid hydrocarbons attributable to the gas produced from this lease; provided that if liquid hydrocarbons

are recovered from gas processed in a plant in which Lessee (or its parent, subsidiary or affiliate) owns an interest, then the percentage applicable to liquid hydrocarbons shall be fifty percent (50%) or the highest percent accruing to a third party processing gas through such plant under a processing agreement negotiated at arm's length (or if there is no such third party, the highest percent then being specified in processing agreements or contracts in the industry), whichever is greater. The respective royalties on residue gas and on liquid hydrocarbons shall be determined by 1) the highest market price paid or offered for any gas (or liquid hydrocarbons) of comparable quality in the general area, or 2) the gross price paid or offered for such residue gas (or the weighted average gross selling price for the respective grades of liquid hydrocarbons, F.O.B. at the plant in which said gas is processed), whichever is greater.

(d) **OTHER PRODUCTS.** Royalty on carbon black, sulphur or any other products produced or manufactured from gas (excepting liquid hydrocarbons) whether said gas be "casinghead," "dry," or any other gas, by fractionating, burning or any other processing shall be 3/16ths part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows: 1) on the basis of the highest market price of each product for the same month in which such product is produced, or 2) on the basis of the average gross sale price of each product for the same month in which such product is sold, whichever is greater.

5. **MINIMUM ROYALTY.** For each calendar year following the date of the expiration of the primary term when this lease is held for any part of such calendar year by production, the royalty received under this lease must not be less than an amount equal to the total annual delay rental provided for in Paragraph 3. If Paragraph 3 of this lease does not specify a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre.

6. **ROYALTY IN KIND.** Notwithstanding any other provision in this lease, at any time or from time to time, the owner of the soil or the Commissioner of the General Land Office may, at the option of either, upon not less than sixty (60) days notice to the holder of the lease, require that the payment of any royalties accruing to such royalty owner under this lease be made in kind.

7. **NO DEDUCTIONS.** Lessee agrees that all royalties accruing under this lease (including those paid in kind) shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and otherwise making the oil, gas and other products hereunder ready for sale or use. Lessee agrees to compute and pay royalties on the gross value received, including any reimbursements for severance taxes and production related costs.

8. **PLANT FUEL AND RECYCLED GAS.** No royalty shall be payable on any gas as may represent this lease's proportionate share of any fuel used to process gas produced hereunder in any processing plant. Notwithstanding any other provision of this lease, and subject to the written consent of the owner of the soil and the Commissioner of the General Land Office, Lessee may recycle gas for gas lift purposes on the leased premises or for injection into any oil or gas producing formation underlying the leased premises after the liquid hydrocarbons contained in the gas have been removed; no royalties shall be payable on the recycled gas until it is produced and sold or used by Lessee in a manner which entitles the royalty owners to a royalty under this lease.

9. **ROYALTY PAYMENTS AND REPORTS.** All royalties which are required to be paid to the Commissioner of the General Land Office under this lease shall be due and payable in the following manner: Royalty on oil is due and must be received in the General Land Office on or before the 5th day of the second month succeeding the month of production, and royalty on gas is due and must be received in the General Land Office on or before the 15th day of the second month succeeding the month of production, accompanied by the affidavit of the owner, manager or other authorized agent, completed in the form and manner prescribed by the General Land Office and showing the gross amount and disposition of all oil and gas produced and the market value of the oil and gas, together with a copy of all documents, records or reports confirming the gross production, disposition and market value including gas meter readings, pipeline receipts, gas line receipts and other checks or memoranda of amount produced and put into pipelines, tanks, or pools and gas lines or gas storage, and any other reports or records which the General Land Office may require to verify the gross production, disposition and market value. Each royalty payment shall be accompanied by a check stub, schedule, summary or other remittance advice showing by the assigned General Land Office lease number, the amount of royalty being paid on each lease. If Lessee pays his royalty late but on or before thirty (30) days after the royalty payment was due, then Lessee owes a penalty of 5% of the royalty or $25.00, whichever is greater. A royalty payment which is over thirty (30) days late shall accrue a penalty of 10% of the royalty due or $25.00, whichever is greater. In addition to a penalty, royalties shall accrue interest at a rate of 12% per year; such interest will begin accruing when the royalty is sixty (60) days overdue. Affidavits and supporting documents which are not filed when due shall incur a penalty in an amount set by the General Land Office administrative rule which is effective on the date when the affidavits or supporting documents were due. The Lessee shall

bear all responsibility for paying or causing royalties to be paid in the manner prescribed in this paragraph. Payment of the delinquency penalty shall in no way operate to prohibit the State's right of forfeiture as provided by law nor act to postpone the date on which royalties were originally due. The above penalty provisions shall not apply in cases of title dispute as to the State's portion of the royalty or to that portion of the royalty in dispute as to fair market value. Penalties due under this paragraph are subject to change in order to conform to any future penalty statutes. The State shall have a first lien upon all oil and gas produced from the area covered by this lease to secure the payment of all unpaid royalty and other sums of money that may become due to the State under this lease.

10. **PERMITS, REPORTS, AND RESERVES.** Lessee shall file all drilling permits in the name of the "State" and require each well and/or tank battery on the leased premises to be designated by the word "State" for identification and reporting to the Railroad Commission or any other governmental agency. Written notice of operations under this lease shall be submitted to the Commissioner of the General Land Office by Lessee five (5) days before spud date, cessation of production, workover, re-entry, temporary abandonment or abandonment of any well, and shall include copies of Railroad Commission forms for application to drill, well tests, completion reports and plugging records. Lessee shall supply the General Land Office with any records, memoranda, accounts, reports, cuttings and cores, or other information relative to the operation of the above described premises, which may be requested by the General Land Office, in addition to those herein expressly provided for. Lessee shall have an electrical and/or radioactivity survey made on the bore-hole section, from the base of the surface casing to total depth of well, of all wells drilled on the above described premises and shall transmit a true copy of the log of each survey on each well to the General Land Office within fifteen (15) days after making of said survey. The Commissioner of the General Land Office reserves the right to require Lessee to annually furnish the said Commissioner with its best possible estimate of oil and gas reserves underlying this lease or allocable to this lease.

11. **DRY HOLE CLAUSE.** If, during the primary term hereof and prior to discovery and production of oil or gas on said land, Lessee should drill a dry hole or holes thereon, or if, after discovery and production of oil or gas, the production thereof should cease from any cause, this lease shall not terminate if, on or before the rental paying date next ensuing after the expiration of sixty (60) days from date of completion of said dry hole or cessation of production, Lessee commences additional drilling or reworking operations thereon, or commences or resumes the payment of annual delay rental in the same manner as provided in Paragraph 3 of this lease. If a dry hole be completed and abandoned during the last year of the primary term, Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in oil or gas well within the primary term hereof, Lessee may resume payment of annual rental in the same manner as provided in Paragraph 3 in this lease on or before the rental paying date next ensuing after sixty (60) days from the date of completion of such shut-in oil or gas well, and upon the failure to make such annual rental payment, this lease shall ipso facto terminate. If at the expiration of the primary term or at any time thereafter a shut-in oil or gas well is located on the leased premises, payments may be made in accordance with the provisions of Paragraph 14 of this lease.

12. **DRILLING AND REWORKING AT EXPIRATION OF PRIMARY TERM.** If, at the expiration of the primary term, neither oil nor gas is being produced on said land, but Lessee is then engaged in drilling or reworking operations thereon, this lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted in good faith and in workmanlike manner without interruptions totaling more than sixty (60) days during any one such operation, and if they result in the production of oil and/or gas, so long thereafter as oil and/or gas is produced in paying quantities from said land, or payment of shut-in oil or gas well royalties or compensatory royalties is made as provided in this lease.

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

14. **SHUT IN ROYALTIES.** If, at the expiration of the primary term or at any time thereafter, a well or wells capable of producing oil or gas in paying quantities is located on the leased premises but oil or gas is not being produced for lack of suitable production facilities or a suitable market, and the lease is not being maintained in force and effect, Lessee may pay as a shut-in oil or gas royalty an amount equal to double the annual rental provided in Paragraph 3 of this lease but not less than $1,200 a year for each well capable of producing oil or gas in paying quantities. If Paragraph 3 of this lease does not specify

a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre. Any shut-in oil or gas royalty must be paid on or before: (1) the expiration of the primary term, (2) 60 days after the lessee ceases to produce oil or gas from the leased premises, or (3) 60 days after lessee completes a drilling and reworking operation in accordance with the lease provisions; whichever date is latest. Such payment shall be made one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil. If the shut-in oil or gas royalty is paid, the lease shall be considered to be a producing lease and the payment shall extend the term of the lease for a period of one (1) year from the end of the primary term or from the first day of the month next succeeding the month in which production ceased and after that, if no suitable production facilities or suitable market for the oil or gas exists, Lessee may extend the lease for four (4) additional and successive periods of one year by paying the same amount each year on or before the expiration of the extended term. If, during the period the lease is kept in effect by payment of the shut-in oil or gas royalty, oil or gas is sold and delivered in paying quantities from a well located within 1,000 feet of the leased premises and completed in the same producing reservoir or, in any case in which drainage is occurring, the right to continue to extend the lease by paying the shut-in oil or gas royalty shall cease. The lease shall remain effective for the remainder of the year for which the royalty has been paid and for four (4) additional and successive periods of one year each by the Lessee paying compensatory royalty at the royalty rate provided in the lease of the value at the well of production from the well that is causing the drainage or that is completed in the same producing reservoir and within 1,000 feet of the leased premises. The compensatory royalty is to be paid monthly, one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil, beginning on or before the last day of the month next succeeding the month in which the oil or gas is sold and delivered from the well. If the compensatory royalty paid in any 12-month period is in an amount less than the annual shut-in oil or gas royalty, Lessee shall pay an amount equal to the difference within 30 days from the end of the 12-month period. None of these provisions will relieve Lessee of the obligation of reasonable development or the obligation to drill offset wells as provided in Texas Natural Resources Code §52.173.

15. **DEVELOPMENT.** Notwithstanding any provision of this lease to the contrary, after a well producing, or capable of producing, oil or gas has been completed on the leased premises, Lessee shall exercise the diligence of a reasonably prudent operator in drilling such additional well or wells as may be reasonably necessary for the proper development of the leased premises and in marketing the oil and gas produced. In the event this lease is in force and effect three (3) years after the expiration date of the primary term, it shall then terminate as to all of the leased premises, EXCEPT: 1) 40 acres surrounding each producing oil well and 320 acres surrounding each producing gas well (including a shut-in oil or gas well as provided in Paragraph 14 of this lease), or a well upon which Lessee is then engaged in continuous drilling or reworking operations, or 2) the number of acres included in a producing pooled unit pursuant to Texas Natural Resources Code §52.151 - §52.153, or 3) such greater or lesser number of acres as may then be allocated for production purposes to a proration unit for each such producing well under the rules and regulations of the Railroad Commission of Texas, or any successor agency, or other governmental authority having jurisdiction. "Producing" as used in this lease means producing in paying quantities. The acreage retained under this provision as to each well shall, as nearly as practical, be in the form of a square with the well located in the center or in such other shape as may be approved by the Commissioner of the General Land Office. Lessee shall execute and record a release or releases containing a satisfactory description of the acreage terminated under this provision, and the recorded release, or a certified copy of same, shall be filed in the General Land Office, accompanied by the prescribed filing fee.

16. **OFFSET WELLS.** Neither the bonus, delay rentals, nor royalties paid, or to be paid, under this lease shall relieve Lessee of his obligation to protect the oil and gas under the above-described land from being drained. To prevent drainage, Lessee is obligated to drill as many wells as the facts may justify and to the depth or depths necessary for effective protection against undue drainage. In addition, if a draining well which is producing in commercial quantities is located within 1,000 feet of the above-described land, or in any case where the above described land is being drained, Lessee is statutorily obligated to drill an offset well on the leased premises within 100 days after the draining well begins production in commercial quantities. Failure to satisfy the statutory offset obligation may subject this lease and the owner of the soil's agency rights to forfeiture. Only upon the determination of the Commissioner of the General Land Office and with his written approval may the payment of compensatory royalty satisfy obligation to drill an offset well or wells required under this paragraph.

17. **FORCE MAJEURE.** If, after a good faith effort, Lessee is prevented from complying with any express or implied covenant of this lease, from conducting drilling operations on the leased premises, or from producing oil or gas from the leased premises by reason of war, rebellion, riots, strikes, acts of God, or any valid order, rule or regulation of government authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended and Lessee shall not be liable for damages for failure to comply with such covenants; additionally, this lease shall be extended while Lessee is prevented, by any such cause, from conducting drilling and reworking operations or from producing oil or gas from the leased premises. However, nothing in this paragraph shall suspend the payment of delay rentals in order to maintain this lease in effect during the primary term in the absence of such drilling or reworking operations or production of oil or gas.

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

19. PROPORTIONATE REDUCTION CLAUSE. If the owner of the soil owns less than the entire undivided surface estate in the above described land, whether or not Lessee's interest is specified herein, then the royalties ~~and rental~~ herein provided to be paid to the owner of the soil shall be paid to him in the proportion which his interest bears to the entire undivided surface estate and the royalties ~~and rental~~ herein provided to be paid to the Commissioner of the General Land Office of the State of Texas shall be likewise proportionately reduced. However, before Lessee adjusts the royalty or rental due to the Commissioner of the General Land Office, Lessee or his authorized representative must submit to the Commissioner of the General Land Office a written statement which explains the discrepancy between the interest purportedly leased under this lease and the actual interest owned by the owner of the soil. The Commissioner of the General Land Office shall be paid the value of the whole production allocable to any undivided interest not covered by a lease, less the proportionate development and production cost allocable to such undivided interest. However, in no event shall the Commissioner of the General Land Office receive as a royalty on the gross production allocable to the undivided interest not leased an amount less than the value of one-sixteenth (1/16) of such gross production.

20. USE OF WATER. Lessee shall have the right to use water produced on said land necessary for operations under this lease except water from wells or tanks of the owner of the soil; provided, however, Lessee shall not use potable water or water suitable for livestock or irrigation purposes for waterflood operations without the prior consent of the owner of the soil.

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

22. PIPELINE DEPTH. When requested by the owner of the soil, Lessee shall bury its pipelines below plow depth.

23. WELL LOCATION LIMIT. No well shall be drilled nearer than two hundred (200) feet to any house or barn now on said premises without the written consent of the owner of the soil.

24. CONSERVATION CLAUSE. Lessee shall have the exclusive right to build, operate and maintain pits, reservoirs, pickup stations and plants for the purpose of picking up and conserving waste oil that flows down the creeks, ravines and across the leased premises, whether such waste oil is produced from the leased premises or from other lands. Royalties, as provided in this lease for regularly produced oil, are also owed on all such waste oil.

25. REMOVAL OF EQUIPMENT. Subject to limitations in this paragraph, Lessee shall have the right to remove machinery and fixtures placed by Lessee on the leased premises, including the right to draw and remove casing, witnin one hundred twenty (120) days after the expiration or the termination of this lease unless the owner of the soil grants Lessee an extension of this 120-day period. However, Lessee may not remove casing from any well capable of producing oil and gas in paying quantities. Additionally, Lessee may not draw and remove casing until after thirty (30) days written notice to the Commissioner of the General Land Office and to the owner of the soil. The owner of the soil shall become the owner of any machinery, fixtures, or casing which are not timely removed by Lessee under the terms of this paragraph.

26. (a) ASSIGNMENTS. Under the conditions contained in this paragraph and Paragraph 28 of this lease, the rights and estates of either party to this lease may be assigned, in whole or in part, and the provisions of this lease shall extend to and be binding upon their heirs, devisees, legal representatives, successors and assigns. However, a change or division in ownership of the land, rentals, or royalties will not enlarge the obligations of Lessee, diminish the rights, privileges and estates of Lessee, impair the effectiveness of any payment made by Lessee or impair the effectiveness of any act performed by Lessee. And no change or division in ownership of the land, rentals, or royalties shall bind Lessee for any purpose until thirty (30) days after the owner of the soil (or his heirs, devisees, legal representatives or assigns) furnishes the Lessee with satisfactory written evidence of the change in ownership, including the original recorded muniments of title (or a certified copy of such original) when the ownership changed because of a conveyance. A total or partial assignment of this lease shall, to the extent of the interest assigned, relieve and discharge Lessee of all subsequent obligations under this lease. If this lease is assigned in its entirety as to only part of the acreage, the right and option to pay rentals shall be apportioned as between the several owners ratably, according to the area of each, and failure by one or more of them to pay his share of the rental shall not affect

this lease on the part of the land upon which pro rata rentals are timely paid or tendered; however, if the assignor or assignee does not file a certified copy of such assignment in the General Land Office before the next rental paying date, the entire lease shall terminate for failure to pay the entire rental due under Paragraph 3. Every assignee shall succeed to all rights and be subject to all obligations, liabilities, and penalties owed to the State by the original lessee or any prior assignee of the lease, including any liabilities to the State for unpaid royalties.

(b) ASSIGNMENT LIMITATION. Notwithstanding any provision in Paragraph 26(a), if the owner of the soil acquires this lease in whole or in part by assignment without the prior written approval of the Commissioner of the General Land Office, this lease is void as of the time of assignment and the agency power of the owner may be forfeited by the Commissioner. An assignment will be treated as if it were made to the owner of the soil if the assignee is:

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

27. RELEASES. Under the conditions contained in this paragraph and Paragraph 28, Lessee may at any time execute and deliver to the owner of the soil and place of record a release or releases covering any portion or portions of the leased premises, and thereby surrender this lease as to such portion or portions, and be relieved of all subsequent obligations as to acreage surrendered. If any part of this lease is properly surrendered, the delay rental due under this lease shall be reduced by the proportion that the surrendered acreage bears to the acreage which was covered by this lease immediately prior to such surrender; however, such release will not relieve Lessee of any liabilities which may have accrued under this lease prior to the surrender of such acreage.

28. FILING OF ASSIGNMENTS AND RELEASES. If all or any part of this lease is assigned or released, such assignment or release must be recorded in the county where the land is situated, and the recorded instrument, or a copy of the recorded instrument certified by the County Clerk of the county in which the instrument is recorded, must be filed in the General Land Office within 90 days of the last execution date accompanied by the prescribed filing fee. If any such assignment is not so filed, the rights acquired under this lease shall be subject to forfeiture at the option of the Commissioner of the General Land Office.

29. LEASE FILING. It is recognized that before this lease is effective a certified copy of this lease (which is made and certified by the County Clerk from his records) shall be filed in the General Land Office in accordance with Texas Natural Resources Code §52.183, and this lease shall not be binding upon the State unless it recites the actual and true consideration paid or promised for execution of this lease. The bonus due the State and the prescribed filing fee shall accompany such certified copy to the General Land Office.

30. DISCLOSURE CLAUSE. All provisions pertaining to the lease of the above-described land have been included in this instrument, including the statement of the true consideration to be paid for the execution of this lease and the rights and duties of the parties. Any collateral agreements concerning the development of oil and gas from the leased premises which are not contained in this lease render this lease invalid.

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

32. FORFEITURE. If Lessee shall fail or refuse to make the payment of any sum within thirty days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if Lessee should fail to file reports in the manner required by law or fail to comply with rules and regulations promulgated by the General Land Office, the School Land Board, or the Railroad Commission, or if Lessee should refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or knowingly fail or refuse

to furnish the General Land Office a correct log of any well, or if Lessee shall knowingly violate any of the material provisions of this lease, or if this lease is assigned and the assignment is not filed in the General Land Office as required by law, the rights acquired under this lease shall be subject to forfeiture by the Commissioner, and he shall forfeit same when sufficiently informed of the facts which authorize a forfeiture, and when forfeited the area shall again be subject to lease under the terms of the Relinquishment Act. However, nothing herein shall be construed as waiving the automatic termination of this lease by operation of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this lease and all rights thereunder reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

33. RAILROAD COMMISSION HEARINGS ON GAS. No natural gas or casinghead gas, including both associated and nonassociated gas, produced from the mineral estate subject to this lease may be sold or contracted for sale to any person for ultimate use outside the State of Texas unless the Railroad Commission, after notice and hearing as provided in Title 3 of the Texas Natural Resources Code, finds that:

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

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

(c) no public or private school in this State that provides elementary, secondary, or higher education requires the natural gas or casinghead gas to meet its existing needs for fuel;

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

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

(f) no person who resides in this State and who relies on natural gas or casinghead gas to provide in whole or part his existing needs for fuel or raw material requires the natural gas or casinghead gas to meet those needs; provided, however, after notice and hearing as provided in Title 3 of the Texas Natural Resources Code the Railroad Commission may grant exceptions to these provisions as set forth in Texas Natural Resources Code §52.296.

34. This lease is issued under the provisions of Texas Natural Resources Code §52.171 through §52.188, commonly known as the Relinquishment Act, and other applicable statutes and amendments thereto, and if any provision in this lease does not conform to these statutes, the statutes will prevail over any nonconforming lease provisions.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

STATE OF TEXAS
BY:_____
Individually and as agent for the State of Texas

STATE OF TEXAS
BY: Mary C. Gehle
Individually and as agent for the State of Texas
Mary C. Gehle See [redacted]

STATE OF TEXAS
BY:_____
Individually and as agent for the State of Texas

STATE OF TEXAS
BY:_____
Individually and as agent for the State of Texas

STATE OF ~~TEXAS~~ MICHIGAN
COUNTY OF LIVINGSTON

This instrument acknowledged before me on OCTOBER 14, 1988 by

Mary C. Gehle.

Mary C. Gehle

Mary E. Wyka
MARY E. WYKA
Notary Public in and for LIVINGSTON County, Texas
My commission expires: 06/30/91

MARY E. WYKA
Notary Public, Livingston County, Michigan
My Commission Expires JUNE 30, 1991

STATE OF TEXAS
COUNTY OF

This instrument acknowledged before me on _____ by

_____.

Notary Public in and for _____ County, Texas
My commission expires: _____

STATE OF TEXAS
COUNTY OF

This instrument acknowledged before me on _____ by

_____.

Notary Public in and for _____ County, Texas
My commission expires: _____

FOR SALE BY STAFFORD-LOWDON CO. FORT WORTH 55326

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 }

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 OIL & GAS LEASE FROM MARY C. GEHLE TO BLAKE OIL & GAS CORP. FILED 11-4-88

as the same appears of record in my office in book 489 page 372 OF DEED RECORDS

Given under my Hand and Seal of said Court, at office in PECOS, TEXAS

this 4th day of NOVEMBER 1988.

CATHERINE ASHLEY Clerk,

By Patricia Monroe Deputy.

Patricia Monroe

ANY PROVISION HEREIN WHICH RESTRICTS THE SALE, RENTAL, OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

FILED FOR RECORD ON THE 4th DAY OF November A.D. 1988 at 8:15A. M.

DULY RECORDED ON THE 4th DAY OF November A.D. 1988 at 9:00A. M.

BY Billie Jo Groom DEPUTY

CATHERINE ASHLEY, COUNTY CLERK,
REEVES COUNTY, TEXAS.

File No.

Date Filed:

Jerry E. Patterson, Commissioner

By

67-A

File No. 88676

Oil & Gas Lease

Date Filed: 9-30-1988

Jerry E. Patterson, Commissioner

By

RECEIVED AS STATED
ASSIGNMENTS FILING FEE

Date 11-7-88

Reg No 13067

GENERAL LAND OFFICE

MF- 088676

PART 2 OF 2



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

PART 2 OF 2

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BLAKE OIL & GAS CORP
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GENERAL LAND OFFICE
GARRY MAURO
COMMISSIONER

MEMORANDUM

DATE:

TO: Garry Mauro, Commissioner

FROM: Peter Boone, Petroleum and Minerals

SUBJECT: Relinquishment Act Lease
County: Reeves
Description: 40 ac of N 440 ac of Sec. 12, Blk-57, TXPRR T-2
Applicant: Blake O&G
Consideration: $75 ac/6mos, 3/16, $1.00 rental 3 yrs

Consideration

Recommended: RAB 2-16-88
Not Recommended
Comments:

Form

Recommended:
Not Recommended:
Recommended, after technical changes: RAB 2-16-88
Comments:

Legal Services Comments (if requested)

Jack Giberson, Chief Clerk Date

Recommended: Hold until technical changes made & then Return /g
Not Recommended

Garry Mauro, Commissioner Date

Approved: Not Approved:

Approved, after technical changes:

M-88676 (68)

Memorandum

9-16-88

Garry Mauro
Commissioner
General Land Office

January 31, 1989

Jack E. Blake
400 North Main
Midland, TX 79701-4780

Re: Relinquishment Act Lease M-88676
Undivided Interest Leases
Sec. 12, Blk. 57, T-2, T&P RR
Reeves County, Texas

Dear Mr. Blake:

The certified copy of a Relinquishment Act lease covering the captioned tract has been approved and filed in our records under the captioned mineral file number. Please refer to this file number in all future correspondence concerning this lease.

Your remittance of $133.63 has been applied as the state's portion of the cash bonus and required filing fee.

Sincerely,

Peter A. Boone

Peter A. Boone
Geologist
Petroleum & Minerals Division
512/463-5022

PB/11
Enclosure

Stephen F. Austin Building
1700 North Congress Avenue
Austin, Texas 78701
(512) 463-5256

(69) M 88676
ltr
1-31-89

JACK E. BLAKE
400 NORTH MAIN
MIDLAND, TEXAS 79701-4780

OFF. (915) 684-7888 RES. (915) 684-7745

January 30, 1989

General Land Office
Garry Mauro, Commissioner
Attn: Peter A. Boone
Stephen F. Austin Building
1700 N. Congress Ave.
Austin, Texas 78701

Re: Blk., 57, Sec. 12, SE/80 of N/440
T-2, T&P RR Company Survey
Reeves County, Texas
Oil & Gas Leases - MCL

Dear Mr. Boone,

Enclosed please find Oil and Gas Leases covering 1.334 net acres in the captioned lands. These are certified copies.

89026660

We have also enclosed our check for the same for $100.03 covering the State's share of bonus consideration on each, plus the $25.00 filing fee for each. Should you have any questions regarding the enclosed, please contact the undersigned.

Very truly yours,

Bruce W. Blake

BWB/jb

Enclosures

M-88676 (D)
Ltr from Jack Blalock
7-30-88

5-1-99

Mineral Classified Land
Lease Consideration Comparison

County Reeves
Area SE 40 ac of N 440 ac of Sec 12, Blk 57, T-2, T&P

M. F.	Acres	Lease Date	Term	Total Bonus	B/Ac	Rental	Comparison
New	.89 80	8-26-88	3 yrs	$66.75	$75	1.00	3/32
M-92187	160	2-23-87	3 yrs	$8000	$50	$1.00	3/20 5½ mi E
M-92197	640	4-12-87	3 yrs	$36,400	$60	$1.00	1/10 1½ mi W
M-92207	320	5-25-87	5 yrs	$16,000	$50	$1.00	3/32 2 mi S
M-92678	640	1-11-88	9 mo.	$6,400	$10	N/A	8.5% 3½ mi W

14 2477

Low 100 Hi 225 Mc 175

Remarks: within Matthews (Low, Cherry Canyon) fld.
Disc. 5/84, 279,347 66ls
3 oil wells adj S./currently producing
as little as 7 bbls/day & as much as 24 66ls/day
last lease issued 10/87

Consideration
Recommended RAB 9-16-88
Not Recommended

BLAKE OIL & GAS CORPORATION

DESCRIPTION		CODE	AMOUNT
Oil & Gas Leases covering Blk. 57, Sec. 12, SE/80 of N/440, T-2, T&P RR Co. Survey, Reeves County, Texas		153-300	100.03
Carol Wagner and Arthur Wagner	.444 acres	16.65 + 25.00	
Esther I. Wurm	.89 acres	33.38 + 25.00	

89026660

DETACH AND RETAIN THIS STATEMENT

The attached check is in payment of items described above. If not correct please notify us promptly

MF - 88676

Surface Owner Name	Net Acres	State's Royalty	Net Acres/80 acres	Net State's Royalty
Schuler, R.A & James	8.88	0.09375	0.111	0.01040625
Schuler, Evelyn	4.44	0.09375	0.0555	0.005203125
Schuler, Viiolet	13.33	0.09375	0.166625	0.015621094
Oestrich, Lois & Clint	0.296	0.09375	0.0037	0.000346875
Max, Mildred	0.89	0.09375	0.011125	0.001042969
Kiel, Richard	0.444	0.09375	0.00555	0.000520313
Gehle, Richard	0.89	0.09375	0.011125	0.001042969
Gehle, Mary C.	1.34	0.09375	0.01675	0.001570313
Farwell, Altha M.	1.34	0.09375	0.01675	0.001570313
Kiel, Donald	0.296	0.09375	0.0037	0.000346875
Rybacheck, L.J.	0.296	0.09375	0.0037	0.000346875
Novallo, Algo A.	1.34	0.09375	0.01675	0.001570313
Campbell, Shirley	1.34	0.09375	0.01675	0.001570313
Wurm ,E. I.	0.89	0.09375	0.011125	0.001042969
Wagner, Carol & Arthur	0.444	0.09375	0.00555	0.000520313
Blake, Jack & Carol	16.884	0.115	0.21105	0.02427075
Staples, B.J.	13.33	0.115	0.166625	0.019161875
Blake, Robert & Marion	13.33	0.115	0.166625	0.019161875
	80			0.105316375

FILE NO. 209 ESTHER I. WURM TO BLAKE OIL & GAS CORPORATION

No. 5367--General Land
Office Lease Form Under
Relinquishment Act
Revised, September 1987
GLO-L-19-(9-87)

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 30th day of Sept., 1988, between the State of Texas, acting by and through its agent, Esther I. Wurm, a married woman dealing in her separate property, of 43554 Leisure Dr., Mt. Clemens, Michigan 48043 said agent
(Give Permanent Address)
herein referred to as the owner of the soil (whether one or more), and Blake Oil & Gas Corporation of
400 N. Main, Midland, Texas 79701
(Give Permanent Address)
hereinafter called Lessee.

1. GRANTING CLAUSE. For and in consideration of the amounts stated below and of the covenants and agreements to be paid, kept and performed by Lessee under this lease, the State of Texas acting by and through the owner of the soil, hereby grants, leases and lets unto Lessee, for the sole and only purpose of prospecting and drilling for and producing oil and gas, laying pipe lines, building tanks, storing oil and building power stations, telephone lines and other structures thereon, to produce, save, take care of, treat and transport said products of the lease, the following lands situated in Reeves County, State of Texas, to-wit:

The Southeast 80 acres of the North 440 acres of said Section 12, Block 57, T-2, T&P Ry. Co. Survey, Reeves County, Texas more fully described as follows:

The Southeast part of the North 440 acres of said Section 12 was duly patented to Frank H. Schuler, F. C. Gehle and Fred M. Ulrich on November 17, 1943, by Patent No. 54, Volume 92-A as containing 80 acres, described by metes and bounds as follows:

BEGINNING at the SE/corner of the E/2 of the NE/4 of this Section in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey, and the NE/corner of this survey;

THENCE West 1267.2 varas with the South line of the N/2 to the NE/corner of the NW/ part of the S/2 and the NW/corner of this Survey;

THENCE South 356.4 varas with the East line of said NW/part of the S/2 to its SE/ corner in the North line of the South part and the SW/corner of this survey;

THENCE East 1267.2 varas with the North line of said South part to its NE/corner in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey, and the SE/corner of this Survey;

THENCE North 356.4 varas with the West line of said Section 7 to the place of beginning, containing 80 acres, more or less.

containing 80 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Thirty-three and 38/100---------- Dollars ($ 33.38)

To the owner of the soil: Thirty-three and 37/100---------- Dollars ($ 33.37)

Total bonus consideration: Sixty-six and 75/100---------- Dollars ($ 66.75)

The total bonus consideration paid represents a bonus of Seventy-five---------- ----------Dollars ($ 75.00----------) per acre, on .89 net acres.

2. TERM. Subject to the other provisions in this lease, this lease shall be for a term of three (3) years from this date (herein called "primary term") and as long thereafter as oil and gas, or either of them, is produced in paying quantities* from said land.

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*As used in this lease, the term "produced in paying quantities" means that the receipts from the sale or other authorized commercial use of the substance(s) covered exceed out of pocket operational expenses for the six months last past.

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

To the owner of the soil: None and 44/100---------- Dollars ($.44----------)

To the State of Texas: None and 45/100---------- Dollars ($.45----------)

Total Rental: None and 89/100---------- Dollars ($.89----------)

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

4. PRODUCTION ROYALTIES. When production of oil and/or gas is secured during the term of this lease, Lessee agrees to pay or cause to be paid one-half (1/2) of the royalty provided for in this lease to the Commissioner of the General Land Office of the State of Texas, at Austin, Texas, and one-half (1/2) of such royalty to the owner of the soil:

(a) OIL. Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be 3/16ths part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be determined by 1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity in the general area where produced and when run, or 2) the highest market price thereof offered or paid in the general area where produced and when run, or 3) the gross proceeds of the sale thereof, whichever is greatest. Lessee agrees that before any gas produced from the leased premises is sold, used or processed in a plant, it will be run free of cost to the parties entitled to royalties through an adequate oil and gas separator of conventional type, or other equipment at least as efficient, so that all liquid hydrocarbons recoverable from the gas by such means will be recovered. The requirement that such gas be run through a separator or other equipment may be waived in writing by the royalty owners upon such terms and conditions as they prescribe.

(b) NON PROCESSED GAS. Royalty on any gas (including flared gas), which is defined as all hydrocarbons and gaseous substances not defined as oil in subparagraph (a) above, produced from any well on said land (except as provided herein with respect to gas processed in a plant for the extraction of gasoline, liquid hydrocarbons or other products) shall be 3/16ths part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality in the general area where produced and when run, or the gross price paid or offered to the producer, whichever is greater; provided that the maximum pressure base in measuring the gas under this lease shall not at any time exceed 14.65 pounds per square inch absolute, and the standard base temperature shall be sixty (60) degrees Fahrenheit, correction to be made for pressure according to Boyle's Law, and for specific gravity according to tests made by the Balance Method or by the most approved method of testing being used by the industry at the time of testing.

(c) PROCESSED GAS. Royalty on any gas processed in a gasoline plant or other plant for the recovery of gasoline or other liquid hydrocarbons shall be 3/16ths part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease, and on fifty percent (50%), or that percent accruing to Lessee, whichever is greater, of the total plant production of liquid hydrocarbons attributable to the gas produced from this lease; provided that if liquid hydrocarbons

are recovered from gas processed in a plant in which Lessee (or its parent, subsidiary or affiliate) owns an interest, then the percentage applicable to liquid hydrocarbons shall be fifty percent (50%) or the highest percent accruing to a third party processing gas through such plant under a processing agreement negotiated at arm's length (or if there is no such third party, the highest percent then being specified in processing agreements or contracts in the industry), whichever is greater. The respective royalties on residue gas and on liquid hydrocarbons shall be determined by 1) the highest market price paid or offered for any gas (or liquid hydrocarbons) of comparable quality in the general area, or 2) the gross price paid or offered for such residue gas (or the weighted average gross selling price for the respective grades of liquid hydrocarbons, F.O.B. at the plant in which said gas is processed), whichever is greater.

(d) **OTHER PRODUCTS.** Royalty on carbon black, sulphur or any other products produced or manufactured from gas (excepting liquid hydrocarbons) whether said gas be "casinghead," "dry," or any other gas, by fractionating, burning or any other processing shall be 3/16ths part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows: 1) on the basis of the highest market price of each product for the same month in which such product is produced, or 2) on the basis of the average gross sale price of each product for the same month in which such product is sold, whichever is greater.

5. **MINIMUM ROYALTY.** For each calendar year following the date of the expiration of the primary term when this lease is held for any part of such calendar year by production, the royalty received under this lease must not be less than an amount equal to the total annual delay rental provided for in Paragraph 3. If Paragraph 3 of this lease does not specify a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre.

6. **ROYALTY IN KIND.** Notwithstanding any other provision in this lease, at any time or from time to time, the owner of the soil or the Commissioner of the General Land Office may, at the option of either, upon not less than sixty (60) days notice to the holder of the lease, require that the payment of any royalties accruing to such royalty owner under this lease be made in kind.

7. **NO DEDUCTIONS.** Lessee agrees that all royalties accruing under this lease (including those paid in kind) shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and otherwise making the oil, gas and other products hereunder ready for sale or use. Lessee agrees to compute and pay royalties on the gross value received, including any reimbursements for severance taxes and production related costs.

8. **PLANT FUEL AND RECYCLED GAS.** No royalty shall be payable on any gas as may represent this lease's proportionate share of any fuel used to process gas produced hereunder in any processing plant. Notwithstanding any other provision of this lease, and subject to the written consent of the owner of the soil and the Commissioner of the General Land Office, Lessee may recycle gas for gas lift purposes on the leased premises or for injection into any oil or gas producing formation underlying the leased premises after the liquid hydrocarbons contained in the gas have been removed; no royalties shall be payable on the recycled gas until it is produced and sold or used by Lessee in a manner which entitles the royalty owners to a royalty under this lease.

9. **ROYALTY PAYMENTS AND REPORTS.** All royalties which are required to be paid to the Commissioner of the General Land Office under this lease shall be due and payable in the following manner: Royalty on oil is due and must be received in the General Land Office on or before the 5th day of the second month succeeding the month of production, and royalty on gas is due and must be received in the General Land Office on or before the 15th day of the second month succeeding the month of production, accompanied by the affidavit of the owner, manager or other authorized agent, completed in the form and manner prescribed by the General Land Office and showing the gross amount and disposition of all oil and gas produced and the market value of the oil and gas, together with a copy of all documents, records or reports confirming the gross production, disposition and market value including gas meter readings, pipeline receipts, gas line receipts and other checks or memoranda of amount produced and put into pipelines, tanks, or pools and gas lines or gas storage, and any other reports or records which the General Land Office may require to verify the gross production, disposition and market value. Each royalty payment shall be accompanied by a check stub, schedule, summary or other remittance advice showing by the assigned General Land Office lease number, the amount of royalty being paid on each lease. If Lessee pays his royalty late but on or before thirty (30) days after the royalty payment was due, then Lessee owes a penalty of 5% of the royalty or $25.00, whichever is greater. A royalty payment which is over thirty (30) days late shall accrue a penalty of 10% of the royalty due or $25.00, whichever is greater. In addition to a penalty, royalties shall accrue interest at a rate of 12% per year; such interest will begin accruing when the royalty is sixty (60) days overdue. Affidavits and supporting documents which are not filed when due shall incur a penalty in an amount set by the General Land Office administrative rule which is effective on the date when the affidavits or supporting documents were due. The Lessee shall

be-- all responsibility for paying or causing royalties to be paid in the manner prescribed in this paragraph. Payment of the delinquency penalty shall in no way operate to prohibit the State's right of forfeiture as provided by law nor act to postpone the date on which royalties were originally due. The above penalty provisions shall not apply in cases of title dispute as to the State's portion of the royalty or to that portion of the royalty in dispute as to fair market value. Penalties due under this paragraph are subject to change in order to conform to any future penalty statutes. The State shall have a first lien upon all oil and gas produced from the area covered by this lease to secure the payment of all unpaid royalty and other sums of money that may become due to the State under this lease.

10. **PERMITS, REPORTS, AND RESERVES.** Lessee shall file all drilling permits in the name of the "State" and require each well and/or tank battery on the leased premises to be designated by the word "State" for identification and reporting to the Railroad Commission or any other governmental agency. Written notice of operations under this lease shall be submitted to the Commissioner of the General Land Office by Lessee five (5) days before spud date, cessation of production, workover, re-entry, temporary abandonment or abandonment of any well, and shall include copies of Railroad Commission forms for application to drill, well tests, completion reports and plugging records. Lessee shall supply the General Land Office with any records, memoranda, accounts, reports, cuttings and cores, or other information relative to the operation of the above described premises, which may be requested by the General Land Office, in addition to those herein expressly provided for. Lessee shall have an electrical and/or radioactivity survey made on the bore-hole section, from the base of the surface casing to total depth of well, of all wells drilled on the above described premises and shall transmit a true copy of the log of each survey on each well to the General Land Office within fifteen (15) days after making of said survey. The Commissioner of the General Land Office reserves the right to require Lessee to annually furnish the said Commissioner with its best possible estimate of oil and gas reserves underlying this lease or allocable to this lease.

11. **DRY HOLE CLAUSE.** If, during the primary term hereof and prior to discovery and production of oil or gas on said land, Lessee should drill a dry hole or holes thereon, or if, after discovery and production of oil or gas, the production thereof should cease from any cause, this lease shall not terminate if, on or before the rental paying date next ensuing after the expiration of sixty (60) days from date of completion of said dry hole or cessation of production, Lessee commences additional drilling or reworking operations thereon, or commences or resumes the payment of annual delay rental in the same manner as provided in Paragraph 3 of this lease. If a dry hole be completed and abandoned during the last year of the primary term, Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in oil or gas well within the primary term hereof, Lessee may resume payment of annual rental in the same manner as provided in Paragraph 3 in this lease on or before the rental paying date next ensuing after sixty (60) days from the date of completion of such shut-in oil or gas well, and upon the failure to make such annual rental payment, this lease shall ipso facto terminate. If at the expiration of the primary term or at any time thereafter a shut-in oil or gas well is located on the leased premises, payments may be made in accordance with the provisions of Paragraph 14 of this lease.

12. **DRILLING AND REWORKING AT EXPIRATION OF PRIMARY TERM.** If, at the expiration of the primary term, neither oil nor gas is being produced on said land, but Lessee is then engaged in drilling or reworking operations thereon, this lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted in good faith and in workmanlike manner without interruptions totaling more than sixty (60) days during any one such operation, and if they result in the production of oil and/or gas, so long thereafter as oil and/or gas is produced in paying quantities from said land, or payment of shut-in oil or gas well royalties or compensatory royalties is made as provided in this lease.

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

14. **SHUT IN ROYALTIES.** If, at the expiration of the primary term or at any time thereafter, a well or wells capable of producing oil or gas in paying quantities is located on the leased premises but oil or gas is not being produced for lack of suitable production facilities or a suitable market, and the lease is not being maintained in force and effect, Lessee may pay as a shut-in oil or gas royalty an amount equal to double the annual rental provided in Paragraph 3 of this lease but not less than $1,200 a year for each well capable of producing oil or gas in paying quantities. If Paragraph 3 of this lease does not specify

a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre. Any shut-in oil or gas royalty must be paid on or before: (1) the expiration of the primary term, (2) 60 days after the lessee ceases to produce oil or gas from the leased premises, or (3) 60 days after lessee completes a drilling and reworking operation in accordance with the lease provisions; whichever date is latest. Such payment shall be made one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil. If the shut-in oil or gas royalty is paid, the lease shall be considered to be a producing lease and the payment shall extend the term of the lease for a period of one (1) year from the end of the primary term or from the first day of the month next succeeding the month in which production ceased and after that, if no suitable production facilities or suitable market for the oil or gas exists, Lessee may extend the lease for four (4) additional and successive periods of one year by paying the same amount each year on or before the expiration of the extended term. If, during the period the lease is kept in effect by payment of the shut-in oil or gas royalty, oil or gas is sold and delivered in paying quantities from a well located within 1,000 feet of the leased premises and completed in the same producing reservoir or, in any case in which drainage is occurring, the right to continue to extend the lease by paying the shut-in oil or gas royalty shall cease. The lease shall remain effective for the remainder of the year for which the royalty has been paid and for four (4) additional and successive periods of one year each by the Lessee paying compensatory royalty at the royalty rate provided in the lease of the value at the well of production from the well that is causing the drainage or that is completed in the same producing reservoir and within 1,000 feet of the leased premises. The compensatory royalty is to be paid monthly, one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil, beginning on or before the last day of the month next succeeding the month in which the oil or gas is sold and delivered from the well. If the compensatory royalty paid in any 12-month period is in an amount less than the annual shut-in oil or gas royalty, Lessee shall pay an amount equal to the difference within 30 days from the end of the 12-month period. None of these provisions will relieve Lessee of the obligation of reasonable development or the obligation to drill offset wells as provided in Texas Natural Resources Code §52.173.

15. DEVELOPMENT. Notwithstanding any provision of this lease to the contrary, after a well producing, or capable of producing, oil or gas has been completed on the leased premises, Lessee shall exercise the diligence of a reasonably prudent operator in drilling such additional well or wells as may be reasonably necessary for the proper development of the leased premises and in marketing the oil and gas produced. In the event this lease is in force and effect three (3) years after the expiration date of the primary term, it shall then terminate as to all of the leased premises, EXCEPT: 1) 40 acres surrounding each producing oil well and 320 acres surrounding each producing gas well (including a shut-in oil or gas well as provided in Paragraph 14 of this lease), or a well upon which Lessee is then engaged in continuous drilling or reworking operations, or 2) the number of acres included in a producing pooled unit pursuant to Texas Natural Resources Code §52.151 - §52.153, or 3) such greater or lesser number of acres as may then be allocated for production purposes to a proration unit for each such producing well under the rules and regulations of the Railroad Commission of Texas, or any successor agency, or other governmental authority having jurisdiction. "Producing" as used in this lease means producing in paying quantities. The acreage retained under this provision as to each well shall, as nearly as practical, be in the form of a square with the well located in the center or in such other shape as may be approved by the Commissioner of the General Land Office. Lessee shall execute and record a release or releases containing a satisfactory description of the acreage terminated under this provision, and the recorded release, or a certified copy of same, shall be filed in the General Land Office, accompanied by the prescribed filing fee.

16. OFFSET WELLS. Neither the bonus, delay rentals, nor royalties paid, or to be paid, under this lease shall relieve Lessee of his obligation to protect the oil and gas under the above-described land from being drained. To prevent drainage, Lessee is obligated to drill as many wells as the facts may justify and to the depth or depths necessary for effective protection against undue drainage. In addition, if a draining well which is producing in commercial quantities is located within 1,000 feet of the above-described land, or in any case where the above described land is being drained, Lessee is statutorily obligated to drill an offset well on the leased premises within 100 days after the draining well begins production in commercial quantities. Failure to satisfy the statutory offset obligation may subject this lease and the owner of the soil's agency rights to forfeiture. Only upon the determination of the Commissioner of the General Land Office and with his written approval may the payment of compensatory royalty satisfy obligation to drill an offset well or wells required under this paragraph.

17. FORCE MAJEURE. If, after a good faith effort, Lessee is prevented from complying with any express or implied covenant of this lease, from conducting drilling operations on the leased premises, or from producing oil or gas from the leased premises by reason of war, rebellion, riots, strikes, acts of God, or any valid order, rule or regulation of government authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended and Lessee shall not be liable for damages for failure to comply with such covenants; additionally, this lease shall be extended while Lessee is prevented, by any such cause, from conducting drilling and reworking operations or from producing oil or gas from the leased premises. However, nothing in this paragraph shall suspend the payment of delay rentals in order to maintain this lease in effect during the primary term in the absence of such drilling or reworking operations or production of oil or gas.

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

19. **PROPORTIONATE REDUCTION CLAUSE.** If the owner of the soil owns less than the entire undivided surface estate in the above described land, whether or not Lessee's interest is specified herein, then the royalties ~~and rental~~ herein provided to be paid to the owner of the soil shall be paid to him in the proportion which his interest bears to the entire undivided surface estate and the royalties ~~and rental~~ herein provided to be paid to the Commissioner of the General Land Office of the State of Texas shall be likewise proportionately reduced. However, before Lessee adjusts the royalty or rental due to the Commissioner of the General Land Office, Lessee or his authorized representative must submit to the Commissioner of the General Land Office a written statement which explains the discrepancy between the interest purportedly leased under this lease and the actual interest owned by the owner of the soil. The Commissioner of the General Land Office shall be paid the value of the whole production allocable to any undivided interest not covered by a lease, less the proportionate development and production cost allocable to such undivided interest. However, in no event shall the Commissioner of the General Land Office receive as a royalty on the gross production allocable to the undivided interest not leased an amount less than the value of one-sixteenth (1/16) of such gross production.

20. **USE OF WATER.** Lessee shall have the right to use water produced on said land necessary for operations under this lease except water from wells or tanks of the owner of the soil; provided, however, Lessee shall not use potable water or water suitable for livestock or irrigation purposes for waterflood operations without the prior consent of the owner of the soil.

21. **AUTHORIZED DAMAGES.** Lessee shall pay the owner of the soil for damages caused by its operations to all personal property, improvements, livestock and crops on said land.

22. **PIPELINE DEPTH.** When requested by the owner of the soil, Lessee shall bury its pipelines below plow depth.

23. **WELL LOCATION LIMIT.** No well shall be drilled nearer than two hundred (200) feet to any house or barn now on said premises without the written consent of the owner of the soil.

24. **CONSERVATION CLAUSE.** Lessee shall have the exclusive right to build, operate and maintain pits, reservoirs, pickup stations and plants for the purpose of picking up and conserving waste oil that flows down the creeks, ravines and across the leased premises, whether such waste oil is produced from the leased premises or from other lands. Royalties, as provided in this lease for regularly produced oil, are also owed on all such waste oil.

25. **REMOVAL OF EQUIPMENT.** Subject to limitations in this paragraph, Lessee shall have the right to remove machinery and fixtures placed by Lessee on the leased premises, including the right to draw and remove casing, within one hundred twenty (120) days after the expiration or the termination of this lease unless the owner of the soil grants Lessee an extension of this 120-day period. However, Lessee may not remove casing from any well capable of producing oil and gas in paying quantities. Additionally, Lessee may not draw and remove casing until after thirty (30) days written notice to the Commissioner of the General Land Office and to the owner of the soil. The owner of the soil shall become the owner of any machinery, fixtures, or casing which are not timely removed by Lessee under the terms of this paragraph.

26. (a) **ASSIGNMENTS.** Under the conditions contained in this paragraph and Paragraph 28 of this lease, the rights and estates of either party to this lease may be assigned, in whole or in part, and the provisions of this lease shall extend to and be binding upon their heirs, devisees, legal representatives, successors and assigns. However, a change or division in ownership of the land, rentals, or royalties will not enlarge the obligations of Lessee, diminish the rights, privileges and estates of Lessee, impair the effectiveness of any payment made by Lessee or impair the effectiveness of any act performed by Lessee. And no change or division in ownership of the land, rentals, or royalties shall bind Lessee for any purpose until thirty (30) days after the owner of the soil (or his heirs, devisees, legal representatives or assigns) furnishes the Lessee with satisfactory written evidence of the change in ownership, including the original recorded muniments of title (or a certified copy of such original) when the ownership changed because of a conveyance. A total or partial assignment of this lease shall, to the extent of the interest assigned, relieve and discharge Lessee of all subsequent obligations under this lease. If this lease is assigned in its entirety as to only part of the acreage, the right and option to pay rentals shall be apportioned as between the several owners ratably, according to the area of each, and failure by one or more of them to pay his share of the rental shall not affect

this lease on the part of the land upon which pro rata rentals are timely paid or tendered; however, if the assignor or assignee does not file a certified copy of such assignment in the General Land Office before the next rental paying date, the entire lease shall terminate for failure to pay the entire rental due under Paragraph 3. Every assignee shall succeed to all rights and be subject to all obligations, liabilities, and penalties owed to the State by the original lessee or any prior assignee of the lease, including any liabilities to the State for unpaid royalties.

(b) ASSIGNMENT LIMITATION. Notwithstanding any provision in Paragraph 26(a), if the owner of the soil acquires this lease in whole or in part by assignment without the prior written approval of the Commissioner of the General Land Office, this lease is void as of the time of assignment and the agency power of the owner may be forfeited by the Commissioner. An assignment will be treated as if it were made to the owner of the soil if the assignee is:

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

27. RELEASES. Under the conditions contained in this paragraph and Paragraph 28, Lessee may at any time execute and deliver to the owner of the soil and place of record a release or releases covering any portion or portions of the leased premises, and thereby surrender this lease as to such portion or portions, and be relieved of all subsequent obligations as to acreage surrendered. If any part of this lease is properly surrendered, the delay rental due under this lease shall be reduced by the proportion that the surrendered acreage bears to the acreage which was covered by this lease immediately prior to such surrender; however, such release will not relieve Lessee of any liabilities which may have accrued under this lease prior to the surrender of such acreage.

28. FILING OF ASSIGNMENTS AND RELEASES. If all or any part of this lease is assigned or released, such assignment or release must be recorded in the county where the land is situated, and the recorded instrument, or a copy of the recorded instrument certified by the County Clerk of the county in which the instrument is recorded, must be filed in the General Land Office within 90 days of the last execution date accompanied by the prescribed filing fee. If any such assignment is not so filed, the rights acquired under this lease shall be subject to forfeiture at the option of the Commissioner of the General Land Office.

29. LEASE FILING. It is recognized that before this lease is effective a certified copy of this lease (which is made and certified by the County Clerk from his records) shall be filed in the General Land Office in accordance with Texas Natural Resources Code §52.183, and this lease shall not be binding upon the State unless it recites the actual and true consideration paid or promised for execution of this lease. The bonus due the State and the prescribed filing fee shall accompany such certified copy to the General Land Office.

30. DISCLOSURE CLAUSE. All provisions pertaining to the lease of the above-described land have been included in this instrument, including the statement of the true consideration to be paid for the execution of this lease and the rights and duties of the parties. Any collateral agreements concerning the development of oil and gas from the leased premises which are not contained in this lease render this lease invalid.

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

32. FORFEITURE. If Lessee shall fail or refuse to make the payment of any sum within thirty days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if Lessee should fail to file reports in the manner required by law or fail to comply with rules and regulations promulgated by the General Land Office, the School Land Board, or the Railroad Commission, or if Lessee should refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or knowingly fail or refuse

to furnish the General Land Office a correct log of any well, or if lessee shall knowingly violate any of the material provisions of this lease, or if this lease is assigned and the assignment is not filed in the General Land Office as required by law, the rights acquired under this lease shall be subject to forfeiture by the Commissioner, and he shall forfeit same when sufficiently informed of the facts which authorize a forfeiture, and when forfeited the area shall again be subject to lease under the terms of the Relinquishment Act. However, nothing herein shall be construed as waiving the automatic termination of this lease by operation of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this lease and all rights thereunder reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

33. RAILROAD COMMISSION HEARINGS ON GAS. No natural gas or casinghead gas, including both associated and nonassociated gas, produced from the mineral estate subject to this lease may be sold or contracted for sale to any person for ultimate use outside the State of Texas unless the Railroad Commission, after notice and hearing as provided in Title 3 of the Texas Natural Resources Code, finds that:

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

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

(c) no public or private school in this State that provides elementary, secondary, or higher education requires the natural gas or casinghead gas to meet its existing needs for fuel;

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

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

(f) no person who resides in this State and who relies on natural gas or casinghead gas to provide in whole or part his existing needs for fuel or raw material requires the natural gas or casinghead gas to meet those needs; provided, however, after notice and hearing as provided in Title 3 of the Texas Natural Resources Code the Railroad Commission may grant exceptions to these provisions as set forth in Texas Natural Resources Code §52.296.

34. This lease is issued under the provisions of Texas Natural Resources Code §52.171 through §52.188, commonly known as the Relinquishment Act, and other applicable statutes and amendments thereto, and if any provision in this lease does not conform to these statutes, the statutes will prevail over any nonconforming lease provisions.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

STATE OF TEXAS
BY:_____
Individually and as agent for the State of Texas
Esther I. Wurm
Esther I. Wurm

STATE OF TEXAS
BY:_____
Individually and as agent for the State of Texas
~~Donald Wurm~~

STATE OF TEXAS
BY:_____
Individually and as agent for the State of Texas

STATE OF TEXAS
BY:_____
Individually and as agent for the State of Texas

SUBSCRIBED AND SWORN BEFORE ME THIS 26th DAY OF Jan 1989
Notary Public
MACOMB COUNTY, MICHIGAN
STATE OF MICHIGAN NOTARY
COMMISSION EXPIRES June 28, 1989

STATE OF ~~TEXAS~~ MICHIGAN
COUNTY OF Macomb

This instrument acknowledged before me on 1-19-89 by

Esther I. Wurm.

X Esther I. Wurm

Notary Public in and for Macomb County, ~~Texas~~ Mi
My commission expires: June 21 1991

STATE OF ~~TEXAS~~ MICHIGAN
COUNTY OF _____

This instrument acknowledged before me on _____ by

~~Donald Wurm~~.

Notary Public in and for _____ County, Texas
My commission expires: _____

STATE OF TEXAS
COUNTY OF _____

This instrument acknowledged before me on _____ by

_____.

Notary Public in and for _____ County, Texas
My commission expires: _____

FOR SALE BY STAFFORD-LOWDON CO. FORT WORTH 55326

E 503—CERTIFICATE OF TRUE COPY OF PAPERS RECORDED—Class 1. (Arts. 6600-6625-6684, 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 OIL AND GAS LEASE FROM ESTHER I. WURM TO BLAKE OIL & GAS CORPORATION

as the same appears of record in my office in book 491 page 459, Deed Records.

Given under my Hand and Seal of said Court, at office in Pecos, Texas this 24th day of January 19 89.

CATHERINE ASHLEY Clerk,

By Billie Jo Freeman Deputy.
(Billie Jo Freeman)

ANY PROVISION HEREIN WHICH RESTRICTS THE SALE, RENTAL, OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

FILED FOR RECORD ON THE 24th DAY OF January A.D. 1989 at 11:02A.M.

DULY RECORDED ON THE 24th DAY OF January A.D. 1989 at 4:00P. M.

BY Billie Jo Freeman DEPUTY

CATHERINE ASHLEY, COUNTY CLERK,
REEVES COUNTY, TEXAS.

(11)

RECEIVED AS STATED
$ 33.38 Bonus
Date 2-1-89
Reg. No 26660
GENERAL LAND OFFICE

RECEIVED AS STATED
$25.00 filing fee
Date 2-1-89
Reg. No 26660
GENERAL LAND OFFICE

GENERAL LAND OFFICE
GARRY MAURO
COMMISSIONER

MEMORANDUM

DATE:

TO: Garry Mauro, Commissioner

FROM: Peter Boone, Petroleum and Minerals

SUBJECT: Relinquishment Act Lease
County: Reeves
Description: 80 ac of N 440 ac of Sec. 12, Blk-57, TE PRR T-2
Applicant: Blake O&G
Consideration: $75 acre/bonus, 3/16, $1.00 rental 3 yrs

Consideration

Recommended: RAB 9-16-88
Not Recommended
Comments:

Form

Recommended:
Not Recommended:
Recommended, after technical changes: RAB 9-16-88
Comments:

Legal Services Comments (if requested)

Jack Giberson, Chief Clerk Date

Recommended: See note on Commissioner
Not Recommended lease JG

Garry Mauro, Commissioner Date

Approved: Not Approved:

Approved, after technical changes:

Mineral Classified Land
Lease Consideration Comparison

County Reeves
Area SE40 ac of N440ac of Sec 12, Blk 57, T-2, T&P

M. F.	Acres	Lease Date	Term	Total Bonus	B/Ac	Rental	Comparison
New	.444 80	8-26-88	3 yrs	$33.30	$75	$1.00	3/32
M-92187	160	2-23-87	3 yrs	$8000	$50	$1.00	3/50 5½ mi E
M-92197	640	4-12-87	3 yrs	$36,400	$60	$1.00	1/10 1½ mi W
M-92207	320	5-25-87	5 yrs	$16,000	$50	$1.00	3/50 2 mi S
M-92678	640	1-11-88	9 mo.	$6,400	$10	N/A	8.5% 3½ mi W

142477

Low 100 Hi 225 Mc 175

Remarks: within Matthews (Low, Cherry Canyon) fld.
Disc. 5/84, [redacted] 279,547 Mcf
3 oil wells adj s./currently producing as little as 7 bbls/day & as much as 246 bls/day
last lease issued 10/87

Consideration
Recommended PAB 2-16-89
Not Recommended

MF - 88676

Surface Owner Name	Net Acres	State's Royalty	Net Acres/80 acres	Net State's Royalty
Schuler, R.A & James	8.88	0.09375	0.111	0.01040625
Schuler, Evelyn	4.44	0.09375	0.0555	0.005203125
Schuler, Viiolet	13.33	0.09375	0.166625	0.015621094
Oestrich, Lois & Clint	0.296	0.09375	0.0037	0.000346875
Max, Mildred	0.89	0.09375	0.011125	0.001042969
Kiel, Richard	0.444	0.09375	0.00555	0.000520313
Gehle, Richard	0.89	0.09375	0.011125	0.001042969
Gehle, Mary C.	1.34	0.09375	0.01675	0.001570313
Farwell, Altha M.	1.34	0.09375	0.01675	0.001570313
Kiel, Donald	0.296	0.09375	0.0037	0.000346875
Rybacheck, L.J.	0.296	0.09375	0.0037	0.000346875
Novallo, Algo A.	1.34	0.09375	0.01675	0.001570313
Campbell, Shirley	1.34	0.09375	0.01675	0.001570313
Wurm ,E. I.	0.89	0.09375	0.011125	0.001042969
Wagner, Carol & Arthur	0.444	0.09375	0.00555	0.000520313
Blake, Jack & Carol	16.884	0.115	0.21105	0.02427075
Staples, B.J.	13.33	0.115	0.166625	0.019161875
Blake, Robert & Marion	13.33	0.115	0.166625	0.019161875
	80			0.105316375

FILE NO. 208 CAROL WAGNER, ET AL TO BLAKE OIL & GAS CORPORATION

No. 5367--General Land
Office Lease Form Under
Relinquishment Act
Revised, September 1987
GLO-L-19-(9-87)

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 30th day of Sept. 19 88, between the State of Texas, acting by and through its agent, Carol Wagner and Arthur Wagner of 284 Rusk Circle, Spring Hill, Florida said agent
(Give Permanent Address)
herein referred to as the owner of the soil (whether one or more), and Blake Oil & Gas Corporation of
400 N. Main, Midland, Texas 79701
(Give Permanent Address)
hereinafter called Lessee.

1. GRANTING CLAUSE. For and in consideration of the amounts stated below and of the covenants and agreements to be paid, kept and performed by Lessee under this lease, the State of Texas acting by and through the owner of the soil, hereby grants, leases and lets unto Lessee, for the sole and only purpose of prospecting and drilling for and producing oil and gas, laying pipe lines, building tanks, storing oil and building power stations, telephone lines and other structures thereon, to produce, save, take care of, treat and transport said products of the lease, the following lands situated in Reeves County, State of Texas, to-wit:

The Southeast 80 acres of the North 440 acres of said Section 12, Block 57, T-2, T&P Ry. Co. Survey, Reeves County, Texas more fully described as follows:

The Southeast part of the North 440 acres of said Section 12 was duly patented to Frank H. Schuler, F. C. Gehle and Fred M. Ulrich on November 17, 1943, by Patent No. 54, Volume 92-A as containing 80 acres, described by metes and bounds as follows:

BEGINNING at the SE/corner of the E/2 of the NE/4 of this Section in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey, and the NE/corner of this survey;

THENCE West 1267.2 varas with the South line of the N/2 to the NE/corner of the NW/ part of the S/2 and the NW/corner of this Survey;

THENCE South 356.4 varas with the East line of said NW/part of the S/2 to its SE/ corner in the North line of the South part and the SW/corner of this survey;

THENCE East 1267.2 varas with the North line of said South part to its NE/corner in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey, and the SE/corner of this Survey;

THENCE North 356.4 varas with the West line of said Section 7 to the place of beginning, containing 80 acres, more or less.

containing 80 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Sixteen and 65/100---------- Dollars ($ 16.65)

To the owner of the soil: Sixteen and 65/100---------- Dollars ($ 16.65)

Total bonus consideration: Thirty-three and 30/100---------- Dollars ($ 33.30)

The total bonus consideration paid represents a bonus of Seventy-five---------- ----------Dollars ($ 75.00----------) per acre, on .444 net acres.

2. TERM. Subject to the other provisions in this lease, this lease shall be for a term of three (3) years from this date (herein called "primary term") and as long thereafter as oil and gas, or either of them, is produced in paying quantities* from said land.

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*As used in this lease, the term "produced in paying quantities" means that the receipts from the sale or other authorized commercial use of the substance(s) covered exceed out of pocket operational expenses for the six months last past.

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

To the owner of the soil: None and 22/100---------- Dollars ($ .22----------)

To the State of Texas: None and 22/100---------- Dollars ($ .22----------)

Total Rental: None and 44/100---------- Dollars ($ .44----------)

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

4. PRODUCTION ROYALTIES. When production of oil and/or gas is secured during the term of this lease, Lessee agrees to pay or cause to be paid one-half (1/2) of the royalty provided for in this lease to the Commissioner of the General Land Office of the State of Texas, at Austin, Texas, and one-half (1/2) of such royalty to the owner of the soil:

(a) OIL. Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be 3/16ths part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be determined by 1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity in the general area where produced and when run, or 2) the highest market price thereof offered or paid in the general area where produced and when run, or 3) the gross proceeds of the sale thereof, whichever is greatest. Lessee agrees that before any gas produced from the leased premises is sold, used or processed in a plant, it will be run free of cost to the parties entitled to royalties through an adequate oil and gas separator of conventional type, or other equipment at least as efficient, so that all liquid hydrocarbons recoverable from the gas by such means will be recovered. The requirement that such gas be run through a separator or other equipment may be waived in writing by the royalty owners upon such terms and conditions as they prescribe.

(b) NON PROCESSED GAS. Royalty on any gas (including flared gas), which is defined as all hydrocarbons and gaseous substances not defined as oil in subparagraph (a) above, produced from any well on said land (except as provided herein with respect to gas processed in a plant for the extraction of gasoline, liquid hydrocarbons or other products) shall be 3/16ths part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality in the general area where produced and when run, or the gross price paid or offered to the producer, whichever is greater; provided that the maximum pressure base in measuring the gas under this lease shall not at any time exceed 14.65 pounds per square inch absolute, and the standard base temperature shall be sixty (60) degrees Fahrenheit, correction to be made for pressure according to Boyle's Law, and for specific gravity according to tests made by the Balance Method or by the most approved method of testing being used by the industry at the time of testing.

(c) PROCESSED GAS. Royalty on any gas processed in a gasoline plant or other plant for the recovery of gasoline or other liquid hydrocarbons shall be 3/16ths part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease, and on fifty percent (50%), or that percent accruing to Lessee, whichever is greater, of the total plant production of liquid hydrocarbons attributable to the gas produced from this lease; provided that if liquid hydrocarbons

are recovered from gas processed in a plant in which Lessee (or its parent, subsidiary or affiliate) owns an interest, then the percentage applicable to liquid hydrocarbons shall be fifty percent (50%) or the highest percent accruing to a third party processing gas through such plant under a processing agreement negotiated at arm's length (or if there is no such third party, the highest percent then being specified in processing agreements or contracts in the industry), whichever is greater. The respective royalties on residue gas and on liquid hydrocarbons shall be determined by 1) the highest market price paid or offered for any gas (or liquid hydrocarbons) of comparable quality in the general area, or 2) the gross price paid or offered for such residue gas (or the weighted average gross selling price for the respective grades of liquid hydrocarbons, F.O.B. at the plant in which said gas is processed), whichever is greater.

(d) **OTHER PRODUCTS.** Royalty on carbon black, sulphur or any other products produced or manufactured from gas (excepting liquid hydrocarbons) whether said gas be "casinghead," "dry," or any other gas, by fractionating, burning or any other processing shall be 3/16ths part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows: 1) on the basis of the highest market price of each product for the same month in which such product is produced, or 2) on the basis of the average gross sale price of each product for the same month in which such product is sold, whichever is greater.

5. **MINIMUM ROYALTY.** For each calendar year following the date of the expiration of the primary term when this lease is held for any part of such calendar year by production, the royalty received under this lease must not be less than an amount equal to the total annual delay rental provided for in Paragraph 3. If Paragraph 3 of this lease does not specify a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre.

6. **ROYALTY IN KIND.** Notwithstanding any other provision in this lease, at any time or from time to time, the owner of the soil or the Commissioner of the General Land Office may, at the option of either, upon not less than sixty (60) days notice to the holder of the lease, require that the payment of any royalties accruing to such royalty owner under this lease be made in kind.

7. **NO DEDUCTIONS.** Lessee agrees that all royalties accruing under this lease (including those paid in kind) shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and otherwise making the oil, gas and other products hereunder ready for sale or use. Lessee agrees to compute and pay royalties on the gross value received, including any reimbursements for severance taxes and production related costs.

8. **PLANT FUEL AND RECYCLED GAS.** No royalty shall be payable on any gas as may represent this lease's proportionate share of any fuel used to process gas produced hereunder in any processing plant. Notwithstanding any other provision of this lease, and subject to the written consent of the owner of the soil and the Commissioner of the General Land Office, Lessee may recycle gas for gas lift purposes on the leased premises or for injection into any oil or gas producing formation underlying the leased premises after the liquid hydrocarbons contained in the gas have been removed; no royalties shall be payable on the recycled gas until it is produced and sold or used by Lessee in a manner which entitles the royalty owners to a royalty under this lease.

9. **ROYALTY PAYMENTS AND REPORTS.** All royalties which are required to be paid to the Commissioner of the General Land Office under this lease shall be due and payable in the following manner: Royalty on oil is due and must be received in the General Land Office on or before the 5th day of the second month succeeding the month of production, and royalty on gas is due and must be received in the General Land Office on or before the 15th day of the second month succeeding the month of production, accompanied by the affidavit of the owner, manager or other authorized agent, completed in the form and manner prescribed by the General Land Office and showing the gross amount and disposition of all oil and gas produced and the market value of the oil and gas, together with a copy of all documents, records or reports confirming the gross production, disposition and market value including gas meter readings, pipeline receipts, gas line receipts and other checks or memoranda of amount produced and put into pipelines, tanks, or pools and gas lines or gas storage, and any other reports or records which the General Land Office may require to verify the gross production, disposition and market value. Each royalty payment shall be accompanied by a check stub, schedule, summary or other remittance advice showing by the assigned General Land Office lease number, the amount of royalty being paid on each lease. If Lessee pays his royalty late but on or before thirty (30) days after the royalty payment was due, then Lessee owes a penalty of 5% of the royalty or $25.00, whichever is greater. A royalty payment which is over thirty (30) days late shall accrue a penalty of 10% of the royalty due or $25.00, whichever is greater. In addition to a penalty, royalties shall accrue interest at a rate of 12% per year; such interest will begin accruing when the royalty is sixty (60) days overdue. Affidavits and supporting documents which are not filed when due shall incur a penalty in an amount set by the General Land Office administrative rule which is effective on the date when the affidavits or supporting documents were due. The Lessee shall

bear all responsibility for paying or causing royalties to be paid in the manner prescribed in this paragraph. Payment of the delinquency penalty shall in no way operate to prohibit the State's right of forfeiture as provided by law nor act to postpone the date on which royalties were originally due. The above penalty provisions shall not apply in cases of title dispute as to the State's portion of the royalty or to that portion of the royalty in dispute as to fair market value. Penalties due under this paragraph are subject to change in order to conform to any future penalty statutes. The State shall have a first lien upon all oil and gas produced from the area covered by this lease to secure the payment of all unpaid royalty and other sums of money that may become due to the State under this lease.

10. PERMITS, REPORTS, AND RESERVES. Lessee shall file all drilling permits in the name of the "State" and require each well and/or tank battery on the leased premises to be designated by the word "State" for identification and reporting to the Railroad Commission or any other governmental agency. Written notice of operations under this lease shall be submitted to the Commissioner of the General Land Office by Lessee five (5) days before spud date, cessation of production, workover, re-entry, temporary abandonment or abandonment of any well, and shall include copies of Railroad Commission forms for application to drill, well tests, completion reports and plugging records. Lessee shall supply the General Land Office with any records, memoranda, accounts, reports, cuttings and cores, or other information relative to the operation of the above described premises, which may be requested by the General Land Office, in addition to those herein expressly provided for. Lessee shall have an electrical and/or radioactivity survey made on the bore-hole section, from the base of the surface casing to total depth of well, of all wells drilled on the above described premises and shall transmit a true copy of the log of each survey on each well to the General Land Office within fifteen (15) days after making of said survey. The Commissioner of the General Land Office reserves the right to require Lessee to annually furnish the said Commissioner with its best possible estimate of oil and gas reserves underlying this lease or allocable to this lease.

11. DRY HOLE CLAUSE. If, during the primary term hereof and prior to discovery and production of oil or gas on said land, Lessee should drill a dry hole or holes thereon, or if, after discovery and production of oil or gas, the production thereof should cease from any cause, this lease shall not terminate if, on or before the rental paying date next ensuing after the expiration of sixty (60) days from date of completion of said dry hole or cessation of production, Lessee commences additional drilling or reworking operations thereon, or commences or resumes the payment of annual delay rental in the same manner as provided in Paragraph 3 of this lease. If a dry hole be completed and abandoned during the last year of the primary term, Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in oil or gas well within the primary term hereof, Lessee may resume payment of annual rental in the same manner as provided in Paragraph 3 in this lease on or before the rental paying date next ensuing after sixty (60) days from the date of completion of such shut-in oil or gas well, and upon the failure to make such annual rental payment, this lease shall ipso facto terminate. If at the expiration of the primary term or at any time thereafter a shut-in oil or gas well is located on the leased premises, payments may be made in accordance with the provisions of Paragraph 14 of this lease.

12. DRILLING AND REWORKING AT EXPIRATION OF PRIMARY TERM. If, at the expiration of the primary term, neither oil nor gas is being produced on said land, but Lessee is then engaged in drilling or reworking operations thereon, this lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted in good faith and in workmanlike manner without interruptions totaling more than sixty (60) days during any one such operation, and if they result in the production of oil and/or gas, so long thereafter as oil and/or gas is produced in paying quantities from said land, or payment of shut-in oil or gas well royalties or compensatory royalties is made as provided in this lease.

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

14. SHUT IN ROYALTIES. If, at the expiration of the primary term or at any time thereafter, a well or wells capable of producing oil or gas in paying quantities is located on the leased premises but oil or gas is not being produced for lack of suitable production facilities or a suitable market, and the lease is not being maintained in force and effect, Lessee may pay as a shut-in oil or gas royalty an amount equal to double the annual rental provided in Paragraph 3 of this lease but not less than $1,200 a year for each well capable of producing oil or gas in paying quantities. If Paragraph 3 of this lease does not specify

a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre. Any shut-in oil or gas royalty must be paid on or before: (1) the expiration of the primary term, (2) 60 days after the lessee ceases to produce oil or gas from the leased premises, or (3) 60 days after lessee completes a drilling and reworking operation in accordance with the lease provisions; whichever date is latest. Such payment shall be made one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil. If the shut-in oil or gas royalty is paid, the lease shall be considered to be a producing lease and the payment shall extend the term of the lease for a period of one (1) year from the end of the primary term or from the first day of the month next succeeding the month in which production ceased and after that, if no suitable production facilities or suitable market for the oil or gas exists, Lessee may extend the lease for four (4) additional and successive periods of one year by paying the same amount each year on or before the expiration of the extended term. If, during the period the lease is kept in effect by payment of the shut-in oil or gas royalty, oil or gas is sold and delivered in paying quantities from a well located within 1,000 feet of the leased premises and completed in the same producing reservoir or, in any case in which drainage is occurring, the right to continue to extend the lease by paying the shut-in oil or gas royalty shall cease. The lease shall remain effective for the remainder of the year for which the royalty has been paid and for four (4) additional and successive periods of one year each by the Lessee paying compensatory royalty at the royalty rate provided in the lease of the value at the well of production from the well that is causing the drainage or that is completed in the same producing reservoir and within 1,000 feet of the leased premises. The compensatory royalty is to be paid monthly, one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil, beginning on or before the last day of the month next succeeding the month in which the oil or gas is sold and delivered from the well. If the compensatory royalty paid in any 12-month period is in an amount less than the annual shut-in oil or gas royalty, Lessee shall pay an amount equal to the difference within 30 days from the end of the 12-month period. None of these provisions will relieve Lessee of the obligation of reasonable development or the obligation to drill offset wells as provided in Texas Natural Resources Code §52.173.

15. DEVELOPMENT. Notwithstanding any provision of this lease to the contrary, after a well producing, or capable of producing, oil or gas has been completed on the leased premises, Lessee shall exercise the diligence of a reasonably prudent operator in drilling such additional well or wells as may be reasonably necessary for the proper development of the leased premises and in marketing the oil and gas produced. In the event this lease is in force and effect three (3) years after the expiration date of the primary term, it shall then terminate as to all of the leased premises, EXCEPT: 1) 40 acres surrounding each producing oil well and 320 acres surrounding each producing gas well (including a shut-in oil or gas well as provided in Paragraph 14 of this lease), or a well upon which Lessee is then engaged in continuous drilling or reworking operations, or 2) the number of acres included in a producing pooled unit pursuant to Texas Natural Resources Code §52.151 - §52.153, or 3) such greater or lesser number of acres as may then be allocated for production purposes to a proration unit for each such producing well under the rules and regulations of the Railroad Commission of Texas, or any successor agency, or other governmental authority having jurisdiction. "Producing" as used in this lease means producing in paying quantities. The acreage retained under this provision as to each well shall, as nearly as practical, be in the form of a square with the well located in the center or in such other shape as may be approved by the Commissioner of the General Land Office. Lessee shall execute and record a release or releases containing a satisfactory description of the acreage terminated under this provision, and the recorded release, or a certified copy of same, shall be filed in the General Land Office, accompanied by the prescribed filing fee.

16. OFFSET WELLS. Neither the bonus, delay rentals, nor royalties paid, or to be paid, under this lease shall relieve Lessee of his obligation to protect the oil and gas under the above-described land from being drained. To prevent drainage, Lessee is obligated to drill as many wells as the facts may justify and to the depth or depths necessary for effective protection against undue drainage. In addition, if a draining well which is producing in commercial quantities is located within 1,000 feet of the above-described land, or in any case where the above described land is being drained, Lessee is statutorily obligated to drill an offset well on the leased premises within 100 days after the draining well begins production in commercial quantities. Failure to satisfy the statutory offset obligation may subject this lease and the owner of the soil's agency rights to forfeiture. Only upon the determination of the Commissioner of the General Land Office and with his written approval may the payment of compensatory royalty satisfy obligation to drill an offset well or wells required under this paragraph.

17. FORCE MAJEURE. If, after a good faith effort, Lessee is prevented from complying with any express or implied covenant of this lease, from conducting drilling operations on the leased premises, or from producing oil or gas from the leased premises by reason of war, rebellion, riots, strikes, acts of God, or any valid order, rule or regulation of government authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended and Lessee shall not be liable for damages for failure to comply with such covenants; additionally, this lease shall be extended while Lessee is prevented, by any such cause, from conducting drilling and reworking operations or from producing oil or gas from the leased premises. However, nothing in this paragraph shall suspend the payment of delay rentals in order to maintain this lease in effect during the primary term in the absence of such drilling or reworking operations or production of oil or gas.

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

19. PROPORTIONATE REDUCTION CLAUSE. If the owner of the soil owns less than the entire undivided surface estate in the above described land, whether or not Lessee's interest is specified herein, then the royalties ~~and rental~~ herein provided to be paid to the owner of the soil shall be paid to him in the proportion which his interest bears to the entire undivided surface estate and the royalties ~~and rental~~ herein provided to be paid to the Commissioner of the General Land Office of the State of Texas shall be likewise proportionately reduced. However, before Lessee adjusts the royalty or rental due to the Commissioner of the General Land Office, Lessee or his authorized representative must submit to the Commissioner of the General Land Office a written statement which explains the discrepancy between the interest purportedly leased under this lease and the actual interest owned by the owner of the soil. The Commissioner of the General Land Office shall be paid the value of the whole production allocable to any undivided interest not covered by a lease, less the proportionate development and production cost allocable to such undivided interest. However, in no event shall the Commissioner of the General Land Office receive as a royalty on the gross production allocable to the undivided interest not leased an amount less than the value of one-sixteenth (1/16) of such gross production.

20. USE OF WATER. Lessee shall have the right to use water produced on said land necessary for operations under this lease except water from wells or tanks of the owner of the soil; provided, however, Lessee shall not use potable water or water suitable for livestock or irrigation purposes for waterflood operations without the prior consent of the owner of the soil.

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

22. PIPELINE DEPTH. When requested by the owner of the soil, Lessee shall bury its pipelines below plow depth.

23. WELL LOCATION LIMIT. No well shall be drilled nearer than two hundred (200) feet to any house or barn now on said premises without the written consent of the owner of the soil.

24. CONSERVATION CLAUSE. Lessee shall have the exclusive right to build, operate and maintain pits, reservoirs, pickup stations and plants for the purpose of picking up and conserving waste oil that flows down the creeks, ravines and across the leased premises, whether such waste oil is produced from the leased premises or from other lands. Royalties, as provided in this lease for regularly produced oil, are also owed on all such waste oil.

25. REMOVAL OF EQUIPMENT. Subject to limitations in this paragraph, Lessee shall have the right to remove machinery and fixtures placed by Lessee on the leased premises, including the right to draw and remove casing, within one hundred twenty (120) days after the expiration or the termination of this lease unless the owner of the soil grants Lessee an extension of this 120-day period. However, Lessee may not remove casing from any well capable of producing oil and gas in paying quantities. Additionally, Lessee may not draw and remove casing until after thirty (30) days written notice to the Commissioner of the General Land Office and to the owner of the soil. The owner of the soil shall become the owner of any machinery, fixtures, or casing which are not timely removed by Lessee under the terms of this paragraph.

26. (a) ASSIGNMENTS. Under the conditions contained in this paragraph and Paragraph 28 of this lease, the rights and estates of either party to this lease may be assigned, in whole or in part, and the provisions of this lease shall extend to and be binding upon their heirs, devisees, legal representatives, successors and assigns. However, a change or division in ownership of the land, rentals, or royalties will not enlarge the obligations of Lessee, diminish the rights, privileges and estates of Lessee, impair the effectiveness of any payment made by Lessee or impair the effectiveness of any act performed by Lessee. And no change or division in ownership of the land, rentals, or royalties shall bind Lessee for any purpose until thirty (30) days after the owner of the soil (or his heirs, devisees, legal representatives or assigns) furnishes the Lessee with satisfactory written evidence of the change in ownership, including the original recorded muniments of title (or a certified copy of such original) when the ownership changed because of a conveyance. A total or partial assignment of this lease shall, to the extent of the interest assigned, relieve and discharge Lessee of all subsequent obligations under this lease. If this lease is assigned in its entirety as to only part of the acreage, the right and option to pay rentals shall be apportioned as between the several owners ratably, according to the area of each, and failure by one or more of them to pay his share of the rental shall not affect

this lease on the part of the land upon which pro rata rentals are timely paid or tendered; however, if the assignor or assignee does not file a certified copy of such assignment in the General Land Office before the next rental paying date, the entire lease shall terminate for failure to pay the entire rental due under Paragraph 3. Every assignee shall succeed to all rights and be subject to all obligations, liabilities, and penalties owed to the State by the original lessee or any prior assignee of the lease, including any liabilities to the State for unpaid royalties.

(b) ASSIGNMENT LIMITATION. Notwithstanding any provision in Paragraph 26(a), if the owner of the soil acquires this lease in whole or in part by assignment without the prior written approval of the Commissioner of the General Land Office, this lease is void as of the time of assignment and the agency power of the owner may be forfeited by the Commissioner. An assignment will be treated as if it were made to the owner of the soil if the assignee is:

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

27. RELEASES. Under the conditions contained in this paragraph and Paragraph 28, Lessee may at any time execute and deliver to the owner of the soil and place of record a release or releases covering any portion or portions of the leased premises, and thereby surrender this lease as to such portion or portions, and be relieved of all subsequent obligations as to acreage surrendered. If any part of this lease is properly surrendered, the delay rental due under this lease shall be reduced by the proportion that the surrendered acreage bears to the acreage which was covered by this lease immediately prior to such surrender; however, such release will not relieve Lessee of any liabilities which may have accrued under this lease prior to the surrender of such acreage.

28. FILING OF ASSIGNMENTS AND RELEASES. If all or any part of this lease is assigned or released, such assignment or release must be recorded in the county where the land is situated, and the recorded instrument, or a copy of the recorded instrument certified by the County Clerk of the county in which the instrument is recorded, must be filed in the General Land Office within 90 days of the last execution date accompanied by the prescribed filing fee. If any such assignment is not so filed, the rights acquired under this lease shall be subject to forfeiture at the option of the Commissioner of the General Land Office.

29. LEASE FILING. It is recognized that before this lease is effective a certified copy of this lease (which is made and certified by the County Clerk from his records) shall be filed in the General Land Office in accordance with Texas Natural Resources Code §52.183, and this lease shall not be binding upon the State unless it recites the actual and true consideration paid or promised for execution of this lease. The bonus due the State and the prescribed filing fee shall accompany such certified copy to the General Land Office.

30. DISCLOSURE CLAUSE. All provisions pertaining to the lease of the above-described land have been included in this instrument, including the statement of the true consideration to be paid for the execution of this lease and the rights and duties of the parties. Any collateral agreements concerning the development of oil and gas from the leased premises which are not contained in this lease render this lease invalid.

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

32. FORFEITURE. If Lessee shall fail or refuse to make the payment of any sum within thirty days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if Lessee should fail to file reports in the manner required by law or fail to comply with rules and regulations promulgated by the General Land Office, the School Land Board, or the Railroad Commission, or if Lessee should refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or knowingly fail or refuse

to furnish the General Land Office a correct log of any well, or if Lessee shall knowingly violate any of the material provisions of this lease, or if this lease is assigned and the assignment is not filed in the General Land Office as required by law, the rights acquired under this lease shall be subject to forfeiture by the Commissioner, and he shall forfeit same when sufficiently informed of the facts which authorize a forfeiture, and when forfeited the area shall again be subject to lease under the terms of the Relinquishment Act. However, nothing herein shall be construed as waiving the automatic termination of this lease by operation of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this lease and all rights thereunder reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

33. **RAILROAD COMMISSION HEARINGS ON GAS.** No natural gas or casinghead gas, including both associated and nonassociated gas, produced from the mineral estate subject to this lease may be sold or contracted for sale to any person for ultimate use outside the State of Texas unless the Railroad Commission, after notice and hearing as provided in Title 3 of the Texas Natural Resources Code, finds that:

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

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

(c) no public or private school in this State that provides elementary, secondary, or higher education requires the natural gas or casinghead gas to meet its existing needs for fuel;

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

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

(f) no person who resides in this State and who relies on natural gas or casinghead gas to provide in whole or part his existing needs for fuel or raw material requires the natural gas or casinghead gas to meet those needs; provided, however, after notice and hearing as provided in Title 3 of the Texas Natural Resources Code the Railroad Commission may grant exceptions to these provisions as set forth in Texas Natural Resources Code §52.296.

34. This lease is issued under the provisions of Texas Natural Resources Code §52.171 through §52.188, commonly known as the Relinquishment Act, and other applicable statutes and amendments thereto, and if any provision in this lease does not conform to these statutes, the statutes will prevail over any nonconforming lease provisions.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

STATE OF TEXAS
BY: _____
Individually and as agent for the State of Texas
Carol Wagner

STATE OF TEXAS
BY: _____
Individually and as agent for the State of Texas
Arthur Wagner

STATE OF TEXAS
BY: _____
Individually and as agent for the State of Texas

STATE OF TEXAS
BY: _____
Individually and as agent for the State of Texas

to furnish the General Land Office a correct log of any well, or if Lessee shall knowingly violate any of the material provisions of this lease, or if this lease is assigned and the assignment is not filed in the General Land Office as required by law, the rights acquired under this lease shall be subject to forfeiture by the Commissioner, and he shall forfeit same when sufficiently informed of the facts which authorize a forfeiture, and when forfeited the area shall again be subject to lease under the terms of the Relinquishment Act. However, nothing herein shall be construed as waiving the automatic termination of this lease by operation of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this lease and all rights thereunder reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

33. RAILROAD COMMISSION HEARINGS ON GAS. No natural gas or casinghead gas, including both associated and nonassociated gas, produced from the mineral estate subject to this lease may be sold or contracted for sale to any person for ultimate use outside the State of Texas unless the Railroad Commission, after notice and hearing as provided in Title 3 of the Texas Natural Resources Code, finds that:

(a) the person, agency, or entity that executed the lease in question does not require the natural gas or casinghead gas to meet its own existing needs for fuel;
(b) no private or public hospital, nursing home, or other similar health-care facility in this State requires the natural gas or casinghead gas to meet its existing needs for fuel;
(c) no public or private school in this State that provides elementary, secondary, or higher education requires the natural gas or casinghead gas to meet its existing needs for fuel;
(d) no facility of the State or of any county, municipality, or other political subdivision in this State requires the natural gas or casinghead gas to meet its existing needs for fuel;
(e) no producer of food and fiber requires the natural gas or casinghead gas necessary to meet the existing needs of irrigation pumps and other machinery directly related to this production; and
(f) no person who resides in this State and who relies on natural gas or casinghead gas to provide in whole or part his existing needs for fuel or raw material requires the natural gas or casinghead gas to meet those needs; provided, however, after notice and hearing as provided in Title 3 of the Texas Natural Resources Code the Railroad Commission may grant exceptions to these provisions as set forth in Texas Natural Resources Code §52.296.

34. This lease is issued under the provisions of Texas Natural Resources Code §52.171 through §52.188, commonly known as the Relinquishment Act, and other applicable statutes and amendments thereto, and if any provision in this lease does not conform to these statutes, the statutes will prevail over any nonconforming lease provisions.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

STATE OF TEXAS
BY: Carol Wagner
Individually and as agent for the State of Texas

Carol Wagner

STATE OF TEXAS
BY: Arthur Wagner
Individually and as agent for the State of Texas

Arthur Wagner

STATE OF TEXAS
BY: _____
Individually and as agent for the State of Texas

STATE OF TEXAS
BY: _____
Individually and as agent for the State of Texas

VOL 491 PAGE 458

STATE OF TEXASX FLORIDA
COUNTY OF Pasco

This instrument acknowledged before me on December 28, 1988 by

Carol Wagner Carol Wagner.

Notary Public in and for Pasco County, Texas Florida
My commission expires: NOTARY PUBLIC STATE OF FLORIDA, MY COMMISSION EXPIRES SEPT. 2, 1991, BONDED THRU NOTARY PUBLIC UNDERWRITERS

STATE OF TEXAS FLORIDA
COUNTY OF Pasco

This instrument acknowledged before me on December 28, 1988 by

Arthur Wagner Arthur Wagner.

Notary Public in and for State of Florida County, Texas
My commission expires: Notary Public, State of Florida at Large
My Commission Expires OCT. 31, 1989

STATE OF TEXAS
COUNTY OF _____

This instrument acknowledged before me on _____ by

_____.

Notary Public in and for _____ County, Texas
My commission expires: _____

FOR SALE BY STAFFORD-LOWDON CO. FORT WORTH 55326

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

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 OIL AND GAS FROM CAROL WAGNER, ET AL TO BLAKE OIL & GAS CORPORATION

as the same appears of record in my office in book 491 page 448, Deed Records.

Given under my Hand and Seal of said Court, at office in Pecos, Texas this 24th day of January 19 89.

CATHERINE ASHLEY Clerk,

By Billie Jo Freeman Deputy.
(Billie JO Freeman)

ANY PROVISION HEREIN WHICH RESTRICTS THE SALE, RENTAL, OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

FILED FOR RECORD ON THE 24th DAY OF January A.D. 1989 at 11:02A. M.

DULY RECORDED ON THE 24th DAY OF January A.D. 1989 at 4:00P. M.

BY Billie Jo Freeman DEPUTY

CATHERINE ASHLEY, COUNTY CLERK,
REEVES COUNTY, TEXAS.

(13)

RECEIVED AS STATED
$16.65 Bonus
Date 2-1-89
Reg. No. 26660

GENERAL LAND OFFICE

RECEIVED AS STATED
$25.00 filing fee
Date 2-1-89
Reg. No. 26660

GENERAL LAND OFFICE

GENERAL LAND OFFICE
GARRY MAURO
COMMISSIONER

MEMORANDUM

DATE:

TO: Garry Mauro, Commissioner

FROM: Peter Boone, Petroleum and Minerals

SUBJECT: Relinquishment Act Lease
County: Reeves
Description: 40 ac of N 440 ac of Sec. 12, Blk-57, TE PRR T-2
Applicant: Blake O&G
Consideration: $75 ac/6mos, 3/16, $1.00 rental 3 yrs

Consideration

Recommended: PAB 9-16-88
Not Recommended
Comments:

Form

Recommended:
Not Recommended:
Recommended, after technical changes: PAB 9-16-88
Comments:

Legal Services Comments (if requested)

Jack Giberson, Chief Clerk Date

Recommended: Held until technical changes made & then Return
Not Recommended

Garry Mauro, Commissioner Date

Approved: Not Approved:

Approved, after technical changes:

MICHAEL W. ROYE
Oil and Gas Investments
P. O. Box 3714
Midland, Texas 79702
(915) 683-6033

2-10-89

General Land Office
1700 N. Congress
Austin, Texas 78701

ATTN: Mr. Peter A. Boone

RE: Filing fees for the SE/80acres of the N/ 440 acres of Section 12, Block 57, T-2, T&P Reeves County, Texas

Dear Mr. Boone:

Enclosed please find a certified copy of the Betty Jane Staples lease and the Jack Blake lease on the above referenced land. These leases provide for $100 per acre bonus consideration, 23% royalty, three (3) year term on a Mineral Classified lease form.

If this lease is acceptable a check is enclosed for the state's one-half bonus consideration and a check is enclosed for the required filing fees.

	AGENT	NET ACRES	STATE'S ONE-HALF	
1)	Blake	16.884	$ 844.20	
2)	Staples	13.33	$ 666.50	
		TOTAL:	$ 1,510.70	89029234
	FILING FEES (2 @ $25.00)		$ 50.00	89029235

If I can be of further assistance, please contact the undersigned.

Yours very truly,

Michael W. Roye

Michael W. Roye

MWR/jd

M-88676 (75)

Ltr from Michael W. Royce
2-10-89

5-11-89

Garry Mauro
Commissioner
General Land Office

February 14, 1989

Michael W. Roye
P.O. Box 3714
Midland, Texas 79702-3714

RE: Proposed Relinquishment Act Leases
SE/80 acres of N/440 acres of Sec. 12
Blk. 57, T-2, T & P Ry. Svy.
Reeves County, Texas

Dear Mr. Roye:

On March 11, 1988, a processing fee of $100.00 for Relinquishment Act Leases became effective. This fee was authorized under 31 TAC, Chapter 1, Section 1.91 and adopted by 13 TexReg 1028.

To continue processing the above referenced leases please submit a check payable to the General Land Office in the amount of $100.00.

Please call if you have any questions concerning this new fee.

Sincerely,

Peter A Boone

Peter A. Boone
Geologist
Petroleum & Minerals Division
(512) 463-5022

PB:tty

Stephen F. Austin Building
1700 North Congress Avenue
Austin, Texas 78701
(512) 463-5256

surface to base of Brushy Canyon fm

UI

Mineral Classified Land
Lease Consideration Comparison

County Reeves
Area SE 80 ac of N 440 ac, Sec D Blk 57, T-2, T&P

M. F.	Acres	Lease Date	Term	Total Bonus	B/Ac	Rental	Comparison
New	16.884 80	11-2-88	3 yrs	$1,688.40	$100	$1.00	11 1/5 %
M-92678	640	1-11-88	9 mo.	$6,400	$10	N/A	8.5% 3½ mi W
M-92187	160	2-23-87	3 yrs	$8,000	$50	$1.00	3/32 5½ mi E
M-92197	640	4-12-87	3 yrs	$36,800	$60	$1.00	1/10 1½ mi W
M-92207	320	5-25-87	5 yrs	$16,000	$50	$1.00	3/32 2 mi S

142477

Land 100 Hz 225 Mc 175

Remarks: within Matthews (L. Cherry Canyon) Fld
Disc. 5/84, 279,347 bbls, 30 oil wells
adj South producing 7 to 29 bbls/day
East lease issued 9/88, $75/ac bonus

Consideration
Recommended BOB 3-14-89
Not Recommended _____

MF - 88676

Surface Owner Name	Net Acres	State's Royalty	Net Acres/80 acres	Net State's Royalty
Schuler, R.A & James	8.88	0.09375	0.111	0.01040625
Schuler, Evelyn	4.44	0.09375	0.0555	0.005203125
Schuler, Viiolet	13.33	0.09375	0.166625	0.015621094
Oestrich, Lois & Clint	0.296	0.09375	0.0037	0.000346875
Max, Mildred	0.89	0.09375	0.011125	0.001042969
Kiel, Richard	0.444	0.09375	0.00555	0.000520313
Gehle, Richard	0.89	0.09375	0.011125	0.001042969
Gehle, Mary C.	1.34	0.09375	0.01675	0.001570313
Farwell, Altha M.	1.34	0.09375	0.01675	0.001570313
Kiel, Donald	0.296	0.09375	0.0037	0.000346875
Rybacheck, L.J.	0.296	0.09375	0.0037	0.000346875
Novallo, Algo A.	1.34	0.09375	0.01675	0.001570313
Campbell, Shirley	1.34	0.09375	0.01675	0.001570313
Wurm ,E. I.	0.89	0.09375	0.011125	0.001042969
Wagner, Carol & Arthur	0.444	0.09375	0.00555	0.000520313
Blake, Jack & Carol	16.884	0.115	0.21105	0.02427075
Staples, B.J.	13.33	0.115	0.166625	0.019161875
Blake, Robert & Marion	13.33	0.115	0.166625	0.019161875
	80			0.105316375

FILE NO. 282 JACK E. BLAKE, ET UX TO MICHAEL W. ROYE

No. 5367--General Land
Office Lease Form Under
Relinquishment Act
Revised, September 1987
GLO-L-19-(9-87)

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 2nd day of Nov. 19 88, between the State of Texas, acting by and through its agent, Jack E. Blake and wife, Carol Jo Blake of 400 N. Main, Midland, Texas 79701 U16000 1849 3 said agent
(Give Permanent Address)
herein referred to as the owner of the soil (whether one or more), and Michael W. Roye of
300 W. Texas, Suite 108, Midland, Texas 79701 79900000 833
(Give Permanent Address)
hereinafter called Lessee.

1. GRANTING CLAUSE. For and in consideration of the amounts stated below and of the covenants and agreements to be paid, kept and performed by Lessee under this lease, the State of Texas acting by and through the owner of the soil, hereby grants, leases and lets unto Lessee, for the sole and only purpose of prospecting and drilling for and producing oil and gas, laying pipe lines, building tanks, storing oil and building power stations, telephone lines and other structures thereon, to produce, save, take care of, treat and transport said products of the lease, the following lands situated in Reeves County, State of Texas, to-wit:

The Southeast 80 acres of the North 440 acres of said Section 12, Block 57, T-2, T&P Ry. Co. Survey, Reeves County, Texas more fully described as follows:

The Southeast part of the North 440 acres of said Section 12 was duly patented to Frank H. Schuler, F. C. Gehle and Fred M. Ulrich on November 17, 1943, by Patent No. 54, Volume 92-A as containing 80 acres, described by metes and bounds as follows:

BEGINNING at the SE/corner of the E/2 of the NE/4 of this Section in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey, and the NE/corner of this survey;

THENCE West 1267.2 varas with the South line of the N/2 to the NE/corner of the NW/ part of the S/2 and the NW/corner of this Survey;

THENCE South 356.4 varas with the East line of said NW/part of the S/2 to its SE/ corner in the North line of the South part and the SW/corner of this survey;

THENCE East 1267.2 varas with the North line of said South part to its NE/corner in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey, and the SE/corner of this Survey;

THENCE North 356.4 varas with the West line of said Section 7 to the place of beginning, containing 80 acres, more or less.

Insofar, and only insofar as the Lessors interest in and to the surface down to the base of the Brushy Canyon Formation, also described as the top of the Bone Springs Formation. All horizons below the base of the Brushy Canyon Formation are expressly reserved by Lessor.

containing 80 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Eight hundred forty-four and 20/100---------- Dollars ($ 844.20)

To the owner of the soil: Eight hundred forty-four and 20/100---------- Dollars ($ 844.20)

Total bonus consideration: One thousand six hundred eighty-eight and 40/100---------- Dollars ($ 1,688.40)

The total bonus consideration paid represents a bonus of One hundred---------- ---------- Dollars ($ 100.00----------) per acre, on 16.884 net acres.

2. TERM. Subject to the other provisions in this lease, this lease shall be for a term of three (3) years from this date (herein called "primary term") and as long thereafter as oil and gas, or either of them, is produced in paying quantities* from said land.

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*As used in this lease, the term "produced in paying quantities" means that the receipts from the sale or other authorized commercial use of the substance(s) covered exceed out of pocket operational expenses for the six months last past.

3. **DELAY RENTALS.** If no well is commenced on the leased premises on or before one (1) year from this date, this lease shall terminate, unless on or before such anniversary date Lessee shall pay or tender to the owner of the soil or to his credit in the NCNB, Texas National Bank, at Midland, Texas ____ ___, or its successors (which shall continue as the depository regardless of changes in the ownership of said land), the amount specified below; in addition, Lessee shall pay or tender to the COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS, AT AUSTIN, TEXAS, a like sum on or before said date. Payments under this paragraph shall operate as a rental and shall cover the privilege of deferring the commencement of a well for one (1) year from said date. Payments under this paragraph shall be in the following amounts:

To the owner of the soil: Eight and 44/100---------- Dollars ($ 8.44----------)

To the State of Texas: Eight and 44/100---------- Dollars ($ 8.44----------)

Total Rental: Sixteen and 88/100---------- Dollars ($ 16.88----------)

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

4. **PRODUCTION ROYALTIES.** When production of oil and/or gas is secured during the term of this lease, Lessee agrees to pay or cause to be paid one-half (1/2) of the royalty provided for in this lease to the Commissioner of the General Land Office of the State of Texas, at Austin, Texas, and one-half (1/2) of such royalty to the owner of the soil:

(a) **OIL.** Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be 23% part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be determined by 1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity in the general area where produced and when run, or 2) the highest market price thereof offered or paid in the general area where produced and when run, or 3) the gross proceeds of the sale thereof, whichever is greatest. Lessee agrees that before any gas produced from the leased premises is sold, used or processed in a plant, it will be run free of cost to the parties entitled to royalties through an adequate oil and gas separator of conventional type, or other equipment at least as efficient, so that all liquid hydrocarbons recoverable from the gas by such means will be recovered. The requirement that such gas be run through a separator or other equipment may be waived in writing by the royalty owners upon such terms and conditions as they prescribe.

(b) **NON PROCESSED GAS.** Royalty on any gas (including flared gas), which is defined as all hydrocarbons and gaseous substances not defined as oil in subparagraph (a) above, produced from any well on said land (except as provided herein with respect to gas processed in a plant for the extraction of gasoline, liquid hydrocarbons or other products) shall be 23% part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality in the general area where produced and when run, or the gross price paid or offered to the producer, whichever is greater; provided that the maximum pressure base in measuring the gas under this lease shall not at any time exceed 14.65 pounds per square inch absolute, and the standard base temperature shall be sixty (60) degrees Fahrenheit, correction to be made for pressure according to Boyle's Law, and for specific gravity according to tests made by the Balance Method or by the most approved method of testing being used by the industry at the time of testing.

(c) **PROCESSED GAS.** Royalty on any gas processed in a gasoline plant or other plant for the recovery of gasoline or other liquid hydrocarbons shall be 23% part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease, and on fifty percent (50%), or that percent accruing to Lessee, whichever is greater, of the total plant production of liquid hydrocarbons attributable to the gas produced from this lease; provided that if liquid hydrocarbons

are recovered from gas processed in a plant in which Lessee (or its parent, subsidiary or affiliate) owns an interest, then the percentage applicable to liquid hydrocarbons shall be fifty percent (50%) or the highest percent accruing to a third party processing gas through such plant under a processing agreement negotiated at arm's length (or if there is no such third party, the highest percent then being specified in processing agreements or contracts in the industry), whichever is greater. The respective royalties on residue gas and on liquid hydrocarbons shall be determined by 1) the highest market price paid or offered for any gas (or liquid hydrocarbons) of comparable quality in the general area, or 2) the gross price paid or offered for such residue gas (or the weighted average gross selling price for the respective grades of liquid hydrocarbons, F.O.B. at the plant in which said gas is processed), whichever is greater.

(d) **OTHER PRODUCTS.** Royalty on carbon black, sulphur or any other products produced or manufactured from gas (excepting liquid hydrocarbons) whether said gas be "casinghead," "dry," or any other gas, by fractionating, burning or any other processing shall be 23% part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows: 1) on the basis of the highest market price of each product for the same month in which such product is produced, or 2) on the basis of the average gross sale price of each product for the same month in which such product is sold, whichever is greater.

5. **MINIMUM ROYALTY.** For each calendar year following the date of the expiration of the primary term when this lease is held for any part of such calendar year by production, the royalty received under this lease must not be less than an amount equal to the total annual delay rental provided for in Paragraph 3. If Paragraph 3 of this lease does not specify a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre.

6. **ROYALTY IN KIND.** Notwithstanding any other provision in this lease, at any time or from time to time, the owner of the soil or the Commissioner of the General Land Office may, at the option of either, upon not less than sixty (60) days notice to the holder of the lease, require that the payment of any royalties accruing to such royalty owner under this lease be made in kind.

7. **NO DEDUCTIONS.** Lessee agrees that all royalties accruing under this lease (including those paid in kind) shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and otherwise making the oil, gas and other products hereunder ready for sale or use. Lessee agrees to compute and pay royalties on the gross value received, including any reimbursements for severance taxes and production related costs.

8. **PLANT FUEL AND RECYCLED GAS.** No royalty shall be payable on any gas as may represent this lease's proportionate share of any fuel used to process gas produced hereunder in any processing plant. Notwithstanding any other provision of this lease, and subject to the written consent of the owner of the soil and the Commissioner of the General Land Office, Lessee may recycle gas for gas lift purposes on the leased premises or for injection into any oil or gas producing formation underlying the leased premises after the liquid hydrocarbons contained in the gas have been removed; no royalties shall be payable on the recycled gas until it is produced and sold or used by Lessee in a manner which entitles the royalty owners to a royalty under this lease.

9. **ROYALTY PAYMENTS AND REPORTS.** All royalties which are required to be paid to the Commissioner of the General Land Office under this lease shall be due and payable in the following manner: Royalty on oil is due and must be received in the General Land Office on or before the 5th day of the second month succeeding the month of production, and royalty on gas is due and must be received in the General Land Office on or before the 15th day of the second month succeeding the month of production, accompanied by the affidavit of the owner, manager or other authorized agent, completed in the form and manner prescribed by the General Land Office and showing the gross amount and disposition of all oil and gas produced and the market value of the oil and gas, together with a copy of all documents, records or reports confirming the gross production, disposition and market value including gas meter readings, pipeline receipts, gas line receipts and other checks or memoranda of amount produced and put into pipelines, tanks, or pools and gas lines or gas storage, and any other reports or records which the General Land Office may require to verify the gross production, disposition and market value. Each royalty payment shall be accompanied by a check stub, schedule, summary or other remittance advice showing by the assigned General Land Office lease number, the amount of royalty being paid on each lease. If Lessee pays his royalty late but on or before thirty (30) days after the royalty payment was due, then Lessee owes a penalty of 5% of the royalty or $25.00, whichever is greater. A royalty payment which is over thirty (30) days late shall accrue a penalty of 10% of the royalty due or $25.00, whichever is greater. In addition to a penalty, royalties shall accrue interest at a rate of 12% per year; such interest will begin accruing when the royalty is sixty (60) days overdue. Affidavits and supporting documents which are not filed when due shall incur a penalty in an amount set by the General Land Office administrative rule which is effective on the date when the affidavits or supporting documents were due. The Lessee shall

bear all responsibility for paying or causing royalties to be paid in the manner prescribed in this paragraph. Payment of the delinquency penalty shall in no way operate to prohibit the State's right of forfeiture as provided by law nor act to postpone the date on which royalties were originally due. The above penalty provisions shall not apply in cases of title dispute as to the State's portion of the royalty or to that portion of the royalty in dispute as to fair market value. Penalties due under this paragraph are subject to change in order to conform to any future penalty statutes. The State shall have a first lien upon all oil and gas produced from the area covered by this lease to secure the payment of all unpaid royalty and other sums of money that may become due to the State under this lease.

10. **PERMITS, REPORTS, AND RESERVES.** Lessee shall file all drilling permits in the name of the "State" and require each well and/or tank battery on the leased premises to be designated by the word "State" for identification and reporting to the Railroad Commission or any other governmental agency. Written notice of operations under this lease shall be submitted to the Commissioner of the General Land Office by Lessee five (5) days before spud date, cessation of production, workover, re-entry, temporary abandonment or abandonment of any well, and shall include copies of Railroad Commission forms for application to drill, well tests, completion reports and plugging records. Lessee shall supply the General Land Office with any records, memoranda, accounts, reports, cuttings and cores, or other information relative to the operation of the above described premises, which may be requested by the General Land Office, in addition to those herein expressly provided for. Lessee shall have an electrical and/or radioactivity survey made on the bore-hole section, from the base of the surface casing to total depth of well, of all wells drilled on the above described premises and shall transmit a true copy of the log of each survey on each well to the General Land Office within fifteen (15) days after making of said survey. The Commissioner of the General Land Office reserves the right to require Lessee to annually furnish the said Commissioner with its best possible estimate of oil and gas reserves underlying this lease or allocable to this lease.

11. **DRY HOLE CLAUSE.** If, during the primary term hereof and prior to discovery and production of oil or gas on said land, Lessee should drill a dry hole or holes thereon, or if, after discovery and production of oil or gas, the production thereof should cease from any cause, this lease shall not terminate if, on or before the rental paying date next ensuing after the expiration of sixty (60) days from date of completion of said dry hole or cessation of production, Lessee commences additional drilling or reworking operations thereon, or commences or resumes the payment of annual delay rental in the same manner as provided in Paragraph 3 of this lease. If a dry hole be completed and abandoned during the last year of the primary term, Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in oil or gas well within the primary term hereof, Lessee may resume payment of annual rental in the same manner as provided in Paragraph 3 in this lease on or before the rental paying date next ensuing after sixty (60) days from the date of completion of such shut-in oil or gas well, and upon the failure to make such annual rental payment, this lease shall ipso facto terminate. If at the expiration of the primary term or at any time thereafter a shut-in oil or gas well is located on the leased premises, payments may be made in accordance with the provisions of Paragraph 14 of this lease.

12. **DRILLING AND REWORKING AT EXPIRATION OF PRIMARY TERM.** If, at the expiration of the primary term, neither oil nor gas is being produced on said land, but Lessee is then engaged in drilling or reworking operations thereon, this lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted in good faith and in workmanlike manner without interruptions totaling more than sixty (60) days during any one such operation, and if they result in the production of oil and/or gas, so long thereafter as oil and/or gas is produced in paying quantities from said land, or payment of shut-in oil or gas well royalties or compensatory royalties is made as provided in this lease.

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

14. **SHUT IN ROYALTIES.** If, at the expiration of the primary term or at any time thereafter, a well or wells capable of producing oil or gas in paying quantities is located on the leased premises but oil or gas is not being produced for lack of suitable production facilities or a suitable market, and the lease is not being maintained in force and effect, Lessee may pay as a shut-in oil or gas royalty an amount equal to double the annual rental provided in Paragraph 3 of this lease but not less than $1,200 a year for each well capable of producing oil or gas in paying quantities. If Paragraph 3 of this lease does not specify

a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre. Any shut-in oil or gas royalty must be paid on or before: (1) the expiration of the primary term, (2) 60 days after the lessee ceases to produce oil or gas from the leased premises, or (3) 60 days after lessee completes a drilling and reworking operation in accordance with the lease provisions; whichever date is latest. Such payment shall be made one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil. If the shut-in oil or gas royalty is paid, the lease shall be considered to be a producing lease and the payment shall extend the term of the lease for a period of one (1) year from the end of the primary term or from the first day of the month next succeeding the month in which production ceased and after that, if no suitable production facilities or suitable market for the oil or gas exists, Lessee may extend the lease for four (4) additional and successive periods of one year by paying the same amount each year on or before the expiration of the extended term. If, during the period the lease is kept in effect by payment of the shut-in oil or gas royalty, oil or gas is sold and delivered in paying quantities from a well located within 1,000 feet of the leased premises and completed in the same producing reservoir or, in any case in which drainage is occurring, the right to continue to extend the lease by paying the shut-in oil or gas royalty shall cease. The lease shall remain effective for the remainder of the year for which the royalty has been paid and for four (4) additional and successive periods of one year each by the Lessee paying compensatory royalty at the royalty rate provided in the lease of the value at the well of production from the well that is causing the drainage or that is completed in the same producing reservoir and within 1,000 feet of the leased premises. The compensatory royalty is to be paid monthly, one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil, beginning on or before the last day of the month next succeeding the month in which the oil or gas is sold and delivered from the well. If the compensatory royalty paid in any 12-month period is in an amount less than the annual shut-in oil or gas royalty, Lessee shall pay an amount equal to the difference within 30 days from the end of the 12-month period. None of these provisions will relieve Lessee of the obligation of reasonable development or the obligation to drill offset wells as provided in Texas Natural Resources Code §52.173.

15. DEVELOPMENT. Notwithstanding any provision of this lease to the contrary, after a well producing, or capable of producing, oil or gas has been completed on the leased premises, Lessee shall exercise the diligence of a reasonably prudent operator in drilling such additional well or wells as may be reasonably necessary for the proper development of the leased premises and in marketing the oil and gas produced. In the event this lease is in force and effect three (3) years after the expiration date of the primary term, it shall then terminate as to all of the leased premises, EXCEPT: 1) 40 acres surrounding each producing oil well and 320 acres surrounding each producing gas well (including a shut-in oil or gas well as provided in Paragraph 14 of this lease), or a well upon which Lessee is then engaged in continuous drilling or reworking operations, or 2) the number of acres included in a producing pooled unit pursuant to Texas Natural Resources Code §52.151 - §52.153, or 3) such greater or lesser number of acres as may then be allocated for production purposes to a proration unit for each such producing well under the rules and regulations of the Railroad Commission of Texas, or any successor agency, or other governmental authority having jurisdiction. "Producing" as used in this lease means producing in paying quantities. The acreage retained under this provision as to each well shall, as nearly as practical, be in the form of a square with the well located in the center or in such other shape as may be approved by the Commissioner of the General Land Office. Lessee shall execute and record a release or releases containing a satisfactory description of the acreage terminated under this provision, and the recorded release, or a certified copy of same, shall be filed in the General Land Office, accompanied by the prescribed filing fee.

16. OFFSET WELLS. Neither the bonus, delay rentals, nor royalties paid, or to be paid, under this lease shall relieve Lessee of his obligation to protect the oil and gas under the above-described land from being drained. To prevent drainage, Lessee is obligated to drill as many wells as the facts may justify and to the depth or depths necessary for effective protection against undue drainage. In addition, if a draining well which is producing in commercial quantities is located within 1,000 feet of the above-described land, or in any case where the above described land is being drained, Lessee is statutorily obligated to drill an offset well on the leased premises within 100 days after the draining well begins production in commercial quantities. Failure to satisfy the statutory offset obligation may subject this lease and the owner of the soil's agency rights to forfeiture. Only upon the determination of the Commissioner of the General Land Office and with his written approval may the payment of compensatory royalty satisfy obligation to drill an offset well or wells required under this paragraph.

17. FORCE MAJEURE. If, after a good faith effort, Lessee is prevented from complying with any express or implied covenant of this lease, from conducting drilling operations on the leased premises, or from producing oil or gas from the leased premises by reason of war, rebellion, riots, strikes, acts of God, or any valid order, rule or regulation of government authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended and Lessee shall not be liable for damages for failure to comply with such covenants; additionally, this lease shall be extended while Lessee is prevented, by any such cause, from conducting drilling and reworking operations or from producing oil or gas from the leased premises. However, nothing in this paragraph shall suspend the payment of delay rentals in order to maintain this lease in effect during the primary term in the absence of such drilling or reworking operations or production of oil or gas.

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

19. PROPORTIONATE REDUCTION CLAUSE. If the owner of the soil owns less than the entire undivided surface estate in the above described land, whether or not Lessee's interest is specified herein, then the royalties ~~and rental~~ herein provided to be paid to the owner of the soil shall be paid to him in the proportion which his interest bears to the entire undivided surface estate and the royalties ~~and rental~~ herein provided to be paid to the Commissioner of the General Land Office of the State of Texas shall be likewise proportionately reduced. However, before Lessee adjusts the royalty or rental due to the Commissioner of the General Land Office, Lessee or his authorized representative must submit to the Commissioner of the General Land Office a written statement which explains the discrepancy between the interest purportedly leased under this lease and the actual interest owned by the owner of the soil. The Commissioner of the General Land Office shall be paid the value of the whole production allocable to any undivided interest not covered by a lease, less the proportionate development and production cost allocable to such undivided interest. However, in no event shall the Commissioner of the General Land Office receive as a royalty on the gross production allocable to the undivided interest not leased an amount less than the value of one-sixteenth (1/16) of such gross production.

20. USE OF WATER. Lessee shall have the right to use water produced on said land necessary for operations under this lease except water from wells or tanks of the owner of the soil; provided, however, Lessee shall not use potable water or water suitable for livestock or irrigation purposes for waterflood operations without the prior consent of the owner of the soil.

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

22. PIPELINE DEPTH. When requested by the owner of the soil, Lessee shall bury its pipelines below plow depth.

23. WELL LOCATION LIMIT. No well shall be drilled nearer than two hundred (200) feet to any house or barn now on said premises without the written consent of the owner of the soil.

24. CONSERVATION CLAUSE. Lessee shall have the exclusive right to build, operate and maintain pits, reservoirs, pickup stations and plants for the purpose of picking up and conserving waste oil that flows down the creeks, ravines and across the leased premises, whether such waste oil is produced from the leased premises or from other lands. Royalties, as provided in this lease for regularly produced oil, are also owed on all such waste oil.

25. REMOVAL OF EQUIPMENT. Subject to limitations in this paragraph, Lessee shall have the right to remove machinery and fixtures placed by Lessee on the leased premises, including the right to draw and remove casing, within one hundred twenty (120) days after the expiration or the termination of this lease unless the owner of the soil grants Lessee an extension of this 120-day period. However, Lessee may not remove casing from any well capable of producing oil and gas in paying quantities. Additionally, Lessee may not draw and remove casing until after thirty (30) days written notice to the Commissioner of the General Land Office and to the owner of the soil. The owner of the soil shall become the owner of any machinery, fixtures, or casing which are not timely removed by Lessee under the terms of this paragraph.

26. (a) ASSIGNMENTS. Under the conditions contained in this paragraph and Paragraph 28 of this lease, the rights and estates of either party to this lease may be assigned, in whole or in part, and the provisions of this lease shall extend to and be binding upon their heirs, devisees, legal representatives, successors and assigns. However, a change or division in ownership of the land, rentals, or royalties will not enlarge the obligations of Lessee, diminish the rights, privileges and estates of Lessee, impair the effectiveness of any payment made by Lessee or impair the effectiveness of any act performed by Lessee. And no change or division in ownership of the land, rentals, or royalties shall bind Lessee for any purpose until thirty (30) days after the owner of the soil (or his heirs, devisees, legal representatives or assigns) furnishes the Lessee with satisfactory written evidence of the change in ownership, including the original recorded muniments of title (or a certified copy of such original) when the ownership changed because of a conveyance. A total or partial assignment of this lease shall, to the extent of the interest assigned, relieve and discharge Lessee of all subsequent obligations under this lease. If this lease is assigned in its entirety as to only part of the acreage, the right and option to pay rentals shall be apportioned as between the several owners ratably, according to the area of each, and failure by one or more of them to pay his share of the rental shall not affect

this lease on the part of the land upon which pro rata rentals are timely paid or tendered; however, if the assignor or assignee does not file a certified copy of such assignment in the General Land Office before the next rental paying date, the entire lease shall terminate for failure to pay the entire rental due under Paragraph 3. Every assignee shall succeed to all rights and be subject to all obligations, liabilities, and penalties owed to the State by the original lessee or any prior assignee of the lease, including any liabilities to the State for unpaid royalties.

(b) ASSIGNMENT LIMITATION. Notwithstanding any provision in Paragraph 26(a), if the owner of the soil acquires this lease in whole or in part by assignment without the prior written approval of the Commissioner of the General Land Office, this lease is void as of the time of assignment and the agency power of the owner may be forfeited by the Commissioner. An assignment will be treated as if it were made to the owner of the soil if the assignee is:

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

27. RELEASES. Under the conditions contained in this paragraph and Paragraph 28, Lessee may at any time execute and deliver to the owner of the soil and place of record a release or releases covering any portion or portions of the leased premises, and thereby surrender this lease as to such portion or portions, and be relieved of all subsequent obligations as to acreage surrendered. If any part of this lease is properly surrendered, the delay rental due under this lease shall be reduced by the proportion that the surrendered acreage bears to the acreage which was covered by this lease immediately prior to such surrender; however, such release will not relieve Lessee of any liabilities which may have accrued under this lease prior to the surrender of such acreage.

28. FILING OF ASSIGNMENTS AND RELEASES. If all or any part of this lease is assigned or released, such assignment or release must be recorded in the county where the land is situated, and the recorded instrument, or a copy of the recorded instrument certified by the County Clerk of the county in which the instrument is recorded, must be filed in the General Land Office within 90 days of the last execution date accompanied by the prescribed filing fee. If any such assignment is not so filed, the rights acquired under this lease shall be subject to forfeiture at the option of the Commissioner of the General Land Office.

29. LEASE FILING. It is recognized that before this lease is effective a certified copy of this lease (which is made and certified by the County Clerk from his records) shall be filed in the General Land Office in accordance with Texas Natural Resources Code §52.183, and this lease shall not be binding upon the State unless it recites the actual and true consideration paid or promised for execution of this lease. The bonus due the State and the prescribed filing fee shall accompany such certified copy to the General Land Office.

30. DISCLOSURE CLAUSE. All provisions pertaining to the lease of the above-described land have been included in this instrument, including the statement of the true consideration to be paid for the execution of this lease and the rights and duties of the parties. Any collateral agreements concerning the development of oil and gas from the leased premises which are not contained in this lease render this lease invalid.

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

32. FORFEITURE. If Lessee shall fail or refuse to make the payment of any sum within thirty days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if Lessee should fail to file reports in the manner required by law or fail to comply with rules and regulations promulgated by the General Land Office, the School Land Board, or the Railroad Commission, or if Lessee should refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or knowingly fail or refuse

to furnish the General Land Office a correct log of any well, or if Lessee shall knowingly violate any of the material provisions of this lease, or if this lease is assigned and the assignment is not filed in the General Land Office as required by law, the rights acquired under this lease shall be subject to forfeiture by the Commissioner, and he shall forfeit same when sufficiently informed of the facts which authorize a forfeiture, and when forfeited the area shall again be subject to lease under the terms of the Relinquishment Act. However, nothing herein shall be construed as waiving the automatic termination of this lease by operation of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this lease and all rights thereunder reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

33. **RAILROAD COMMISSION HEARINGS ON GAS.** No natural gas or casinghead gas, including both associated and nonassociated gas, produced from the mineral estate subject to this lease may be sold or contracted for sale to any person for ultimate use outside the State of Texas unless the Railroad Commission, after notice and hearing as provided in Title 3 of the Texas Natural Resources Code, finds that:

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

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

(c) no public or private school in this State that provides elementary, secondary, or higher education requires the natural gas or casinghead gas to meet its existing needs for fuel;

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

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

(f) no person who resides in this State and who relies on natural gas or casinghead gas to provide in whole or part his existing needs for fuel or raw material requires the natural gas or casinghead gas to meet those needs; provided, however, after notice and hearing as provided in Title 3 of the Texas Natural Resources Code the Railroad Commission may grant exceptions to these provisions as set forth in Texas Natural Resources Code §52.296.

34. This lease is issued under the provisions of Texas Natural Resources Code §52.171 through §52.188, commonly known as the Relinquishment Act, and other applicable statutes and amendments thereto, and if any provision in this lease does not conform to these statutes, the statutes will prevail over any nonconforming lease provisions.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

STATE OF TEXAS
BY: Jack E. Blake
Individually and as agent for the State of Texas
Jack E. Blake
S[redacted]

STATE OF TEXAS
BY: Carol Jo Blake
Individually and as agent for the State of Texas
Carol Jo Blake

STATE OF TEXAS
BY:_____
Individually and as agent for the State of Texas

STATE OF TEXAS
BY:_____
Individually and as agent for the State of Texas

STATE OF TEXAS
COUNTY OF Midland

This instrument acknowledged before me on November 2, 1988 by

Jack E. Blake and Carol Jo Blake.

Janet Burge
Notary Public in and for Midland County, Texas
My commission expires: 6/1/92

JANET BURGE
Notary Public, State of Texas
County of Midland
My Comm. Expires June 13, 1992

STATE OF TEXAS
COUNTY OF

This instrument acknowledged before me on by

.

Notary Public in and for County, Texas
My commission expires:

STATE OF TEXAS
COUNTY OF

This instrument acknowledged before me on by

.

Notary Public in and for County, Texas
My commission expires:

FOR SALE BY STAFFORD-LOWDON CO. FORT WORTH 55326

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

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 OIL AND GAS LEASE FROM JACK E. BLAKE, ET UX TO MICHAEL W. ROYE

as the same appears of record in my office in book 491 page 696, Deed Record.

Given under my Hand and Seal of said Court, at office in Pecos, Texas this 31st day of January 19 89.

CATHERINE ASHLEY Clerk,

By Billie Jo Freeman Deputy.
(Billie JO Freeman)

ANY PROVISION HEREIN WHICH RESTRICTS THE SALE, RENTAL, OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

FILED FOR RECORD ON THE 31st DAY OF January A.D. 1989 at 11:05A.M.

DULY RECORDED ON THE 31st DAY OF January A.D. 1989 at 12:30P.M.

BY Billie Jo Freeman DEPUTY

CATHERINE ASHLEY, COUNTY CLERK,
REEVES COUNTY, TEXAS.

Michael W Royle
~~Betty Jane Staples~~

R.A.L. Form Review Checklist

County Reeves Sec. 12 Blk. 57 Survey TYP Lessee ~~JE Blake~~
Surface Owner JE Blake Undivided Int. ____ Full Int. ____
Betty J. Staples

I Initial review of proposed lease

Current lease form used ✓
Lease covers R.A.L. land ✓
No active leases on same interest ✓
Lease date okay ✓
Lease is not a top lease ✓
Legal description complete and accurate ✓
Depth limitations, if any, included yes
Covers no more than 4 sections (2560 acres) ✓
Multiple tracts contiguous or within 1/2 mile ✓
All interests in surface estate included ✓
Surface owner not principal in lessee company ✓
Bonus amount correct ✓
Primary term correct ✓
Delay rental correct ✓
Royalty correct ✓
Lease form complete ✓
Are there additions or deletions to form no
Are additional provisions, if any, okay —
Is the lease signed yes
If signed, by proper individuals yes
If signed, is it properly executed and acknowledged yes
If signed, is it certified by county clerk with seal yes

REVIEWED BY OB 2-1589 REVIEWED BY ____

COMMENTS: lease is certified + money received

II Final review, after bonus and fees received

Necessary changes made, if any ✓
Lease complete and correct ✓
Lease properly signed by all parties ✓
All signatures properly acknowledged ✓
Lease certified by county clerk and seal affixed —

REVIEWED BY OB 2-15-89 REVIEWED BY ____

M-8867C (78)

RAL form Review checklist

2-15-89

GENERAL LAND OFFICE
GARRY MAURO
COMMISSIONER

MEMORANDUM

DATE: 2-15-89

TO: Garry Mauro, Commissioner

FROM: Peter Boone, Petroleum and Minerals

SUBJECT: Relinquishment Act Lease
County: Reeves
Description: SE 80 ac of N 440 ac, Sec 12, Blk 57, T-2, T&P RR
Applicant: Michael W. Roye
Consideration: $100/ac bonus, 25% royalty, $1.00 rental, 3 yrs

Consideration

Recommended: POB 3-14-89
Not Recommended
Comments:

Form

Recommended: POB 3-14-89
Not Recommended:
Recommended, after technical changes:
Comments:

The lease is a certified copy

Legal Services Comments (if requested)

Jack Giberson, Chief Clerk Date

Recommended:
Not Recommended

Garry Mauro, Commissioner Date

Approved: Garry Mauro Not Approved:

Approved, after technical changes:

Mineral Classified Land
Lease Consideration Comparison

County Reeves
Area SE 80 ac of N 440 ac Sec 12, Blk 57, T-2, T&P

M. F.	Acres	Lease Date	Term	Total Bonus	B/Ac	Rental	Comparison
New	13.33 80	8-31-88	3 yrs	$999.75	$75	$1.00	3/32
M-92187	160	2-23-87	3 yrs	$8000	$50	$1.00	3/32 5½ mi E
M-92197	640	4-12-87	3 yrs	$36,400	$60	$1.00	1/10 1½ mi W
M-92207	320	5-25-87	5 yrs	$16,000	$50	$1.00	3/32 2 mi S
M-92678	640	1-11-88	9 mo.	$6,400	$10	N/A	8.5% 3½ mi W 142477

Remarks:
within Mulhaus (Low Chorro Canyon) Fld
D.isc. 5/84, 279,347 bbls
3 oil wells adj S/ 2 wells producing ~ 766 bbls/day. The remaining well produces ~ 29 bbls/day

Low 100 Hi 225 Mc 175

Consideration Recommended RAB 9-16-88
Not Recommended

MF - 88676.

Surface Owner Name	Net Acres	State's Royalty	Net Acres/80 acres	Net State's Royalty
Schuler, R.A & James	8.88	0.09375	0.111	0.01040625
Schuler, Evelyn	4.44	0.09375	0.0555	0.005203125
Schuler, Viiolet	13.33	0.09375	0.166625	0.015621094
Oestrich, Lois & Clint	0.296	0.09375	0.0037	0.000346875
Max, Mildred	0.89	0.09375	0.011125	0.001042969
Kiel, Richard	0.444	0.09375	0.00555	0.000520313
Gehle, Richard	0.89	0.09375	0.011125	0.001042969
Gehle, Mary C.	1.34	0.09375	0.01675	0.001570313
Farwell, Altha M.	1.34	0.09375	0.01675	0.001570313
Kiel, Donald	0.296	0.09375	0.0037	0.000346875
Rybacheck, L.J.	0.296	0.09375	0.0037	0.000346875
Novallo, Algo A.	1.34	0.09375	0.01675	0.001570313
Campbell, Shirley	1.34	0.09375	0.01675	0.001570313
Wurm ,E. I.	0.89	0.09375	0.011125	0.001042969
Wagner, Carol & Arthur	0.444	0.09375	0.00555	0.000520313
Blake, Jack & Carol	16.884	0.115	0.21105	0.02427075
Staples, B.J.	13.33	0.115	0.166625	0.019161875
Blake, Robert & Marion	13.33	0.115	0.166625	0.019161875
	80			0.105316375

VOL 491 PAGE 686

FILE NO. 281 BETTY JANE STAPLES TO MICHAEL W. ROYE

No. 5367--General Land
Office Lease Form Under
Relinquishment Act
Revised, September 1987
GLO-L-19-(9-87)

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 2nd day of Nov. 19 88, between the State of Texas, acting by and through its agent, Betty Jane Staples of 1406 W. Pecan, Midland, Texas 79705 said agent
(Give Permanent Address)
herein referred to as the owner of the soil (whether one or more), and Michael W. Roye of
300 W. Texas, Suite 108, Midland, Texas 79701 79000000833
(Give Permanent Address)
hereinafter called Lessee.

1. GRANTING CLAUSE. For and in consideration of the amounts stated below and of the covenants and agreements to be paid, kept and performed by Lessee under this lease, the State of Texas acting by and through the owner of the soil, hereby grants, leases and lets unto Lessee, for the sole and only purpose of prospecting and drilling for and producing oil and gas, laying pipe lines, building tanks, storing oil and building power stations, telephone lines and other structures thereon, to produce, save, take care of, treat and transport said products of the lease, the following lands situated in Reeves County, State of Texas, to-wit:

The Southeast 80 acres of the North 440 acres of said Section 12, Block 57, T-2, T&P Ry. Co. Survey, Reeves County, Texas more fully described as follows:

The Southeast part of the North 440 acres of said Section 12 was duly patented to Frank H. Schuler, F. C. Gehle and Fred M. Ulrich on November 17, 1943, by Patent No. 54, Volume 92-A as containing 80 acres, described by metes and bounds as follows:

BEGINNING at the SE/corner of the E/2 of the NE/4 of this Section in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey, and the NE/corner of this survey;

THENCE West 1267.2 varas with the South line of the N/2 to the NE/corner of the NW/ part of the S/2 and the NW/corner of this Survey;

THENCE South 356.4 varas with the East line of said NW/part of the S/2 to its SE/ corner in the North line of the South part and the SW/corner of this survey;

THENCE East 1267.2 varas with the North line of said South part to its NE/corner in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey, and the SE/corner of this Survey;

THENCE North 356.4 varas with the West line of said Section 7 to the place of beginning, containing 80 acres, more or less.

Insofar, and only insofar as the Lessors interest in and to the surface down to the base of the Brushy Canyon Formation, also described as the top of the Bone Springs Formation. All horizons below the base of the Brushy Canyon Formation are expressly reserved by Lessor.

containing 80 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Six hundred sixty-six and 50/100---------- Dollars ($ 666.50)

To the owner of the soil: Six hundred sixty-six and 50/100---------- Dollars ($ 666.50)

Total bonus consideration: One thousand three hundred thirty-three and no/100---------- Dollars ($ 1,333.00)

The total bonus consideration paid represents a bonus of One hundred---------- ---------- Dollars ($ 100.00----------) per acre, on 13.33 net acres.

2. TERM. Subject to the other provisions in this lease, this lease shall be for a term of three (3) years from this date (herein called "primary term") and as long thereafter as oil and gas, or either of them, is produced in paying quantities* from said land.

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*As used in this lease, the term "produced in paying quantities" means that the receipts from the sale or other authorized commercial use of the substance(s) covered exceed out of pocket operational expenses for the six months last past.

2. DELAY RENTALS. If no well is commenced on the leased premises on or before one (1) year from this date, this lease shall terminate, unless on or before such anniversary date Lessee shall pay or tender to the owner of the soil or to his credit in the NCNB of Texas Bank, at Midland, Texas, or its successors (which shall continue as the depository regardless of changes in the ownership of said land), the amount specified below; in addition, Lessee shall pay or tender to the COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS, AT AUSTIN, TEXAS, a like sum on or before said date. Payments under this paragraph shall operate as a rental and shall cover the privilege of deferring the commencement of a well for one (1) year from said date. Payments under this paragraph shall be in the following amounts:

To the owner of the soil: Six and 66/100---------- Dollars ($ 6.66----------)

To the State of Texas: Six and 67/100---------- Dollars ($ 6.67----------)

Total Rental: Thirteen and 33/100---------- Dollars ($ 13.33----------)

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

4. PRODUCTION ROYALTIES. When production of oil and/or gas is secured during the term of this lease, Lessee agrees to pay or cause to be paid one-half (1/2) of the royalty provided for in this lease to the Commissioner of the General Land Office of the State of Texas, at Austin, Texas, and one-half (1/2) of such royalty to the owner of the soil:

(a) OIL. Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be 23% part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be determined by 1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity in the general area where produced and when run, or 2) the highest market price thereof offered or paid in the general area where produced and when run, or 3) the gross proceeds of the sale thereof, whichever is greatest. Lessee agrees that before any gas produced from the leased premises is sold, used or processed in a plant, it will be run free of cost to the parties entitled to royalties through an adequate oil and gas separator of conventional type, or other equipment at least as efficient, so that all liquid hydrocarbons recoverable from the gas by such means will be recovered. The requirement that such gas be run through a separator or other equipment may be waived in writing by the royalty owners upon such terms and conditions as they prescribe.

(b) NON PROCESSED GAS. Royalty on any gas (including flared gas), which is defined as all hydrocarbons and gaseous substances not defined as oil in subparagraph (a) above, produced from any well on said land (except as provided herein with respect to gas processed in a plant for the extraction of gasoline, liquid hydrocarbons or other products) shall be 23% part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality in the general area where produced and when run, or the gross price paid or offered to the producer, whichever is greater; provided that the maximum pressure base in measuring the gas under this lease shall not at any time exceed 14.65 pounds per square inch absolute, and the standard base temperature shall be sixty (60) degrees Fahrenheit, correction to be made for pressure according to Boyle's Law, and for specific gravity according to tests made by the Balance Method or by the most approved method of testing being used by the industry at the time of testing.

(c) PROCESSED GAS. Royalty on any gas processed in a gasoline plant or other plant for the recovery of gasoline or other liquid hydrocarbons shall be 23% part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease, and on fifty percent (50%), or that percent accruing to Lessee, whichever is greater, of the total plant production of liquid hydrocarbons attributable to the gas produced from this lease; provided that if liquid hydrocarbons

are recovered from gas processed in a plant in which Lessee (or its parent, subsidiary or affiliate) owns an interest, then the percentage applicable to liquid hydrocarbons shall be fifty percent (50%) or the highest percent accruing to a third party processing gas through such plant under a processing agreement negotiated at arm's length (or if there is no such third party, the highest percent then being specified in processing agreements or contracts in the industry), whichever is greater. The respective royalties on residue gas and on liquid hydrocarbons shall be determined by 1) the highest market price paid or offered for any gas (or liquid hydrocarbons) of comparable quality in the general area, or 2) the gross price paid or offered for such residue gas (or the weighted average gross selling price for the respective grades of liquid hydrocarbons, F.O.B. at the plant in which said gas is processed), whichever is greater.

(d) **OTHER PRODUCTS.** Royalty on carbon black, sulphur or any other products produced or manufactured from gas (excepting liquid hydrocarbons) whether said gas be "casinghead," "dry," or any other gas, by fractionating, burning or any other processing shall be 23% part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows: 1) on the basis of the highest market price of each product for the same month in which such product is produced, or 2) on the basis of the average gross sale price of each product for the same month in which such product is sold, whichever is greater.

5. **MINIMUM ROYALTY.** For each calendar year following the date of the expiration of the primary term when this lease is held for any part of such calendar year by production, the royalty received under this lease must not be less than an amount equal to the total annual delay rental provided for in Paragraph 3. If Paragraph 3 of this lease does not specify a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre.

6. **ROYALTY IN KIND.** Notwithstanding any other provision in this lease, at any time or from time to time, the owner of the soil or the Commissioner of the General Land Office may, at the option of either, upon not less than sixty (60) days notice to the holder of the lease, require that the payment of any royalties accruing to such royalty owner under this lease be made in kind.

7. **NO DEDUCTIONS.** Lessee agrees that all royalties accruing under this lease (including those paid in kind) shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and otherwise making the oil, gas and other products hereunder ready for sale or use. Lessee agrees to compute and pay royalties on the gross value received, including any reimbursements for severance taxes and production related costs.

8. **PLANT FUEL AND RECYCLED GAS.** No royalty shall be payable on any gas as may represent this lease's proportionate share of any fuel used to process gas produced hereunder in any processing plant. Notwithstanding any other provision of this lease, and subject to the written consent of the owner of the soil and the Commissioner of the General Land Office, Lessee may recycle gas for gas lift purposes on the leased premises or for injection into any oil or gas producing formation underlying the leased premises after the liquid hydrocarbons contained in the gas have been removed; no royalties shall be payable on the recycled gas until it is produced and sold or used by Lessee in a manner which entitles the royalty owners to a royalty under this lease.

9. **ROYALTY PAYMENTS AND REPORTS.** All royalties which are required to be paid to the Commissioner of the General Land Office under this lease shall be due and payable in the following manner: Royalty on oil is due and must be received in the General Land Office on or before the 5th day of the second month succeeding the month of production, and royalty on gas is due and must be received in the General Land Office on or before the 15th day of the second month succeeding the month of production, accompanied by the affidavit of the owner, manager or other authorized agent, completed in the form and manner prescribed by the General Land Office and showing the gross amount and disposition of all oil and gas produced and the market value of the oil and gas, together with a copy of all documents, records or reports confirming the gross production, disposition and market value including gas meter readings, pipeline receipts, gas line receipts and other checks or memoranda of amount produced and put into pipelines, tanks, or pools and gas lines or gas storage, and any other reports or records which the General Land Office may require to verify the gross production, disposition and market value. Each royalty payment shall be accompanied by a check stub, schedule, summary or other remittance advice showing by the assigned General Land Office lease number, the amount of royalty being paid on each lease. If Lessee pays his royalty late but on or before thirty (30) days after the royalty payment was due, then Lessee owes a penalty of 5% of the royalty or $25.00, whichever is greater. A royalty payment which is over thirty (30) days late shall accrue a penalty of 10% of the royalty due or $25.00, whichever is greater. In addition to a penalty, royalties shall accrue interest at a rate of 12% per year; such interest will begin accruing when the royalty is sixty (60) days overdue. Affidavits and supporting documents which are not filed when due shall incur a penalty in an amount set by the General Land Office administrative rule which is effective on the date when the affidavits or supporting documents were due. The Lessee shall

bear all responsibility for paying or causing royalties to be paid in the manner prescribed in this paragraph. Payment of the delinquency penalty shall in no way operate to prohibit the State's right of forfeiture as provided by law nor act to postpone the date on which royalties were originally due. The above penalty provisions shall not apply in cases of title dispute as to the State's portion of the royalty or to that portion of the royalty in dispute as to fair market value. Penalties due under this paragraph are subject to change in order to conform to any future penalty statutes. The State shall have a first lien upon all oil and gas produced from the area covered by this lease to secure the payment of all unpaid royalty and other sums of money that may become due to the State under this lease.

10. PERMITS, REPORTS, AND RESERVES. Lessee shall file all drilling permits in the name of the "State" and require each well and/or tank battery on the leased premises to be designated by the word "State" for identification and reporting to the Railroad Commission or any other governmental agency. Written notice of operations under this lease shall be submitted to the Commissioner of the General Land Office by Lessee five (5) days before spud date, cessation of production, workover, re-entry, temporary abandonment or abandonment of any well, and shall include copies of Railroad Commission forms for application to drill, well tests, completion reports and plugging records. Lessee shall supply the General Land Office with any records, memoranda, accounts, reports, cuttings and cores, or other information relative to the operation of the above described premises, which may be requested by the General Land Office, in addition to those herein expressly provided for. Lessee shall have an electrical and/or radioactivity survey made on the bore-hole section, from the base of the surface casing to total depth of well, of all wells drilled on the above described premises and shall transmit a true copy of the log of each survey on each well to the General Land Office within fifteen (15) days after making of said survey. The Commissioner of the General Land Office reserves the right to require Lessee to annually furnish the said Commissioner with its best possible estimate of oil and gas reserves underlying this lease or allocable to this lease.

11. DRY HOLE CLAUSE. If, during the primary term hereof and prior to discovery and production of oil or gas on said land, Lessee should drill a dry hole or holes thereon, or if, after discovery and production of oil or gas, the production thereof should cease from any cause, this lease shall not terminate if, on or before the rental paying date next ensuing after the expiration of sixty (60) days from date of completion of said dry hole or cessation of production, Lessee commences additional drilling or reworking operations thereon, or commences or resumes the payment of annual delay rental in the same manner as provided in Paragraph 3 of this lease. If a dry hole be completed and abandoned during the last year of the primary term, Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in oil or gas well within the primary term hereof, Lessee may resume payment of annual rental in the same manner as provided in Paragraph 3 in this lease on or before the rental paying date next ensuing after sixty (60) days from the date of completion of such shut-in oil or gas well, and upon the failure to make such annual rental payment, this lease shall ipso facto terminate. If at the expiration of the primary term or at any time thereafter a shut-in oil or gas well is located on the leased premises, payments may be made in accordance with the provisions of Paragraph 14 of this lease.

12. DRILLING AND REWORKING AT EXPIRATION OF PRIMARY TERM. If, at the expiration of the primary term, neither oil nor gas is being produced on said land, but Lessee is then engaged in drilling or reworking operations thereon, this lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted in good faith and in workmanlike manner without interruptions totaling more than sixty (60) days during any one such operation, and if they result in the production of oil and/or gas, so long thereafter as oil and/or gas is produced in paying quantities from said land, or payment of shut-in oil or gas well royalties or compensatory royalties is made as provided in this lease.

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

14. SHUT IN ROYALTIES. If, at the expiration of the primary term or at any time thereafter, a well or wells capable of producing oil or gas in paying quantities is located on the leased premises but oil or gas is not being produced for lack of suitable production facilities or a suitable market, and the lease is not being maintained in force and effect, Lessee may pay as a shut-in oil or gas royalty an amount equal to double the annual rental provided in Paragraph 3 of this lease but not less than $1,200 a year for each well capable of producing oil or gas in paying quantities. If Paragraph 3 of this lease does not specify

- delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre. Any shut-in oil or gas royalty must be paid on or before: (1) the expiration of the primary term, (2) 60 days after the lessee ceases to produce oil or gas from the leased premises, or (3) 60 days after lessee completes a drilling and reworking operation in accordance with the lease provisions; whichever date is latest. Such payment shall be made one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil. If the shut-in oil or gas royalty is paid, the lease shall be considered to be a producing lease and the payment shall extend the term of the lease for a period of one (1) year from the end of the primary term or from the first day of the month next succeeding the month in which production ceased and after that, if no suitable production facilities or suitable market for the oil or gas exists, Lessee may extend the lease for four (4) additional and successive periods of one year by paying the same amount each year on or before the expiration of the extended term. If, during the period the lease is kept in effect by payment of the shut-in oil or gas royalty, oil or gas is sold and delivered in paying quantities from a well located within 1,000 feet of the leased premises and completed in the same producing reservoir or, in any case in which drainage is occurring, the right to continue to extend the lease by paying the shut-in oil or gas royalty shall cease. The lease shall remain effective for the remainder of the year for which the royalty has been paid and for four (4) additional and successive periods of one year each by the Lessee paying compensatory royalty at the royalty rate provided in the lease of the value at the well of production from the well that is causing the drainage or that is completed in the same producing reservoir and within 1,000 feet of the leased premises. The compensatory royalty is to be paid monthly, one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil, beginning on or before the last day of the month next succeeding the month in which the oil or gas is sold and delivered from the well. If the compensatory royalty paid in any 12-month period is in an amount less than the annual shut-in oil or gas royalty, Lessee shall pay an amount equal to the difference within 30 days from the end of the 12-month period. None of these provisions will relieve Lessee of the obligation of reasonable development or the obligation to drill offset wells as provided in Texas Natural Resources Code §52.173.

15. DEVELOPMENT. Notwithstanding any provision of this lease to the contrary, after a well producing, or capable of producing, oil or gas has been completed on the leased premises, Lessee shall exercise the diligence of a reasonably prudent operator in drilling such additional well or wells as may be reasonably necessary for the proper development of the leased premises and in marketing the oil and gas produced. In the event this lease is in force and effect three (3) years after the expiration date of the primary term, it shall then terminate as to all of the leased premises, EXCEPT: 1) 40 acres surrounding each producing oil well and 320 acres surrounding each producing gas well (including a shut-in oil or gas well as provided in Paragraph 14 of this lease), or a well upon which Lessee is then engaged in continuous drilling or reworking operations, or 2) the number of acres included in a producing pooled unit pursuant to Texas Natural Resources Code §52.151 - §52.153, or 3) such greater or lesser number of acres as may then be allocated for production purposes to a proration unit for each such producing well under the rules and regulations of the Railroad Commission of Texas, or any successor agency, or other governmental authority having jurisdiction. "Producing" as used in this lease means producing in paying quantities. The acreage retained under this provision as to each well shall, as nearly as practical, be in the form of a square with the well located in the center or in such other shape as may be approved by the Commissioner of the General Land Office. Lessee shall execute and record a release or releases containing a satisfactory description of the acreage terminated under this provision, and the recorded release, or a certified copy of same, shall be filed in the General Land Office, accompanied by the prescribed filing fee.

16. OFFSET WELLS. Neither the bonus, delay rentals, nor royalties paid, or to be paid, under this lease shall relieve Lessee of his obligation to protect the oil and gas under the above-described land from being drained. To prevent drainage, Lessee is obligated to drill as many wells as the facts may justify and to the depth or depths necessary for effective protection against undue drainage. In addition, if a draining well which is producing in commercial quantities is located within 1,000 feet of the above-described land, or in any case where the above described land is being drained, Lessee is statutorily obligated to drill an offset well on the leased premises within 100 days after the draining well begins production in commercial quantities. Failure to satisfy the statutory offset obligation may subject this lease and the owner of the soil's agency rights to forfeiture. Only upon the determination of the Commissioner of the General Land Office and with his written approval may the payment of compensatory royalty satisfy obligation to drill an offset well or wells required under this paragraph.

17. FORCE MAJEURE. If, after a good faith effort, Lessee is prevented from complying with any express or implied covenant of this lease, from conducting drilling operations on the leased premises, or from producing oil or gas from the leased premises by reason of war, rebellion, riots, strikes, acts of God, or any valid order, rule or regulation of government authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended and Lessee shall not be liable for damages for failure to comply with such covenants; additionally, this lease shall be extended while Lessee is prevented, by any such cause, from conducting drilling and reworking operations or from producing oil or gas from the leased premises. However, nothing in this paragraph shall suspend the payment of delay rentals in order to maintain this lease in effect during the primary term in the absence of such drilling or reworking operations or production of oil or gas.

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

19. PROPORTIONATE REDUCTION CLAUSE. If the owner of the soil owns less than the entire undivided surface estate in the above described land, whether or not Lessee's interest is specified herein, then the royalties ~~and rental~~ herein provided to be paid to the owner of the soil shall be paid to him in the proportion which his interest bears to the entire undivided surface estate and the royalties ~~and rental~~ herein provided to be paid to the Commissioner of the General Land Office of the State of Texas shall be likewise proportionately reduced. However, before Lessee adjusts the royalty or rental due to the Commissioner of the General Land Office, Lessee or his authorized representative must submit to the Commissioner of the General Land Office a written statement which explains the discrepancy between the interest purportedly leased under this lease and the actual interest owned by the owner of the soil. The Commissioner of the General Land Office shall be paid the value of the whole production allocable to any undivided interest not covered by a lease, less the proportionate development and production cost allocable to such undivided interest. However, in no event shall the Commissioner of the General Land Office receive as a royalty on the gross production allocable to the undivided interest not leased an amount less than the value of one-sixteenth (1/16) of such gross production.

20. USE OF WATER. Lessee shall have the right to use water produced on said land necessary for operations under this lease except water from wells or tanks of the owner of the soil; provided, however, Lessee shall not use potable water or water suitable for livestock or irrigation purposes for waterflood operations without the prior consent of the owner of the soil.

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

22. PIPELINE DEPTH. When requested by the owner of the soil, Lessee shall bury its pipelines below plow depth.

23. WELL LOCATION LIMIT. No well shall be drilled nearer than two hundred (200) feet to any house or barn now on said premises without the written consent of the owner of the soil.

24. CONSERVATION CLAUSE. Lessee shall have the exclusive right to build, operate and maintain pits, reservoirs, pickup stations and plants for the purpose of picking up and conserving waste oil that flows down the creeks, ravines and across the leased premises, whether such waste oil is produced from the leased premises or from other lands. Royalties, as provided in this lease for regularly produced oil, are also owed on all such waste oil.

25. REMOVAL OF EQUIPMENT. Subject to limitations in this paragraph, Lessee shall have the right to remove machinery and fixtures placed by Lessee on the leased premises, including the right to draw and remove casing, within one hundred twenty (120) days after the expiration or the termination of this lease unless the owner of the soil grants Lessee an extension of this 120-day period. However, Lessee may not remove casing from any well capable of producing oil and gas in paying quantities. Additionally, Lessee may not draw and remove casing until after thirty (30) days written notice to the Commissioner of the General Land Office and to the owner of the soil. The owner of the soil shall become the owner of any machinery, fixtures, or casing which are not timely removed by Lessee under the terms of this paragraph.

26. (a) ASSIGNMENTS. Under the conditions contained in this paragraph and Paragraph 28 of this lease, the rights and estates of either party to this lease may be assigned, in whole or in part, and the provisions of this lease shall extend to and be binding upon their heirs, devisees, legal representatives, successors and assigns. However, a change or division in ownership of the land, rentals, or royalties will not enlarge the obligations of Lessee, diminish the rights, privileges and estates of Lessee, impair the effectiveness of any payment made by Lessee or impair the effectiveness of any act performed by Lessee. And no change or division in ownership of the land, rentals, or royalties shall bind Lessee for any purpose until thirty (30) days after the owner of the soil (or his heirs, devisees, legal representatives or assigns) furnishes the Lessee with satisfactory written evidence of the change in ownership, including the original recorded muniments of title (or a certified copy of such original) when the ownership changed because of a conveyance. A total or partial assignment of this lease shall, to the extent of the interest assigned, relieve and discharge Lessee of all subsequent obligations under this lease. If this lease is assigned in its entirety as to only part of the acreage, the right and option to pay rentals shall be apportioned as between the several owners ratably, according to the area of each, and failure by one or more of them to pay his share of the rental shall not affect

this lease on the part of the land upon which pro rata rentals are timely paid or tendered; however, if the assignor or assignee does not file a certified copy of such assignment in the General Land Office before the next rental paying date, the entire lease shall terminate for failure to pay the entire rental due under Paragraph 3. Every assignee shall succeed to all rights and be subject to all obligations, liabilities, and penalties owed to the State by the original lessee or any prior assignee of the lease, including any liabilities to the State for unpaid royalties.

(b) ASSIGNMENT LIMITATION. Notwithstanding any provision in Paragraph 26(a), if the owner of the soil acquires this lease in whole or in part by assignment without the prior written approval of the Commissioner of the General Land Office, this lease is void as of the time of assignment and the agency power of the owner may be forfeited by the Commissioner. An assignment will be treated as if it were made to the owner of the soil if the assignee is:

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

27. RELEASES. Under the conditions contained in this paragraph and Paragraph 28, Lessee may at any time execute and deliver to the owner of the soil and place of record a release or releases covering any portion or portions of the leased premises, and thereby surrender this lease as to such portion or portions, and be relieved of all subsequent obligations as to acreage surrendered. If any part of this lease is properly surrendered, the delay rental due under this lease shall be reduced by the proportion that the surrendered acreage bears to the acreage which was covered by this lease immediately prior to such surrender; however, such release will not relieve Lessee of any liabilities which may have accrued under this lease prior to the surrender of such acreage.

28. FILING OF ASSIGNMENTS AND RELEASES. If all or any part of this lease is assigned or released, such assignment or release must be recorded in the county where the land is situated, and the recorded instrument, or a copy of the recorded instrument certified by the County Clerk of the county in which the instrument is recorded, must be filed in the General Land Office within 90 days of the last execution date accompanied by the prescribed filing fee. If any such assignment is not so filed, the rights acquired under this lease shall be subject to forfeiture at the option of the Commissioner of the General Land Office.

29. LEASE FILING. It is recognized that before this lease is effective a certified copy of this lease (which is made and certified by the County Clerk from his records) shall be filed in the General Land Office in accordance with Texas Natural Resources Code §52.183, and this lease shall not be binding upon the State unless it recites the actual and true consideration paid or promised for execution of this lease. The bonus due the State and the prescribed filing fee shall accompany such certified copy to the General Land Office.

30. DISCLOSURE CLAUSE. All provisions pertaining to the lease of the above-described land have been included in this instrument, including the statement of the true consideration to be paid for the execution of this lease and the rights and duties of the parties. Any collateral agreements concerning the development of oil and gas from the leased premises which are not contained in this lease render this lease invalid.

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

32. FORFEITURE. If Lessee shall fail or refuse to make the payment of any sum within thirty days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if Lessee should fail to file reports in the manner required by law or fail to comply with rules and regulations promulgated by the General Land Office, the School Land Board, or the Railroad Commission, or if Lessee should refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or knowingly fail or refuse

to furnish the General Land Office a correct log of any well, or if Lessee shall knowingly violate any of the material provisions of this lease, or if this lease is assigned and the assignment is not filed in the General Land Office as required by law, the rights acquired under this lease shall be subject to forfeiture by the Commissioner, and he shall forfeit same when sufficiently informed of the facts which authorize a forfeiture, and when forfeited the area shall again be subject to lease under the terms of the Relinquishment Act. However, nothing herein shall be construed as waiving the automatic termination of this lease by operation of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this lease and all rights thereunder reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

33. **RAILROAD COMMISSION HEARINGS ON GAS.** No natural gas or casinghead gas, including both associated and nonassociated gas, produced from the mineral estate subject to this lease may be sold or contracted for sale to any person for ultimate use outside the State of Texas unless the Railroad Commission, after notice and hearing as provided in Title 3 of the Texas Natural Resources Code, finds that:

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

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

(c) no public or private school in this State that provides elementary, secondary, or higher education requires the natural gas or casinghead gas to meet its existing needs for fuel;

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

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

(f) no person who resides in this State and who relies on natural gas or casinghead gas to provide in whole or part his existing needs for fuel or raw material requires the natural gas or casinghead gas to meet those needs; provided, however, after notice and hearing as provided in Title 3 of the Texas Natural Resources Code the Railroad Commission may grant exceptions to these provisions as set forth in Texas Natural Resources Code §52.296.

34. This lease is issued under the provisions of Texas Natural Resources Code §52.171 through §52.188, commonly known as the Relinquishment Act, and other applicable statutes and amendments thereto, and if any provision in this lease does not conform to these statutes, the statutes will prevail over any nonconforming lease provisions.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

STATE OF TEXAS
BY: _____
Individually and as agent for the State of Texas

STATE OF TEXAS
BY: [signature]
Individually and as agent for the State of Texas
Betty Jo Staples
S.S. # [redacted]

STATE OF TEXAS
BY: _____
Individually and as agent for the State of Texas

STATE OF TEXAS
BY: _____
Individually and as agent for the State of Texas

STATE OF TEXAS
COUNTY OF Midland

This instrument acknowledged before me on Nov. 7, 1988 by

Betty Jane Staples.

JANET BURGE
Notary Public, State of Texas
County of Midland
My Comm. Expires June 13, 1992

Janet Burge
Notary Public in and for Midland County, Texas
My commission expires: 6/13/92

STATE OF TEXAS
COUNTY OF

This instrument acknowledged before me on by

.

Notary Public in and for County, Texas
My commission expires:

STATE OF TEXAS
COUNTY OF

This instrument acknowledged before me on by

.

Notary Public in and for County, Texas
My commission expires:

FOR SALE BY STAFFORD-LOWDON CO. FORT WORTH 55326

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

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 OIL AND GAS LEASE FROM BETTY JANE STAPLES TO MICHAEL W. ROYE

as the same appears of record in my office in book 491 page 686, Deed Record.

Given under my Hand and Seal of said Court, at office in Pecos, Texas this 31st day of JAN. 1989.

CATHERINE ASHLEY Clerk,

By Billie Jo Freeman Deputy.

(Billie JO Freeman)

ANY PROVISION HEREIN WHICH RESTRICTS THE SALE, RENTAL, OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

FILED FOR RECORD ON THE 31st DAY OF January A.D. 1989 at 11:05A. M.

DULY RECORDED ON THE 31st DAY OF January A.D. 1989 at 12:30P. M.

BY Billie Jo Freeman DEPUTY

CATHERINE ASHLEY, COUNTY CLERK,
REEVES COUNTY, TEXAS.

GENERAL LAND OFFICE
GARRY MAURO
COMMISSIONER

MEMORANDUM

DATE: 2-15-89

TO: Garry Mauro, Commissioner

FROM: Peter Boone, Petroleum and Minerals

SUBJECT: Relinquishment Act Lease
County: Reeves
Description: SE 80 ac of N 440ac Sec 12, Blk 57, T-2, T&P RY
Applicant: Michael W. Roye
Consideration: $100/ac bonus, 23% royalty, $1.00/rental, 3 yrs

Consideration

Recommended: PAB 3-14-89
Not Recommended
Comments:

Form

Recommended: PAB 3-14-89
Not Recommended:
Recommended, after technical changes:
Comments:

lease is a certified copy

Legal Services Comments (if requested)

Jack Giberson, Chief Clerk Date

Recommended:
Not Recommended

Garry Mauro, Commissioner Date

Approved: Garry Mauro Not Approved:

Approved, after technical changes:

Garry Mauro
Commissioner
General Land Office

April 6, 1989

Michael W. Roye
P.O. Box 3714
Midland, TX 79702-3714

Re: Relinquishment Act Lease M-88676
SE of N/pt Sec. 12
Blk. 57, T-2, T&P RR
Reeves County, Texas

Dear Mr. Roye:

The certified copy of a Relinquishment Act lease covering the captioned tract has been approved and filed in our records under the captioned mineral file number. Please refer to this file number in all future correspondence concerning this lease.

Your remittance of $1560.70 has been applied as the state's portion of the cash bonus and required filing fee.

Sincerely,

Peter A. Boone

Peter A. Boone
Geologist
Petroleum & Minerals Division
512/463-5022

PB/11
Enclosure

Stephen F. Austin Building
1700 North Congress Avenue
Austin, Texas 78701
(512) 463-5256

195 52

M-88676

FILE NO. 1582 JACK E. BLAKE, PRESIDENT OF BLAKE OIL & GAS CORPORATION TO MICHAEL W. ROYE

PARTIAL ASSIGNMENT OF OIL AND GAS LEASE

KNOW ALL MEN BY THESE PRESENTS, THAT:

The undersigned, Blake Oil and Gas Corporation of 400 N. Main, Midland TX 79701, (herein called "Assignor"), for and in consideration of Ten Dollars ($10.00) and other good and valuable consideration, receipt and sufficiency of which are hereby acknowledged, does hereby sell, assign and convey unto Michael W. Roye of P.O. Box 3714, Midland TX 79702, (hereinafter called "Assignee"), One Hundred Percent (100%) of Assignor's right, title, and interest in and to those certain Oil and Gas Leases fully described on the attached Exhibit "A", but limited to and only insofar as Assignors interest in the leases, from the surface to the base of the Brushy Canyon Formation, also described as the top of the Bone Springs Formation. All horizons below the base of the Brushy Canyon Formation are expressley reserved to Assignor.

To have and to hold the same unto Assignee, Assignee's successors and assigns forever, subject to the applicable terms and provisions of said Oil and Gas Leases, and further subject to the following:

If at any time Assignees intends to surrender, abandon or allow to terminate for non-payment of shut-in royalty, rental or any other payment that could be made by Assignees, any portion of the subject acreage, Assignees shall notify Assignor in writing thereof at least sixty (60) days before such occurrence and after receiving such notice, Assignor shall have thirty (30) days within which to notify Assignees that Assignor desires a reassignment of said premises, and if Assignor so elects, Assignees shall reassign said premises unto Blake Oil and Gas Corporation, free and clear of all liens and encumbrances arising against same during the period while title to said premises was vested in Assignees.

All of the provisions of this assignment shall be available to and binding upon the respective heirs, executors, administrators, successors, and assigns of the Assignor and Assignee herein.

IN WITNESS WHEREOF, this instrument is executed the 30th day of January, 1989.

BY _____
Jack E. Blake, President

SEAL

Attest: _____
Jack E. Blake, Jr. Assistant Secretary

STATE OF TEXAS

COUNTY OF MIDLAND

On this 30th day of January, A.D. 1989, before me personally appeared Jack E. Blake, to me personally known, who being by me duly sworn, did say that he is the President of Blake Oil and Gas Corporation and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said Jack E. Blake acknowledged said instrument to be the free act and deed of said corporation.

Witness my hand and seal this 30th day of January, A.D. 1989.

My Commission expires 6/13/92

_____
Notary Public.

JANET BURGE
Notary Public, State of Texas
County of Midland
My Comm. Expires June 13, 1992

LEASE SCHEDULE

Blake Oil & Gas Corporation to Michael W. Roye

EXHIBIT "A" PAGE 1 of 1 STATE OF Texas COUNTY OF Reeves

LESSOR	LESSEE	DATE	DESCRIPTION	RECORDED BOOK	RECORDED PAGE	GROSS ACRES
Blake, Robert W. & Marion	Blake Oil & Gas Corporation	9/30/88	The Southeast 80 acres of the North 440 acres of said Section 12, Block 57, T-2, T&P Ry. Co. Survey, Reeves County, Texas.	489	352	80.00
Farwell, Altha M.	Same as above	9/30/88	Same as above	489	362	80.00
Rybacheck, Lorna Jean	Same as above	10/10/88	Same as above	489	412	80.00
Oestrich, Lois & Clint	Same as above	9/30/88	Same as above	489	402	80.00
Kiel, Donald H.	Same as above	10/10/88	Same as above	489	392	80.00
Kiel, Richard	Same as above	9/30/88	Same as above	489	382	80.00
Gehle, Mary C.	Same as above	9/30/88	Same as above	489	372	80.00
Max, Mildred	Same as above	9/30/88	Same as above	489	422	80.00
Schuler, Robert A. and James N., both individually and as Remainderman under Evelyn Schuler, Life Estate	Same as above	12/8/86	Same as above	474	168	80.00
Schuler, Evelyn	Same as above	10/10/87	Same as above	481	311	80.00
Schuler, Violet	Same as above	10/10/87	Same as above	481	303	80.00
Novallo, Algo A.	Same as above	9/30/88	Same as above	490	23	80.00
Gehle, Richard	Same as above	9/30/88	Same as above	490	43	80.00
Campbell, Shirley E.	Same as above	10/17/88	Same as above	490	33	80.00
Carol Wagner and Authur Wagner	Same as above	9/30/88	Same as above	491	448	80.00
Esther I. Wurm	Same as above	9/30/88	Same as above	491	459	80.00

E 503—CERTIFICATE OF TRUE COPY OF PAPERS RECORDED—Class 1. FOR SALE BY STAFFORD-LOWDON CO. FORT WORTH 55326 (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 OIL AND GAS LEASE FROM JACK E. BLAKE, PRESIDENT OF BLAKE OIL & GAS CORPORATION TO MICHAEL W. ROYE as the same appears of record in my office in book 495 page 52, DEED RECORDS

Given under my Hand and Seal of said Court, at office in Pecos, Texas this 7th day of JULY 19 89

CATHERINE ASHLEY Clerk,

By Billie Jo Kennard Deputy.

(Billie Jo Kennard)

MF 8867L (84)
ITEM Partial assignment
TO
FROM Ivy Blair Royalties
DATE 8/2/89 BJ

8.5.89

M-88676

FILE NO. 1583 MICHAEL W. ROYE TO BLAIR ROYALTIES OF ORLA, INC.

PARTIAL ASSIGNMENT OF OIL AND GAS LEASE

KNOW ALL MEN BY THESE PRESENTS, THAT:

The undersigned, Michael W. Roye of P.O. Box 3714, Midland, Texas 79702, (herein called "Assignor"), for and in consideration of Ten Dollars ($10.00) and other good and valuable consideration, receipt and sufficiency of which are hereby acknowledged, does hereby sell, assign and convey unto Blair Royalties of Orla, Inc. of P.O. Box 20, Orla, Texas 79770,(hereinafter called "Assignee"), One Hundred Percent (100%) of Assignor's right, title, and interest in and to those certain Oil and Gas Leases fully described on the attached Exhibit "A", but limited to and only insofar as Assignors interest in the leases, from the surface to the base of the Brushy Canyon Formation, also described as the top of the Bone Springs Formation. All horizons below the base of the Brushy Canyon Formation are expressly reserved to Assignor..

To have and to hold the same unto Assignee, Assignee's successors and assigns forever, subject to the applicable terms and provisions of said Oil and Gas Leases, and further subject to the following:

If at any time Assignees intends to surrender, abandon or allow to terminate for non-payment of shut-in royalty, rental or any other payment that could be made by Assignees, any portion of the subject acreage, Assignees shall notify Assignor in writing thereof at least sixty (60) days before such occurrence and after receiving such notice, Assignor shall have thirty (30) days within which to notify Assignees that Assignor desires a reassignment of said premises, and if Assignor so elects, Assignees shall reassign said premises unto Michael W. Roye, free and clear of all liens and encumbrances arising against same during the period while title to said premises was vested in Assignees.

All of the provisions of this assignment shall be available to and binding upon the respective heirs, executors, administrators, successors, and assigns of the Assignor and Assignee herein.

IN WITNESS WHEREOF, this instrument is executed the 31st day of January, 1989.

BY Michael W. Roye
Michael W. Roye

STATE OF TEXAS

COUNTY OF MIDLAND

On this 31st day of January, A.D. 1989, before me personally appeared Michael W. Roye, to me known to be the identical 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 the 31st day of JANUARY, 1989.

JANET BURGE
Notary Public, State of Texas
County of Midland
My Comm Expires JUNE 13 1992

Janet Burge
Notary Public in and for the State of Texas

EXHIBIT "A" PAGE 1 of 2 STATE OF Texas COUNTY OF Reeves

LEASE NO.	LESSOR	LESSEE	DATE	DESCRIPTION	RECORDED BOOK	RECORDED PAGE	GROSS ACRES
	Blake, Robert W. & Marion	Blake Oil & Gas Corporation	9/30/88	The Southeast 80 acres of the North 440 acres of said Section 12, Block 57, T-2, T&P Ry. Co. Survey, Reeves County, Texas.	489	352	80.00
	Farwell, Altha M.	Same as above	9/30/88	Same as above	489	362	80.00
	Rybacheck, Lorna Jean	Same as above	10/10/88	Same as above	489	412	80.00
	Oestrich, Lois & Clint	Same as above	9/30/88	Same as above	489	402	80.00
	Kiel, Donald H.	Same as above	10/10/88	Same as above	489	392	80.00
	Kiel, Richard	Same as above	9/30/88	Same as above	489	382	80.00
	Gehle, Mary C.	Same as above	9/30/88	Same as above	489	372	80.00
	Max, Mildred	Same as above	9/30/88	Same as above	489	422	80.00
	Schuler, Robert A. and James N., both individually and as Remainderman under Evelyn Schuler, Life Estate	Same as above	12/8/86	Same as above	474	168	80.00
	Schuler, Evelyn	Same as above	10/10/87	Same as above	481	311	80.00
	Schuler, Violet	Same as above	10/10/87	Same as above	481	303	80.00
	Novallo, Algo A.	Same as above	9/30/88	Same as above	490	23	80.00
	Gehle, Richard	Same as above	9/30/88	Same as above	490	43	80.00
	Campbell, Shirley E.	Same as above	10/17/88	Same as above	490	33	80.00
	Carol Wagner and Authur Wagner	Same as above	9/30/88	Same as above	491	448	80.00
	Esther I. Wurm	Same as above	9/30/88	Same as above	491	459	80.00

FOR SALE BY STAFFORD-LOWDON CO. FORT WORTH 55326

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

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 OIL AND GAS LEASE FROM MICHAEL W. ROYE TO BLAIR ROYALTIES OF ORLA, INC.

as the same appears of record in my office in book 495 page 54, Deed Records.

Given under my Hand and Seal of said Court, at office in Pecos, Texas this 7th day of JULY 19 89.

CATHERINE ASHLEY Clerk,

By Billie Jo Freeman Deputy.

(Billie JO Freeman)

LEASE SCHEDULE

EXHIBIT "A" PAGE 2 of 2 STATE OF Texas COUNTY OF Reeves

LEASE NO.	LESSOR	LESSEE	DATE	DESCRIPTION	RECORDED BOOK	RECORDED PAGE	GROSS ACRES
	Jack E. Blake, et ux Carol Jo Blake	Michael W. Roye	11/2/88	The Southeast 80 acres of the North 440 acres of said Section 12, Block 57, T-2, T&P Ry. Co. Survey, Reeves County, Texas.	491	696	80.00
	Betty Jane Staples	Same as above	11/2/88	Same as above	491	686	80.00

ANY PROVISION HEREIN WHICH RESTRICTS THE SALE, RENTAL, OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

FILED FOR RECORD ON THE 7th DAY OF July A.D. 1989 AT 11:49A. M.

DULY RECORDED ON THE 7th DAY OF July A.D. 1989 AT 12:30P. M.

BY Billie Jo Brewer DEPUTY

CATHERINE ASHLEY, COUNTY CLERK,
REEVES COUNTY, TEXAS.

195 56

MF 881076 (85)
ITEM partial assignment
TO
FROM The Blau Baglietto
DATE 8/2/89 BJ

8.5.89

M-88676

195 57

FILE NO. 1584 BLAIR ROYALTIES OF ORLA, INC. TO MICHAEL W. ROYE

ASSIGNMENT OF OVERRIDING ROYALTY

KNOW ALL MEN BY THESE PRESENTS:

That Blair Royalties of Orla, Inc. of P.O. Box 20, Orla, Texas 79770, hereinafter designated "Blair", does hereby, without warranty, express or implied, assign, transfer, set over and convey, in equal shares unto Michael W. Roye of P.O. Box 3714, Midland, Texas 79702, hereinafter designated "Assignee", an overriding royalty of an undivided One Percent of Eight-Eighths (1% of 8/8ths) of all oil and gas produced, saved and marketed from the lands in Reeves County, Texas, which are described in Exhibit "A", attached hereto and hereby made a part hereof, under and pursuant to the oil and gas leases therein enumerated, the lands described in Exhibit "A" being hereinafter designated "Subject Land", such overriding royalty to be computed and paid or delivered as follows:

(a) Blair shall deliver to the credit of Assignee, free of cost, in the pipeline to which Blair may connect its wells, 1% of 8/8ths of all oil produced and saved by Blair from Subject Land under the terms of the leases described in Exhibit "A", or from time to time, at Blair's's option, pay Assignee for such overriding royalty at the current market value of such oil at the well; and

(b) Blair shall pay Assignee for gas produced form any well on Subject Land under the terms of the leases described in Exhibit "A", and used by Blair off said premises or in the manufacture of gasoline or other products, 1% of 8/8ths of the market value of said gas as such at the mouth of the well. If such gas is sold by Blair, then Blair shall pay to Assignee 1% of 8/8ths of the net amount realized by Blair computed at the mouth of the well.

The overriding royalties above provided for shall be applicable only to the oil and gaseous substances produced and saved from Subject Land under the terms of the leases described in Exhibit "A", after deducting that part used for lease operations, and, if said leases or Blair's interest therein cover less than the full oil and gas rights in any portion of the Subject Land, then the overriding royalties above provided for as to the production from such portion shall reduced and paid or delivered to Assignee only in the proportion which Blair's leasehold estate thereon under the leases described in Exhibit "A" bears to the full oil and gas leasehold estate thereon.

Nothing herein contained shall impose or be held to imply any obligation on the part of Blair, its successors or assigns, as to the exploration, development or operation of Subject Land or to require Blair to continue said leases in force.

The aforesaid overriding royalty shall not be reduced by the amount of the Lessor's royalty, but the aforesaid overriding royalty shall be reduced by the amount of any prior overriding royalties and production payments outstanding as of the date hereof, and shall be delivered free of cost into the pipeline or tanks to which said well or wells may be connected.

This overriding royalty shall apply to any and all extensions, renewals and substitutions of the lease obtained by Blair, its successors or assigns, on the lands herein. Provided, however, that any such extension, renewal or substitution which is taken or contracted for, more than six (6) months after the expiration of an existing lease, shall not be deemed an extension, renewal or substitution for the purposes hereof.

No transfer of the overriding royalties herein assigned, however accomplished, shall be binding upon Blair, its successors and assigns, until after he has been furnished with evidence satisfactory to him of such transfer.

IN WITNESS WHEREOF, this assignment is duly executed this 31st day of January, 1989

ATTEST:

By: _____

BLAIR ROYALTIES OF ORLA, INC.

By: Craig L. Blair

STATE OF TEXAS

COUNTY OF MIDLAND

On this 9th day of February, A.D. 1989, before me personally appeared Craig L. Blair, to me personally known, who being by me duly sworn, did say that he is the President of Blair Royalties of Orla, Inc. and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of tis Board of Directors, and said Craig L. Blair acknowledged said instrument to be the free act and deed of said corporation.

Witness my hand and seal this 9th day of February, 1989.

My Commission expires 1-22-90

Cindy Hall
Notary Public in and for the State of Texas

NOTARY PUBLIC STATE OF TEXAS

CINDY HALL
Commission Expires 1-22-90

ASSIGNMENT OF OVERRIDING ROYALTY

EXHIBIT "A" PAGE 1 of 2 Blair Royalties of Orla, Inc. to Michael W. Roye STATE OF Texas COUNTY OF Reeves

LEASE NO.	LESSOR	LESSEE	DATE	DESCRIPTION	RECORDED BOOK	RECORDED PAGE	GROSS ACRES
	Blake, Robert W. & Marion	Blake Oil & Gas Corporation	9/30/88	The Southeast 80 acres of the North 440 acres of said Section 12, Block 57, T-2, T&P Ry. Co. Survey, Reeves County, Texas.	489	352	80.00
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	Kiel, Donald H.	Same as above	10/10/88	Same as above	489	392	80.00
	Kiel, Richard	Same as above	9/30/88	Same as above	489	382	80.00
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	Max, Mildred	Same as above	9/30/88	Same as above	489	422	80.00
	Schuler, Robert A. and James N., both individually and as Remainderman under Evelyn Schuler, Life Estate	Same as above	12/8/86	Same as above	474	168	80.00
	Schuler, Evelyn	Same as above	10/10/87	Same as above	481	311	80.00
	Schuler, Violet	Same as above	10/10/87	Same as above	481	303	80.00
	Novallo, Algo A.	Same as above	9/30/88	Same as above	490	23	80.00
	Gehle, Richard	Same as above	9/30/88	Same as above	490	43	80.00
	Campbell, Shirley E.	Same as above	10/17/88	Same as above	490	33	80.00
	Carol Wagner and Authur Wagner	Same as above	9/30/88	Same as above	491	448	80.00
	Esther I. Wurm	Same as above	9/30/88	Same as above	491	459	80.00

FOR SALE BY STAFFORD-LOWDON CO. FORT WORTH 55326

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

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 OVERRIDING ROYALTY FROM BLAIR ROYALTIES OF ORLA, INC. TO MICHAEL W. ROYE

as the same appears of record in my office in book 495 page 57, Deed Records.

Given under my Hand and Seal of said Court, at office in Pecos, Texas

this 7th day of July 19 89.

CATHERINE ASHLEY Clerk,

By Billie Jo Freeman Deputy.

(Billie JO Freeman)

LEASE SCHEDULE

EXHIBIT "A" PAGE 2 of 2 STATE OF Texas COUNTY OF Reeves

LEASE NO.	LESSOR	LESSEE	DATE	DESCRIPTION	RECORDED BOOK	RECORDED PAGE	GROSS ACRES
	Jack E. Blake, et ux Carol Jo Blake	Michael W. Roye	11/2/88	The Southeast 80 acres of the North 440 acres of said Section 12, Block 57, T-2, T&P Ry. Co. Survey, Reeves County, Texas.	491	696	80.00
	Betty Jane Staples	Same as above	11/2/88	Same as above	491	686	80.00

ANY PROVISION HEREIN WHICH RESTRICTS THE SALE, RENTAL OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

FILED FOR RECORD ON THE 7th DAY OF July A.D. 1989 AT 11:49A. M.

DULY RECORDED ON THE 7th DAY OF July A.D. 1989 AT 12:30P. M.

BY Billie Jo Stewart DEPUTY

CATHERINE ASHLEY, COUNTY CLERK,
REEVES COUNTY, TEXAS.

MF 3SW 14
ITEM Assignment
TO
FROM The Blair Royalties
DATE 8/2/89 BJ

MICHAEL W. ROYE
Oil and Gas Investments
P. O. Box 3714
Midland, Texas 79702
(915) 683-6033

M 88676

July 31, 1989

General Land Office
1700 N. Congress
Austin, Texas 78701

Re: SE/80 acres of the N/440
of Section 12, Blk. 57,
T-2, T&P Ry. Co. Survey,
Reeves Co., Texas

Attn: Mr. Peter Boone

X150.00

89061652

Dear: Mr. Boone:

Enclosed please find the following:

1) Partial AOGL from Blake Oil & Gas Corp. to the undersigned dtd. 1-30-89, covering the above described land

2) Partial AOGL from the undersigned to Blair Royalties of Orla, Inc., dtd. 1-31-89, covering the above described land

3) AORRI from Blair Royalties of Orla, Inc. to the undersigned, dtd. 1-31-89, covering the above described land

4) Blair Royalties of Orla, Inc.'s check in the amount of 150.00 to cover the filing fees ($75.00) and late fees ($75.00)

129

If I can be of further assistance, please contact me.

Yours very truly,

Michael W. Roye

Michael W. Roye

MWR/jd

The Blair Royalties of Orla Inc

3A, IL, FF + LFF $150.00

MF 880714 (87)
ITEM letter
TO
FROM Michael W. Kaye
DATE 8-2-89 B,

9. 5.89

Garry Mauro
Commissioner
General Land Office

August 9, 1989

The Blair Royalties of Orla Inc.
c/o Michael W. Roye
P. O. Box 3714
Midland, TX 79702-3714

Re: Instrument Filings

Dear Mr. Roye:

The General Land Office hereby acknowledges receipt of certified copies of the following instruments on August 2, 1989.

INSTRUMENT	COUNTY	STATE LEASE NUMBER	FILING FEE	LATE FEE	TOTAL FEE
Assignment of Overriding Royalty	Reeves	M-88676	$25.00	$25.00	$ 50.00
Partial Assignment of Oil and Gas Lease	Reeves	M-88676	$25.00	$25.00	$ 50.00
Partial Assignment of Oil and Gas Lease	Reeves	M-88676	$25.00	$25.00	$ 50.00
				TOTAL	$150.00

The listed instruments have been filed in our records and your remittance of $150.00 has been applied as shown above.

Sincerely,

Carey Tynan, Manager
Lease Compliance
Energy Resources
(512) 463-5042

CCT/TR/kl

Stephen F. Austin Building
1700 North Congress Avenue
Austin, Texas 78701
(512) 463-5256

MF 88.0.14 (88)
ITEM letter
TO The Brian Royalties
FROM
DATE Aug 9, 1989 BJ

MICHAEL W. ROYE
Oil and Gas Investments
P. O. Box 3714
Midland, Texas 79702
(915) 683-6033

The Blair Royalties of Orla Inc

August 31, 1989

General Land Office
State of Texas
1700 N. Congress Ave.
Austin, TX 78701

X 35.54

90000738

Attention: Nettie Sapp
Lease Compliance Energy
Resources Division

Re: SE/80 acres of the
N/440 acres, Sec. 12,
Blk. 57, T-2, T&P Surv.,
Reeves Co., TX

Gentlemen:

Enclosed please find Blair Royalties of Orla, Inc's check numbered 1024 in the amount of $35.54 payable to the General Land Office. This check is for the State's one-half (1/2) rentals for the leases highlighted on the attached lease schedule.

The Robert A. and James N. Schuler will expire on 12-08-89. Blair Royalties intends to spud a well on the above described acreage on 11-01-89, which should hold this leease by production, or it will expire under its own terms.

Thank you for your help in the handling of this matter. Please return one copy to the undersigned.

Sincerely yours,

Michael W. Roye

Michael W. Roye

MWR/jhd

Enclosures

Received this _____ day of September, 1989.

By: _____

Title: _____

EXHIBIT "A" PAGE 1 of 2 STATE OF Texas COUNTY OF Reeves

LEASE NO.	LESSOR	LESSEE	DATE	DESCRIPTION	RECORDED BOOK	RECORDED PAGE	GROSS ACRES
	Blake, Robert W. & Marion 6.66	Blake Oil & Gas Corporation	9/30/88	The Southeast 80 acres of the North 440 acres of said Section 12, Block 57, T-2, T&P Ry. Co. Survey, Reeves County, Texas.	489	352	80.00
	Farwell, Altha M. .67	Same as above	9/30/88	Same as above	489	362	80.00
	Rybacheck, Lorna Jean .15	Same as above	10/10/88	Same as above	489	412	80.00
	Oestrich, Lois & Clint .15	Same as above	9/30/88	Same as above	489	402	80.00
	Kiel, Donald H. .15	Same as above	10/10/88	Same as above	489	392	80.00
	Kiel, Richard .22	Same as above	9/30/88	Same as above	489	382	80.00
	Gehle, Mary C. .67	Same as above	9/30/88	Same as above	489	372	80.00
	Max, Mildred .44	Same as above	9/30/88	Same as above	489	422	80.00
	Schuler, Robert A. and James N., both individually and as Remainderman under Evelyn Schuler, Life Estate	Same as above	12/8/86	Same as above	474	168	80.00
	Schuler, Evelyn 2.22	Same as above	10/10/87	Same as above	481	311	80.00
	Schuler, Violet 6.67	Same as above	10/10/87	Same as above	481	303	80.00
	Novallo, Algo A. .67	Same as above	9/30/88	Same as above	490	23	80.00
	Gehle, Richard .44	Same as above	9/30/88	Same as above	490	43	80.00
	Campbell, Shirley E. .67	Same as above	10/17/88	Same as above	490	33	80.00
	Carol Wagner and Authur Wagner .22	Same as above	9/30/88	Same as above	491	448	80.00
	Esther I. Wurm .44	Same as above	9/30/88	Same as above	491	459	80.00

LEASE SCHEDULE

EXHIBIT "A" PAGE 2 of 2 STATE OF Texas COUNTY OF Reeves

LEASE NO.	LESSOR	LESSEE	DATE	DESCRIPTION	RECORDED BOOK	RECORDED PAGE	GROSS ACRES
	Jack E. Blake, et ux Carol Jo Blake $ 8.44	Michael W. Roye	11/2/88	The Southeast 80 acres of the North 440 acres of said Section 12, Block 57, T-2, T&P Ry. Co. Survey, Reeves County, Texas.	491	696	80.00
	Betty Jane Staples $ 6.66	Same as above	11/2/88	Same as above	491	686	80.00

STATE's 1/2
$ 35.54

69.6

(89) M-88676
Rental Payment
9-6-89

1 Dec. 1989

Garry Mauro, Commissioner
General Land Office
PO Box 13083
Austin, TX 78711

Re: M-88676: E/80 ac. N/120 ac. S/2 §12, Block 57, T-2, Reeves County

Dear Sir:

The undersigned Blake Oil & Gas Corporation is lessee in a Relinquishment Act oil and gas lease. Jack E. Blake is President of the lessee. The lease is recorded in vol. 489 p. 352, Reeves County.

The Owner of the Soil in said lease, as Lessor individually and as agent, is Robert W. Blake to whom an offer to lease was made by lessee which was identical to offers made to 15 other Owners of the Soil who executed leases identical to the Robert W. Blake lease.

Your legal services division believes the lease from Robert W. Blake is void because of the brother's officer and stockholder positions in the corporate lessee. Any such statutory violation was innocent and completely inadvertent. Application is now made for repayment of the bonus paid to the State on the Robert W. Blake lease.

Very truly yours,

Blake Oil & Gas Corporation

by Jack E. Blake
Officer

WCB3/58a

STUBBEMAN, MCRAE, SEALY, LAUGHLIN & BROWDER, INC.
ATTORNEYS AT LAW

AUSTIN, TEXAS
6836 AUSTIN CENTER BOULEVARD · 78731
SUITE 130 · ONE NORTHPOINT CENTRE
P. O. BOX 2286 · 78768
512/476-3502

MIDLAND, TEXAS
SUITE 800
TWO FIRST CITY CENTER · 79701
550 WEST TEXAS AVENUE
P. O. BOX 1540 · 79702
915/682-1616
FACSIMILE 3 915/682-1351
TELECOPIER 915/682-4884

HOUSTON, TEXAS
NCNB CENTER · 77002
700 LOUISIANA, SUITE 2400
P. O. BOX 61149 · 77208
713/237-1100
FACSIMILE 3 713/222-2842
TELECOPIER 713/237-1234

WALTER C. BEARDSLEY
OF COUNSEL

Austin Office
8 November 1989

Garry Mauro, Commissioner
General Land Office
PO Box 13083
Austin, TX 78711

Dear Commissioner:

We represent an Owner of the Soil of mineral classified land, and request a hearing. Our request is prompted by NRC §52.189(b) which provides that an Owner of the Soil must fully disclose any facts affecting the State of Texas interest.

Our Owner of the Soil owns 19/90 of the surface, and has leased same to others on a 23% royalty lease and a cash bonus and a delay rental. The bonus and rental are the going rate in the area, but the going royalty is 3/16.

A corporation, of which the Owner of the Soil and his immediate family are owner, leased the other 71/90 interests (owned by 18 widely spread, non-family individuals) for the typical 3/16 royalty, except one lease for 23% royalty. In negotiations with a broker for a drilling company, the corporation assigned the 71/90 leases, limited in depth (the leases by the Owner of the Soil was limited to the same Brushy Canyon depth), and arranged for an overriding royalty on the 56/90 of 4.25%.

In the hearing requested, we will ask for a written order

1 - approving a 1% overriding royalty, as brokerage, to the broker for the company which proposes to drill a well for oil or gas on the leased land;

2 - approving the 4.25% overriding royalty on 56/90 of the minerals as brokerage for putting a difficult deal together to get a well drilled on the State's minerals, and as permitted by law because the Owner of the Soil obtained the ORI only on leases from other undivided interest Owners of the Soil who are unrelated to our client;

3 - as to depths below the Brushy Canyon, i.e., below the top of the Bone Springs Formation, approving in advance, as brokerage and in respect of leases from other undivided interest

Owners of the Soil, whatever overriding royalty the Owner of the Soil can negotiate with a party willing to drill for oil or gas to the deeper depths provided only that leases on the deeper depths from the Owner of the Soil provides for a royalty of at least 3/16.

Thus, the Owner of the Soil is ready, willing, and able to make full disclosure to the State of all facts affecting the State's interest, and asks you to set a day, hour, and place for the hearing requested.

Very truly yours,

STUBBEMAN, MCRAE, SEALY, LAUGHLIN & BROWDER, INC.

by Walter C. Beardsley

WCB:ljl

(91)

Ltr. fr. Walter Beardsley
(11/5/59)

12/4/59 - SCK

STUBBEMAN, MCRAE, SEALY, LAUGHLIN & BROWDER, INC.
ATTORNEYS AT LAW

AUSTIN, TEXAS
6836 AUSTIN CENTER BOULEVARD · 78731
SUITE 130 · ONE NORTHPOINT CENTRE
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TELECOPIER 713/237-1234

WALTER C. BEARDSLEY
OF COUNSEL

Austin Office
4 December 1989

BY HAND DELIVERY

Garry Mauro, Commissioner
General Land Office
PO Box 13083
Austin, TX 78711

Re: M88676: E/80 ac. N/120 ac. S/2 §12, Block 57, T-2, Reeves County

Dear Sir:

Reference is made to the conference with GLO on 8 November attended by Bruce Blake for himself and for Blake Oil & Gas Corporation and for Jack Blake as Owner of the Soil of captioned land.

One staff question pertained to the lease from Robert W. Blake, another Owner of the Soil, to Blake Oil & Gas Corporation. In that regard,

1 - herewith a certified copy of recorded release;

2 - herewith a certified copy, to be filed in M-88676, of a Robert W. Blake lease to an unrelated party reserving a 23% royalty (and there will be no Blake overriding royalty on this lease), together with the State's one-half of the bonus. Consideration for this lease is equal to the highest consideration paid in the area; and

3 - we remind you to refund the bonus originally paid to the State on the released R.W. Blake lease. See enclosed 1 December letter from Jack Blake;

4 - check in the amount of $791.50 for (a) bonus for #2, above, (b) $100 processing fee, and (c) $25.00 filing fee;

5 - charge the filing fee for the release, #1, above, to our account 874;

6 - herewith a certified copy of assignment of an overriding royalty of 4.25% on 56/90 of non-Blake leases in M-88676;

7 - check for late filing of #6, above.

Another staff question pertained to past questionable transactions by Jack Blake as an Owner of the Soil of other

mineral classified land. Staff investigation has raised questions concerning M-74920 of 1977, M-77628 of 1978, and M-80900 of 1979. The Blake organization has made a detailed review of its old records, and answers all questions raised--see the enclosed copy of page 2 of Blake's 25 November 1989 letter.

The need for GLO speed is shown by the following facts: the Blake organization has a party ready, willing, and able to drill a prospect on captioned land. The Schuler lease in M-88676 expires Friday, 8 December, and the driller wants to spud on or before that date to save that lease. The driller hesitates to proceed without your filing of the replacement R.W. Blake lease, tendered above with bonus, and without your agreement that full disclosure has now been made with respect to all previous dealings by Jack Blake and Blake Oil and Gas. Your prompt consideration is requested.

My telephone number is

476-3502,

and in fairness to the drilling party, I ask you to let me know that M-88676 is now drillable without a threat from the State.

Very truly yours,

STUBBEMAN, MCRAE, SEALY, LAUGHLIN & BROWDER, INC.

Walter Beardsley

by Walter C. Beardsley

WCB:ljl
Enclosure

WCB3/58a

With reference to your letter of November 17, 1989, we have reviewed our files on the subject lease transactions considered "similar dealings" by the General Land Office. Your lease #, followed by our transaction file name and $ amount paid to the GLO are listed, to wit:

M-74920	#1 - Aylesworth-Oates	$ 693.68
M-77628	#2 - Koeheneke	500.00
M-80900	#3 - Liberty National Bank	1,000.00

The above sums paid to the General Land Office do not include rentals. All leases were held by Blake Oil and Gas Corporation until they expired under their own terms. Blake Oil and Gas Corporation never received any additional compensation or interest in the leases. Jack E. Blake never received any compensation or interest in the leases, other than those cited in the approved leases as Owner of the Soil.

If you wish to propose to the General Land Office that the above listed leases where never valid, and that the State should in fact return bonus sums and rentals paid, please so advise Jack E. Blake. He would be happy to work out a compensation agreement to assure that you are paid for your time. As reimburesment would be outside the issues of Requirement #8 of the title opinion, it would not be appropriate for Blair Royalties to be billed for your time.

Once again, it was a pleasure working with you on this matter. If I can assist you in any way, please call.

Very truly yours,

Bruce W. Blake, CPL
Landman

:BWB
CC: Michael R. Stoltz
Mike Roye

(92)

Ltr. fr. Walter Beardsley
w/o attachment (12/4/89)

12/4/89 - SHC

GENERAL LAND OFFICE

GARRY MAURO
COMMISSIONER

MEMORANDUM

DATE: December 5, 1989

TO: Carl Liberty

FROM: Stroud C. Kelley

SUBJECT: Blake Oil & Gas Corporation Refund
State Lease No. M-88676

The above lease was filed with this office on November 7, 1988. Robert W. Blake, who executed the lease as owner of the soil, is the brother of Jack E. Blake, President of the lessee corporation. The lease should not have been filed and is void. On December 4, 1989, a release of the subject lease was filed in this office and a request for refund made. A copy of the letter requesting the refund is attached hereto.

Please verify the amount of the bonus made on the subject lease and initiate the appropriate refund procedures pursuant to Tex. Gov. Code §403.077. Then please forward the warrant directly to Blake Oil & Gas. Let me know if you need any other information.

SCK/sp

Attachment

cc: Jack Giberson
Carey Tynan
Don Petty
Jim Phillips

1 Dec. 1989

Garry Mauro, Commissioner
General Land Office
PO Box 13083
Austin, TX 78711

Re: M-88676: E/80 ac. N/120 ac. S/2 §12, Block 57, T-2, Reeves County

Dear Sir:

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Very truly yours,

Blake Oil & Gas Corporation

by Jack E. Blake
Officer

WCB3/58a

(93)

M 88676

Memo to Carl Liberty from StroudKelley

File dated 12-5-89

Garry Mauro, Commissioner

STUBBEMAN, MCRAE, SEALY, LAUGHLIN & BROWDER, INC.
ATTORNEYS AT LAW

AUSTIN, TEXAS
6836 AUSTIN CENTER BOULEVARD • 78731
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WALTER C. BEARDSLEY
OF COUNSEL

Austin Office
4 December 1989

BY HAND DELIVERY

Garry Mauro, Commissioner
General Land Office
PO Box 13083
Austin, TX 78711

Re: M88676: E/80 ac. N/120 ac. S/2 §12, Block 57, T-2, Reeves County

Dear Sir:

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One staff question pertained to the lease from Robert W. Blake, another Owner of the Soil, to Blake Oil & Gas Corporation. In that regard,

1 - herewith a certified copy of recorded release;

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My telephone number is

476-3502,

and in fairness to the drilling party, I ask you to let me know that M-88676 is now drillable without a threat from the State.

Very truly yours,

STUBBEMAN, MCRAE, SEALY, LAUGHLIN & BROWDER, INC.

Walter C. Beardsley

by Walter C. Beardsley

WCB:ljl
Enclosure

WCB3/58a

M-8867b (94)
Ltr from W. Beardsley
12-4-89

13-F-89

Mineral Classified Land
Lease Consideration Comparison

UI
from surface to base of Brushy Canyon Fm.

County Reeves
Area Sec 12, Blk 57, T-2, T&P RR Sur. SE 80 ac of N/440

M. F.	Acres	Lease Date	Term	Total Bonus	B/Ac	Rental	Comparison
New	13.33 80	11-28-89	2 yrs	$1,333.00	$100	$1.00	11.5%
M-98696	80	11-2-88	3 yrs	$3,376.80	$100	$1.00	11.5% Other UI leases
M-92678	640	1-11-88	9 mo.	$6,400.00	$10	N/A	8½% 3½ min
M-93378	640	4-1-89	3 yrs	$32000.00	$50	$1.00	3/32 5½ mise

142477

* Release of original lease has been filed.

Remarks:
IN Matthews (L. Cherry Can) Fld.
4444', Disc 1984, 379,347 60 15
3 oic wells adj, S ~ 15bbl/day

Consideration
Recommended DB PAB 12-6-89
Not Recommended

MF - 88676

Surface Owner Name	Net Acres	State's Royalty	Net Acres/80 acres	Net State's Royalty
Schuler, R.A & James	8.88	0.09375	0.111	0.01040625
Schuler, Evelyn	4.44	0.09375	0.0555	0.005203125
Schuler, Viiolet	13.33	0.09375	0.166625	0.015621094
Oestrich, Lois & Clint	0.296	0.09375	0.0037	0.000346875
Max, Mildred	0.89	0.09375	0.011125	0.001042969
Kiel, Richard	0.444	0.09375	0.00555	0.000520313
Gehle, Richard	0.89	0.09375	0.011125	0.001042969
Gehle, Mary C.	1.34	0.09375	0.01675	0.001570313
Farwell, Altha M.	1.34	0.09375	0.01675	0.001570313
Kiel, Donald	0.296	0.09375	0.0037	0.000346875
Rybacheck, L.J.	0.296	0.09375	0.0037	0.000346875
Novallo, Algo A.	1.34	0.09375	0.01675	0.001570313
Campbell, Shirley	1.34	0.09375	0.01675	0.001570313
Wurm ,E. I.	0.89	0.09375	0.011125	0.001042969
Wagner, Carol & Arthur	0.444	0.09375	0.00555	0.000520313
Blake, Jack & Carol	16.884	0.115	0.21105	0.02427075
Staples, B.J.	13.33	0.115	0.166625	0.019161875
Blake, Robert & Marion	13.33	0.115	0.166625	0.019161875
	80			0.105316375

FILE NO. 2685 ROBERT W. BLAKE, ET UX TO BLAIR ROYALTIES OF ORLA, INC.

No. 5367--General Land
Office Lease Form Under
Relinquishment Act
Revised, September 1987
GLO-L-19-(9-87)

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 28th day of November 1989, between the State of Texas, acting by and through its agent, Robert W. Blake and wife, Marion of P. O. Box 2584, Lubbock, TX 79400 said agent
(Give Permanent Address)
herein referred to as the owner of the soil (whether one or more), and Blair Royalties of Orla, Inc. of
P. O. Box 20, Orla, TX 79770 3000905405
(Give Permanent Address)
hereinafter called Lessee.

1. GRANTING CLAUSE. For and in consideration of the amounts stated below and of the covenants and agreements to be paid, kept and performed by Lessee under this lease, the State of Texas acting by and through the owner of the soil, hereby grants, leases and lets unto Lessee, for the sole and only purpose of prospecting and drilling for and producing oil and gas, laying pipe lines, building tanks, storing oil and building power stations, telephone lines and other structures thereon, to produce, save, take care of, treat and transport said products of the lease, the following lands situated in Reeves County, State of Texas, to-wit:

The Southeast 80 acres of the North 440 acres of said Section 12, Block 57, T-2, T&P Ry. Co. Survey, Reeves County, Texas more fully described as follows:

The Southeast part of the North 440 acres of said Section 12 was duly patented to Frank H. Schuler, F. C. Gehle and Fred M. Ulrich on November 17, 1943, by Patent No. 54, Volume 92-A as containing 80 acres, described by metes and bounds as follows:

BEGINNING at the SE/corner of the E/2 of the NE/4 of this Section in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey, and the NE/corner of this survey;

THENCE West 1267.2 varas with the South line of the N/2 to the NE/corner of the NW/ part of the S/2 and the NW/corner of this Survey;

THENCE South 356.4 varas with the East line of said NW/part of the S/2 to its SE/ corner in the North line of the South part and the SW/corner of this survey;

THENCE East 1267.2 varas with the North line of said South part to its NE/corner in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey, and the SE/corner of this Survey;

THENCE North 356.4 varas with the West line of said Section 7 to the place of beginning, containing 80 acres, more or less.

Insofar, and only insofar as the Lessors interest in and to the surface down to the base of the Brushy Canyon Formation, also described as the top of the Bone Springs Formation. All horizons below the base of the Brushy Canyon Formation are expressly reserved by Lessor.

containing 80 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Six hundred sixty-six and 50/100ths----------
Dollars ($ 666.50)

To the owner of the soil: Six hundred sixty-six and 50/100ths----------
Dollars ($ 666.50)

Total bonus consideration: One thousand three hundred thirty-three and no/100----------
Dollars ($ 1,333.00)

The total bonus consideration paid represents a bonus of One hundred and no/100ths----------
---------- Dollars ($ 100.00----------) per acre, on
13.33 net acres.

2. TERM. Subject to the other provisions in this lease, this lease shall be for a term of two (2) years from this date (herein called "primary term") and as long thereafter as oil and gas, or either of them, is produced in paying quantities* from said land.

---

*As used in this lease, the term "produced in paying quantities" means that the receipts from the sale or other authorized commercial use of the substance(s) covered exceed out of pocket operational expenses for the six months last past.

3. **DELAY RENTALS.** If no well is commenced on the leased premises on or before one (1) year from this date, this lease shall terminate, unless on or before such anniversary date Lessee shall pay or tender to the owner of the soil or to his credit in the _____ Bank, at _____, or its successors (which shall continue as the depository regardless of changes in the ownership of said land), the amount specified below; in addition, Lessee shall pay or tender to the COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS, AT AUSTIN, TEXAS, a like sum on or before said date. Payments under this paragraph shall operate as a rental and shall cover the privilege of deferring the commencement of a well for one (1) year from said date. Payments under this paragraph shall be in the following amounts:

To the owner of the soil: Forty and no/100ths---------- Dollars ($ 40.00)

To the State of Texas: Forty and no/100ths---------- Dollars ($ 40.00)

Total Rental: Eighty and no/100ths---------- Dollars ($ 80.00)

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

4. **PRODUCTION ROYALTIES.** When production of oil and/or gas is secured during the term of this lease, Lessee agrees to pay or cause to be paid one-half (1/2) of the royalty provided for in this lease to the Commissioner of the General Land Office of the State of Texas, at Austin, Texas, and one-half (1/2) of such royalty to the owner of the soil:

(a) **OIL.** Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be 23% part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be determined by 1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity in the general area where produced and when run, or 2) the highest market price thereof offered or paid in the general area where produced and when run, or 3) the gross proceeds of the sale thereof, whichever is greatest. Lessee agrees that before any gas produced from the leased premises is sold, used or processed in a plant, it will be run free of cost to the parties entitled to royalties through an adequate oil and gas separator of conventional type, or other equipment at least as efficient, so that all liquid hydrocarbons recoverable from the gas by such means will be recovered. The requirement that such gas be run through a separator or other equipment may be waived in writing by the royalty owners upon such terms and conditions as they prescribe.

(b) **NON PROCESSED GAS.** Royalty on any gas (including flared gas), which is defined as all hydrocarbons and gaseous substances not defined as oil in subparagraph (a) above, produced from any well on said land (except as provided herein with respect to gas processed in a plant for the extraction of gasoline, liquid hydrocarbons or other products) shall be 23% part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality in the general area where produced and when run, or the gross price paid or offered to the producer, whichever is greater; provided that the maximum pressure base in measuring the gas under this lease shall not at any time exceed 14.65 pounds per square inch absolute, and the standard base temperature shall be sixty (60) degrees Fahrenheit, correction to be made for pressure according to Boyle's Law, and for specific gravity according to tests made by the Balance Method or by the most approved method of testing being used by the industry at the time of testing.

(c) **PROCESSED GAS.** Royalty on any gas processed in a gasoline plant or other plant for the recovery of gasoline or other liquid hydrocarbons shall be 23% part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease, and on fifty percent (50%), or that percent accruing to Lessee, whichever is greater, of the total plant production of liquid hydrocarbons attributable to the gas produced from this lease; provided that if liquid hydrocarbons

are recovered from gas processed in a plant in which Lessee (or its parent, subsidiary or affiliate) owns an interest, then the percentage applicable to liquid hydrocarbons shall be fifty percent (50%) or the highest percent accruing to a third party processing gas through such plant under a processing agreement negotiated at arm's length (or if there is no such third party, the highest percent then being specified in processing agreements or contracts in the industry), whichever is greater. The respective royalties on residue gas and on liquid hydrocarbons shall be determined by 1) the highest market price paid or offered for any gas (or liquid hydrocarbons) of comparable quality in the general area, or 2) the gross price paid or offered for such residue gas (or the weighted average gross selling price for the respective grades of liquid hydrocarbons, F.O.B. at the plant in which said gas is processed), whichever is greater.

(d) **OTHER PRODUCTS.** Royalty on carbon black, sulphur or any other products produced or manufactured from gas (excepting liquid hydrocarbons) whether said gas be "casinghead," "dry," or any other gas, by fractionating, burning or any other processing shall be 23% part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows: 1) on the basis of the highest market price of each product for the same month in which such product is produced, or 2) on the basis of the average gross sale price of each product for the same month in which such product is sold, whichever is greater.

5. **MINIMUM ROYALTY.** For each calendar year following the date of the expiration of the primary term when this lease is held for any part of such calendar year by production, the royalty received under this lease must not be less than an amount equal to the total annual delay rental provided for in Paragraph 3. If Paragraph 3 of this lease does not specify a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre.

6. **ROYALTY IN KIND.** Notwithstanding any other provision in this lease, at any time or from time to time, the owner of the soil or the Commissioner of the General Land Office may, at the option of either, upon not less than sixty (60) days notice to the holder of the lease, require that the payment of any royalties accruing to such royalty owner under this lease be made in kind.

7. **NO DEDUCTIONS.** Lessee agrees that all royalties accruing under this lease (including those paid in kind) shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and otherwise making the oil, gas and other products hereunder ready for sale or use. Lessee agrees to compute and pay royalties on the gross value received, including any reimbursements for severance taxes and production related costs.

8. **PLANT FUEL AND RECYCLED GAS.** No royalty shall be payable on any gas as may represent this lease's proportionate share of any fuel used to process gas produced hereunder in any processing plant. Notwithstanding any other provision of this lease, and subject to the written consent of the owner of the soil and the Commissioner of the General Land Office, Lessee may recycle gas for gas lift purposes on the leased premises or for injection into any oil or gas producing formation underlying the leased premises after the liquid hydrocarbons contained in the gas have been removed; no royalties shall be payable on the recycled gas until it is produced and sold or used by Lessee in a manner which entitles the royalty owners to a royalty under this lease.

9. **ROYALTY PAYMENTS AND REPORTS.** All royalties which are required to be paid to the Commissioner of the General Land Office under this lease shall be due and payable in the following manner: Royalty on oil is due and must be received in the General Land Office on or before the 5th day of the second month succeeding the month of production, and royalty on gas is due and must be received in the General Land Office on or before the 15th day of the second month succeeding the month of production, accompanied by the affidavit of the owner, manager or other authorized agent, completed in the form and manner prescribed by the General Land Office and showing the gross amount and disposition of all oil and gas produced and the market value of the oil and gas, together with a copy of all documents, records or reports confirming the gross production, disposition and market value including gas meter readings, pipeline receipts, gas line receipts and other checks or memoranda of amount produced and put into pipelines, tanks, or pools and gas lines or gas storage, and any other reports or records which the General Land Office may require to verify the gross production, disposition and market value. Each royalty payment shall be accompanied by a check stub, schedule, summary or other remittance advice showing by the assigned General Land Office lease number, the amount of royalty being paid on each lease. If Lessee pays his royalty late but on or before thirty (30) days after the royalty payment was due, then Lessee owes a penalty of 5% of the royalty or $25.00, whichever is greater. A royalty payment which is over thirty (30) days late shall accrue a penalty of 10% of the royalty due or $25.00, whichever is greater. In addition to a penalty, royalties shall accrue interest at a rate of 12% per year; such interest will begin accruing when the royalty is sixty (60) days overdue. Affidavits and supporting documents which are not filed when due shall incur a penalty in an amount set by the General Land Office administrative rule which is effective on the date when the affidavits or supporting documents were due. The Lessee shall

bear all responsibility for paying or causing royalties to be paid in the manner prescribed in this paragraph. Payment of the delinquency penalty shall in no way operate to prohibit the State's right of forfeiture as provided by law nor act to postpone the date on which royalties were originally due. The above penalty provisions shall not apply in cases of title dispute as to the State's portion of the royalty or to that portion of the royalty in dispute as to fair market value. Penalties due under this paragraph are subject to change in order to conform to any future penalty statutes. The State shall have a first lien upon all oil and gas produced from the area covered by this lease to secure the payment of all unpaid royalty and other sums of money that may become due to the State under this lease.

10. PERMITS, REPORTS, AND RESERVES. Lessee shall file all drilling permits in the name of the "State" and require each well and/or tank battery on the leased premises to be designated by the word "State" for identification and reporting to the Railroad Commission or any other governmental agency. Written notice of operations under this lease shall be submitted to the Commissioner of the General Land Office by Lessee five (5) days before spud date, cessation of production, workover, re-entry, temporary abandonment or abandonment of any well, and shall include copies of Railroad Commission forms for application to drill, well tests, completion reports and plugging records. Lessee shall supply the General Land Office with any records, memoranda, accounts, reports, cuttings and cores, or other information relative to the operation of the above described premises, which may be requested by the General Land Office, in addition to those herein expressly provided for. Lessee shall have an electrical and/or radioactivity survey made on the bore-hole section, from the base of the surface casing to total depth of well, of all wells drilled on the above described premises and shall transmit a true copy of the log of each survey on each well to the General Land Office within fifteen (15) days after making of said survey. The Commissioner of the General Land Office reserves the right to require Lessee to annually furnish the said Commissioner with its best possible estimate of oil and gas reserves underlying this lease or allocable to this lease.

11. DRY HOLE CLAUSE. If, during the primary term hereof and prior to discovery and production of oil or gas on said land, Lessee should drill a dry hole or holes thereon, or if, after discovery and production of oil or gas, the production thereof should cease from any cause, this lease shall not terminate if, on or before the rental paying date next ensuing after the expiration of sixty (60) days from date of completion of said dry hole or cessation of production, Lessee commences additional drilling or reworking operations thereon, or commences or resumes the payment of annual delay rental in the same manner as provided in Paragraph 3 of this lease. If a dry hole be completed and abandoned during the last year of the primary term, Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term. Should the first well or any subsequent well drilled on the above described land be completed as a shut-in oil or gas well within the primary term hereof, Lessee may resume payment of annual rental in the same manner as provided in Paragraph 3 in this lease on or before the rental paying date next ensuing after sixty (60) days from the date of completion of such shut-in oil or gas well, and upon the failure to make such annual rental payment, this lease shall ipso facto terminate. If at the expiration of the primary term or at any time thereafter a shut-in oil or gas well is located on the leased premises, payments may be made in accordance with the provisions of Paragraph 14 of this lease.

12. DRILLING AND REWORKING AT EXPIRATION OF PRIMARY TERM. If, at the expiration of the primary term, neither oil nor gas is being produced on said land, but Lessee is then engaged in drilling or reworking operations thereon, this lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted in good faith and in workmanlike manner without interruptions totaling more than sixty (60) days during any one such operation, and if they result in the production of oil and/or gas, so long thereafter as oil and/or gas is produced in paying quantities from said land, or payment of shut-in oil or gas well royalties or compensatory royalties is made as provided in this lease.

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

14. SHUT IN ROYALTIES. If, at the expiration of the primary term or at any time thereafter, a well or wells capable of producing oil or gas in paying quantities is located on the leased premises but oil or gas is not being produced for lack of suitable production facilities or a suitable market, and the lease is not being maintained in force and effect, Lessee may pay as a shut-in oil or gas royalty an amount equal to double the annual rental provided in Paragraph 3 of this lease but not less than $1,200 a year for each well capable of producing oil or gas in paying quantities. If Paragraph 3 of this lease does not specify

a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre. Any shut-in oil or gas royalty must be paid on or before: (1) the expiration of the primary term, (2) 60 days after the lessee ceases to produce oil or gas from the leased premises, or (3) 60 days after lessee completes a drilling and reworking operation in accordance with the lease provisions; whichever date is latest. Such payment shall be made one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil. If the shut-in oil or gas royalty is paid, the lease shall be considered to be a producing lease and the payment shall extend the term of the lease for a period of one (1) year from the end of the primary term or from the first day of the month next succeeding the month in which production ceased and after that, if no suitable production facilities or suitable market for the oil or gas exists, Lessee may extend the lease for four (4) additional and successive periods of one year by paying the same amount each year on or before the expiration of the extended term. If, during the period the lease is kept in effect by payment of the shut-in oil or gas royalty, oil or gas is sold and delivered in paying quantities from a well located within 1,000 feet of the leased premises and completed in the same producing reservoir or, in any case in which drainage is occurring, the right to continue to extend the lease by paying the shut-in oil or gas royalty shall cease. The lease shall remain effective for the remainder of the year for which the royalty has been paid and for four (4) additional and successive periods of one year each by the Lessee paying compensatory royalty at the royalty rate provided in the lease of the value at the well of production from the well that is causing the drainage or that is completed in the same producing reservoir and within 1,000 feet of the leased premises. The compensatory royalty is to be paid monthly, one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil, beginning on or before the last day of the month next succeeding the month in which the oil or gas is sold and delivered from the well. If the compensatory royalty paid in any 12-month period is in an amount less than the annual shut-in oil or gas royalty, Lessee shall pay an amount equal to the difference within 30 days from the end of the 12-month period. None of these provisions will relieve Lessee of the obligation of reasonable development or the obligation to drill offset wells as provided in Texas Natural Resources Code §52.173.

15. **DEVELOPMENT.** Notwithstanding any provision of this lease to the contrary, after a well producing, or capable of producing, oil or gas has been completed on the leased premises, Lessee shall exercise the diligence of a reasonably prudent operator in drilling such additional well or wells as may be reasonably necessary for the proper development of the leased premises and in marketing the oil and gas produced. In the event this lease is in force and effect three (3) years after the expiration date of the primary term, it shall then terminate as to all of the leased premises, EXCEPT: 1) 40 acres surrounding each producing oil well and 320 acres surrounding each producing gas well (including a shut-in oil or gas well as provided in Paragraph 14 of this lease), or a well upon which Lessee is then engaged in continuous drilling or reworking operations, or 2) the number of acres included in a producing pooled unit pursuant to Texas Natural Resources Code §52.151 - §52.153, or 3) such greater or lesser number of acres as may then be allocated for production purposes to a proration unit for each such producing well under the rules and regulations of the Railroad Commission of Texas, or any successor agency, or other governmental authority having jurisdiction. "Producing" as used in this lease means producing in paying quantities. The acreage retained under this provision as to each well shall, as nearly as practical, be in the form of a square with the well located in the center or in such other shape as may be approved by the Commissioner of the General Land Office. Lessee shall execute and record a release or releases containing a satisfactory description of the acreage terminated under this provision, and the recorded release, or a certified copy of same, shall be filed in the General Land Office, accompanied by the prescribed filing fee.

16. **OFFSET WELLS.** Neither the bonus, delay rentals, nor royalties paid, or to be paid, under this lease shall relieve Lessee of his obligation to protect the oil and gas under the above-described land from being drained. To prevent drainage, Lessee is obligated to drill as many wells as the facts may justify and to the depth or depths necessary for effective protection against undue drainage. In addition, if a draining well which is producing in commercial quantities is located within 1,000 feet of the above-described land, or in any case where the above described land is being drained, Lessee is statutorily obligated to drill an offset well on the leased premises within 100 days after the draining well begins production in commercial quantities. Failure to satisfy the statutory offset obligation may subject this lease and the owner of the soil's agency rights to forfeiture. Only upon the determination of the Commissioner of the General Land Office and with his written approval may the payment of compensatory royalty satisfy obligation to drill an offset well or wells required under this paragraph.

17. **FORCE MAJEURE.** If, after a good faith effort, Lessee is prevented from complying with any express or implied covenant of this lease, from conducting drilling operations on the leased premises, or from producing oil or gas from the leased premises by reason of war, rebellion, riots, strikes, acts of God, or any valid order, rule or regulation of government authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended and Lessee shall not be liable for damages for failure to comply with such covenants; additionally, this lease shall be extended while Lessee is prevented, by any such cause, from conducting drilling and reworking operations or from producing oil or gas from the leased premises. However, nothing in this paragraph shall suspend the payment of delay rentals in order to maintain this lease in effect during the primary term in the absence of such drilling or reworking operations or production of oil or gas.

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

19. PROPORTIONATE REDUCTION CLAUSE. If the owner of the soil owns less than the entire undivided surface estate in the above described land, whether or not Lessee's interest is specified herein, then the royalties and rental herein provided to be paid to the owner of the soil shall be paid to him in the proportion which his interest bears to the entire undivided surface estate and the royalties and rental herein provided to be paid to the Commissioner of the General Land Office of the State of Texas shall be likewise proportionately reduced. However, before Lessee adjusts the royalty or rental due to the Commissioner of the General Land Office, Lessee or his authorized representative must submit to the Commissioner of the General Land Office a written statement which explains the discrepancy between the interest purportedly leased under this lease and the actual interest owned by the owner of the soil. The Commissioner of the General Land Office shall be paid the value of the whole production allocable to any undivided interest not covered by a lease, less the proportionate development and production cost allocable to such undivided interest. However, in no event shall the Commissioner of the General Land Office receive as a royalty on the gross production allocable to the undivided interest not leased an amount less than the value of one-sixteenth (1/16) of such gross production.

20. USE OF WATER. Lessee shall have the right to use water produced on said land necessary for operations under this lease except water from wells or tanks of the owner of the soil; provided, however, Lessee shall not use potable water or water suitable for livestock or irrigation purposes for waterflood operations without the prior consent of the owner of the soil.

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

22. PIPELINE DEPTH. When requested by the owner of the soil, Lessee shall bury its pipelines below plow depth.

23. WELL LOCATION LIMIT. No well shall be drilled nearer than two hundred (200) feet to any house or barn now on said premises without the written consent of the owner of the soil.

24. CONSERVATION CLAUSE. Lessee shall have the exclusive right to build, operate and maintain pits, reservoirs, pickup stations and plants for the purpose of picking up and conserving waste oil that flows down the creeks, ravines and across the leased premises, whether such waste oil is produced from the leased premises or from other lands. Royalties, as provided in this lease for regularly produced oil, are also owed on all such waste oil.

25. REMOVAL OF EQUIPMENT. Subject to limitations in this paragraph, Lessee shall have the right to remove machinery and fixtures placed by Lessee on the leased premises, including the right to draw and remove casing, within one hundred twenty (120) days after the expiration or the termination of this lease unless the owner of the soil grants Lessee an extension of this 120-day period. However, Lessee may not remove casing from any well capable of producing oil and gas in paying quantities. Additionally, Lessee may not draw and remove casing until after thirty (30) days written notice to the Commissioner of the General Land Office and to the owner of the soil. The owner of the soil shall become the owner of any machinery, fixtures, or casing which are not timely removed by Lessee under the terms of this paragraph.

26. (a) ASSIGNMENTS. Under the conditions contained in this paragraph and Paragraph 28 of this lease, the rights and estates of either party to this lease may be assigned, in whole or in part, and the provisions of this lease shall extend to and be binding upon their heirs, devisees, legal representatives, successors and assigns. However, a change or division in ownership of the land, rentals, or royalties will not enlarge the obligations of Lessee, diminish the rights, privileges and estates of Lessee, impair the effectiveness of any payment made by Lessee or impair the effectiveness of any act performed by Lessee. And no change or division in ownership of the land, rentals, or royalties shall bind Lessee for any purpose until thirty (30) days after the owner of the soil (or his heirs, devisees, legal representatives or assigns) furnishes the Lessee with satisfactory written evidence of the change in ownership, including the original recorded muniments of title (or a certified copy of such original) when the ownership changed because of a conveyance. A total or partial assignment of this lease shall, to the extent of the interest assigned, relieve and discharge Lessee of all subsequent obligations under this lease. If this lease is assigned in its entirety as to only part of the acreage, the right and option to pay rentals shall be apportioned as between the several owners ratably, according to the area of each, and failure by one or more of them to pay his share of the rental shall not affect

this lease on the part of the land upon which pro rata rentals are timely paid or tendered; however, if the assignor or assignee does not file a certified copy of such assignment in the General Land Office before the next rental paying date, the entire lease shall terminate for failure to pay the entire rental due under Paragraph 3. Every assignee shall succeed to all rights and be subject to all obligations, liabilities, and penalties owed to the State by the original lessee or any prior assignee of the lease, including any liabilities to the State for unpaid royalties.

(b) ASSIGNMENT LIMITATION. Notwithstanding any provision in Paragraph 26(a), if the owner of the soil acquires this lease in whole or in part by assignment without the prior written approval of the Commissioner of the General Land Office, this lease is void as of the time of assignment and the agency power of the owner may be forfeited by the Commissioner. An assignment will be treated as if it were made to the owner of the soil if the assignee is:

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

27. RELEASES. Under the conditions contained in this paragraph and Paragraph 28, Lessee may at any time execute and deliver to the owner of the soil and place of record a release or releases covering any portion or portions of the leased premises, and thereby surrender this lease as to such portion or portions, and be relieved of all subsequent obligations as to acreage surrendered. If any part of this lease is properly surrendered, the delay rental due under this lease shall be reduced by the proportion that the surrendered acreage bears to the acreage which was covered by this lease immediately prior to such surrender; however, such release will not relieve Lessee of any liabilities which may have accrued under this lease prior to the surrender of such acreage.

28. FILING OF ASSIGNMENTS AND RELEASES. If all or any part of this lease is assigned or released, such assignment or release must be recorded in the county where the land is situated, and the recorded instrument, or a copy of the recorded instrument certified by the County Clerk of the county in which the instrument is recorded, must be filed in the General Land Office within 90 days of the last execution date accompanied by the prescribed filing fee. If any such assignment is not so filed, the rights acquired under this lease shall be subject to forfeiture at the option of the Commissioner of the General Land Office.

29. LEASE FILING. It is recognized that before this lease is effective a certified copy of this lease (which is made and certified by the County Clerk from his records) shall be filed in the General Land Office in accordance with Texas Natural Resources Code §52.183, and this lease shall not be binding upon the State unless it recites the actual and true consideration paid or promised for execution of this lease. The bonus due the State and the prescribed filing fee shall accompany such certified copy to the General Land Office.

30. DISCLOSURE CLAUSE. All provisions pertaining to the lease of the above-described land have been included in this instrument, including the statement of the true consideration to be paid for the execution of this lease and the rights and duties of the parties. Any collateral agreements concerning the development of oil and gas from the leased premises which are not contained in this lease render this lease invalid.

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

32. FORFEITURE. If Lessee shall fail or refuse to make the payment of any sum within thirty days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if Lessee should fail to file reports in the manner required by law or fail to comply with rules and regulations promulgated by the General Land Office, the School Land Board, or the Railroad Commission, or if Lessee should refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or knowingly fail or refuse

to furnish the General Land Office a correct log of any well, or if Lessee shall knowingly violate any of the material provisions of this lease, or if this lease is assigned and the assignment is not filed in the General Land Office as required by law, the rights acquired under this lease shall be subject to forfeiture by the Commissioner, and he shall forfeit same when sufficiently informed of the facts which authorize a forfeiture, and when forfeited the area shall again be subject to lease under the terms of the Relinquishment Act. However, nothing herein shall be construed as waiving the automatic termination of this lease by operation of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this lease and all rights thereunder reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

33. RAILROAD COMMISSION HEARINGS ON GAS. No natural gas or casinghead gas, including both associated and nonassociated gas, produced from the mineral estate subject to this lease may be sold or contracted for sale to any person for ultimate use outside the State of Texas unless the Railroad Commission, after notice and hearing as provided in Title 3 of the Texas Natural Resources Code, finds that:

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

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

(c) no public or private school in this State that provides elementary, secondary, or higher education requires the natural gas or casinghead gas to meet its existing needs for fuel;

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

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

(f) no person who resides in this State and who relies on natural gas or casinghead gas to provide in whole or part his existing needs for fuel or raw material requires the natural gas or casinghead gas to meet those needs; provided, however, after notice and hearing as provided in Title 3 of the Texas Natural Resources Code the Railroad Commission may grant exceptions to these provisions as set forth in Texas Natural Resources Code §52.296.

34. This lease is issued under the provisions of Texas Natural Resources Code §52.171 through §52.188, commonly known as the Relinquishment Act, and other applicable statutes and amendments thereto, and if any provision in this lease does not conform to these statutes, the statutes will prevail over any nonconforming lease provisions.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

STATE OF TEXAS
BY: Robert W. Blake
Individually and as agent for the State of Texas
Robert W. Blake SS# [redacted]

STATE OF TEXAS
BY: Marion Blake
Individually and as agent for the State of Texas
Marion Blake SS# [redacted]

STATE OF TEXAS
BY: _____
Individually and as agent for the State of Texas

STATE OF TEXAS
BY: _____
Individually and as agent for the State of Texas

VOL 498 PAGE 38

STATE OF TEXAS
COUNTY OF Lubbock

This instrument acknowledged before me on November 29, 1989 by

Robert W. Blake.

SHARON ALEXANDER NOTARY PUBLIC STATE OF TEXAS EXPIRES 10/26/91

Sharon Alexander
Notary Public in and for Lubbock County, Texas
My commission expires: 10-26-91

STATE OF TEXAS
COUNTY OF Lubbock

This instrument acknowledged before me on November 29, 1989. by

Marion Blake.

SHARON ALEXANDER NOTARY PUBLIC STATE OF TEXAS EXPIRES 10/26/91

Sharon Alexander
Notary Public in and for Lubbock County, Texas
My commission expires: 10-26-91

STATE OF TEXAS
COUNTY OF _____

This instrument acknowledged before me on _____ by

_____.

_____
Notary Public in and for _____ County, Texas
My commission expires: _____

FOR SALE BY STAFFORD-LOWDON CO. FORT WORTH 55326

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

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 OIL AND GAS LEASE FROM ROBERT W. BLAKE, ET UX TO BLAIR ROYALTIES OF ORLA, INC.

as the same appears of record in my office in book 498 page 29, DEED RECORD.

Given under my Hand and Seal of said Court, at office in Pecos, Texas this 1st day of December 19 89.

CATHERINE ASHLEY Clerk,

By Billie Jo Freeman Deputy.

(Billie Jo Freeman)

ANY PROVISION HEREIN WHICH RESTRICTS THE SALE, RENTAL, OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

FILED FOR RECORD ON THE 1st DAY OF December A.D. 1989 AT 8:12A. M.

DULY RECORDED ON THE 1st DAY OF December A.D. 1989 AT 8:45A. M.

BY Billie Jo Freeman DEPUTY

CATHERINE ASHLEY, COUNTY CLERK,
REEVES COUNTY, TEXAS.

M-88676 (95)
O&G Lease

RECEIVED AS STATED
$666.50 Bonus
Date 12-4-89
Reg No 16384
GENERAL LAND OFFICE

RECEIVED AS STATED
$25.00 filing fee
Date 12-4-89
Reg No 16384
GENERAL LAND OFFICE

GENERAL LAND OFFICE
GARRY MAURO
COMMISSIONER

MEMORANDUM

DATE:

TO: Garry Mauro, Commissioner

FROM: Peter Boone, Petroleum and Minerals

SUBJECT: Relinquishment Act Lease
County: Reeves
Description: Sec 12 Blk 57 T-2, TY P RR Sur SE 80 & N 440 ac
Applicant: Blair Royalties & Oela Inc.
Consideration: $100/ac bonus 11½% royalty $1.00 rental 2 yrs

Consideration

Recommended: PAB 12-6-89
Not Recommended
Comments:

Form

Recommended: PAB 12-6-89
Not Recommended:
Recommended, after technical changes:
Comments:

The lease is a certified copy and all money is received.

Legal Services Comments (if requested)

Jack Giberson, Chief Clerk Date

Recommended:
Not Recommended

Garry Mauro, Commissioner Date

Approved: GM Not Approved:

Approved, after technical changes:

Garry Mauro
Commissioner
General Land Office

December 18, 1989

Exxon Company U.S.A.
P.O. Box 1600
Midland, TX 79702-1600

Re: Relinquishment Act Lease M-93569
Sec. 23, Blk. A-10
GC & SF RR
Edwards County, Texas

Dear Sirs:

The certified copy of a Relinquishment Act lease covering the captioned tract has been approved and filed in our records under the captioned mineral file number. Please refer to this file number in all future correspondence concerning this lease.

Your remittance of $2,035.00 has been applied as the state's portion of the cash bonus and required filing fee.

Sincerely,

Peter A. Boone

Peter A. Boone
Geologist
Petroleum & Minerals Division
512/463-5022

PB/11
Enclosure

Stephen F. Austin Building
1700 North Congress Avenue
Austin, Texas 78701
(512) 463-5256

(97) M88676
ltr
12-1889

M-88676

SUBJECT: ASSIGNMENT FILING FEES (+ Late Fee)
FROM : Blake Oil & GAS Properties
DATE : DECEMBER 4, 1989
AMT : $50.00

BRUCE W. BLAKE
OIL & GAS PROPERTIES
PO Box 2102
400 N. Main
Midland, TX 79701-2102

DETACH AND RETAIN THIS STATEMENT
THE ATTACHED CHECK IS IN PAYMENT OF ITEMS DESCRIBED BELOW.
IF NOT CORRECT PLEASE NOTIFY US PROMPTLY. NO RECEIPT DESIRED.
DELUXE - FORM WVC-3 V-7

Filing Fees (Late) Roye to BWB etal 518 50.00

90016243

129/121

ph (915) 684-7888

684

ph 1215 for MF H.

1H, 1L FF+LFF $50.00

FMF 88676 98
ITEM Receipt
TO
FROM Bruce W. Blake
DATE 12-4-89

X 791.50 90016384

171
W

161

UNITEDBANK
P.O. BOX 11347 MIDLAND, TEXAS 79702

THE BLAIR ROYALTIES OF ORLA, INC.
LEASE ACCOUNT
P. O. BOX 20 PH. 915-273-4831
ORLA, TX 79770

90016384 1026

88-775/1163

12-1 19 89

PAY TO THE ORDER OF GENERAL LAND OFFICE $ 791.50

Seven Hundred and Ninety One and 50/100---------- DOLLARS

R.W. Blake et ux OGL(Se/80a. of N/440a. of Sec. 12,		
Blk. 57, T-2, T&P, Reeves Co.,	Texas	
State's 1/2 Bonus Consid.	666	50
Processing $100 &Filing $25	125	00
TOTAL	791	50

THIS CHECK IS DELIVERED FOR PAYMENT OF TOTAL ACCOUNTS LISTED

Michael W. Royse

[redacted]

88676

Blair

12-4-89

M-88676

FILE NO. 410 MICHAEL W. ROYE TO JACK E. BLAKE, JR., ET AL

ASSIGNMENT OF OVERRIDING ROYALTY

KNOW ALL MEN BY THESE PRESENTS:

That Michael W. Roye of P.O. Box 3714, Midland TX 79702, hereinafter designated "Roye", does hereby, without warranty, express or implied, assign, transfer, set over and convey, in equal shares unto Blake Oil and Gas Corporation, Jack E. Blake Jr., and Bruce W. Blake, all of 400 N. Main, Midland TX 79701, hereinafter designated "Assignee", an overriding royalty of Four and One-Quarter Percent (4.25%) of all oil and gas produced, saved and marketed from the lands in Reeves County, Texas, which are described in Exhibit "A", attached hereto and hereby made a part hereof, under and pursuant to the oil and gas leases therein enumerated, the lands described in Exhibit "A" being hereinafter designated "Subject Land", such overriding royalty to be computed and paid or delivered as follows:

(a) Roye shall deliver to the credit of Assignee, free of cost, in the pipeline to which Roye may connect its wells, 4.25% of all oil produced and saved by Roye from Subject Land under the terms of the leases described in Exhibit "A", or from time to time, at Roye's option, pay Assignee for such overriding royalty at the current market value of such oil at the well; and

(b) Roye shall pay Assignee for gas produced form any well on Subject Land under the terms of the leases described in Exhibit "A", and used by Roye off said premises or in the manufacture of gasoline or other products, 4.25% of the market value of said gas as such at the mouth of the well. If such gas is sold by Roye, then Roye shall pay to Assignee 4.25% of the net amount realized by Roye computed at the mouth of the well.

The overriding royalties above provided for shall be applicable only to the oil and gaseous substances produced and saved from Subject Land under the terms of the leases described in Exhibit "A", after deducting that part used for lease operations, and, if said leases or Roye's interest therein cover less than the full oil and gas rights in any portion of the Subject Land, then the overriding royalties above provided for as to the production from such portion shall reduced and paid or delivered to Assignee only in the proportion which Roye's leasehold estate thereon under the leases described in Exhibit "A" bears to the full oil and gas leasehold estate thereon.

Nothing herein contained shall impose or be held to imply any obligation on the part of Roye, his successors or assigns, as to the exploration, development or operation of Subject Land or to require Roye to continue said leases in force.

The aforesaid overriding royalty shall not be reduced by the amount of the Lessor's royalty, but the aforesaid overriding royalty shall be reduced by the amount of any prior overriding royalties and production payments outstanding as of the date hereof, and shall be delivered free of cost into the pipeline or tanks to which said well or wells may be connected.

This overriding royalty shall apply to any and all extensions, renewals and substitutions of the lease obtained by Roye, his successors or assigns, on the lands herein. Provided, however, that any such extension, renewal or substitution which is taken or contracted for, more than six (6) months after the expiration of an existing lease, shall not be deemed an extension, renewal or substitution for the purposes hereof.

No transfer of the overriding royalties herein assigned, however accomplished, shall be binding upon Roye, his successors and assigns, until after he has been furnished with evidence satisfactory to him of such transfer.

IN WITNESS WHEREOF, this assignment is duly executed this 30th day of January, 1989.

Michael W. Roye

Michael W. Roye

LFF

STATE OF TEXAS

COUNTY OF MIDLAND

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this 30th day of January, 19 89, personally appeared Michael W. Roye, to me known to be the identical person, described in and who executed the within and foregoing instrument of writing and acknowledged to me that he duly executed the same as his free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.

My commission Expires 6/13/92

Janet Burge
Notary Public.

JANET BURGE
Notary Public, State of Texas
County of Midland
My Comm Expires June 13, 1992

FOR SALE BY STAFFORD-LOWDON CO. FORT WORTH 55326

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

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 OVERRIDING ROYALTY FROM MICHAEL W. ROYE TO JACK E. BLAKE, JR., ET AL

as the same appears of record in my office in book 492 page 79, Deed Record.

Given under my Hand and Seal of said Court, at office in Pecos, Texas

this 1st day of December 19 89.

CATHERINE ASHLEY Clerk,

By Billie Jo Freeman Deputy.

(Billie Jo Freeman)

12 489

Assignment of Overriding Royalty
LEASE SCHEDULE
Michael W. Roye to Blake Oil & Gas Corporation et al.

EXHIBIT "A" PAGE 1 of 1 STATE OF Texas COUNTY OF Reeves

LEASE NO.	LESSOR	LESSEE	DATE	DESCRIPTION	RECORDED BOOK	RECORDED PAGE	GROSS ACRES
	Blake, Robert W. & Marion	Blake Oil & Gas Corporation	9/30/88	The Southeast 80 acres of the North 440 acres of said Section 12, Block 57, T-2, T&P Ry. Co. Survey, Reeves County, Texas.	489	352	80.00
	Farwell, Altha M.	Same as above	9/30/88	Same as above	489	362	80.00
	Rybacheck, Lorna Jean	Same as above	10/10/88	Same as above	489	412	80.00
	Oestrich, Lois & Clint	Same as above	9/30/88	Same as above	489	402	80.00
	Kiel, Donald H.	Same as above	10/10/88	Same as above	489	392	80.00
	Kiel, Richard	Same as above	9/30/88	Same as above	489	382	80.00
	Gehle, Mary C.	Same as above	9/30/88	Same as above	489	372	80.00
	Max, Mildred	Same as above	9/30/88	Same as above	489	422	80.00
	Schuler, Robert A. and James N., both individually and as Remainderman under Evelyn Schuler, Life Estate	Same as above	12/8/86	Same as above	474	168	80.00
	Schuler, Evelyn	Same as above	10/10/87	Same as above	481	311	80.00
	Schuler, Violet	Same as above	10/10/87	Same as above	481	303	80.00
	Novallo, Algo A.	Same as above	9/30/88	Same as above	490	23	80.00
	Gehle, Richard	Same as above	9/30/88	Same as above	490	43	80.00
	Campbell, Shirley E.	Same as above	10/17/88	Same as above	490	33	80.00
	Carol Wagner and Authur Wagner	Same as above	9/30/88	Same as above	491	448	80.00
	Esther I. Wurm	Same as above	9/30/88	Same as above	491	459	80.00

ANY PROVISION HEREIN WHICH RESTRICTS THE SALE, RENTAL OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW

FILED FOR RECORD ON THE 14th DAY OF February A.D. 1989 at 11:36A M.

DULY RECORDED ON THE 14th DAY OF February A.D. 1989 at 4:00P M.

BY Billi Jo Freeman DEPUTY

CATHERINE ASHLEY, COUNTY CLERK,
REEVES COUNTY, TEXAS.

402 81

MF 880716 (99)
ITEM Assignment
TO
FROM
DATE 12-4-89 1521

15 N 93

FILE NO. 2656 BLAIR ROYALTIES OF ORLA, INC. TO R. W. BLAKE, ET UX

RELEASE OF OIL AND GAS LEASE

STATE OF TEXAS

COUNTY OF REEVES

KNOW ALL MEN BY THESE PRESENTS, that the undersigned does hereby relinquish, surrender, and forever quitclaim to the hereinafter named Lessors, their heirs, successors and Assigns, as their interest may appear, any and all right, title and interest whatsoever presently owned by the undersigned in and to the lands described hereinbelow by virture of the following described Oil and Gas Lease, to-wit:

1) R. W. Blake and his wife, Marion, as Lessors, and Blake Oil & Gas Corporation, as Lessee, dated 9-30-88, said lease being recorded in Vol. 489, Page 352, of the Deed Records of Reeves County, Texas

insofar as said Oil and Gas Lease covers the following described land:

The Southeast 80 acres of the North 440 acres of said Section 12, Block 57, T-2, T&P Ry. Co. Survey, Reeves County, Texas more fully described as follows:

The Southeast part of the North 440 acres of said Section 12 was duly patented to Frank H. Schuler, F. C. Gehle and Fred M. Ulrich on November 17, 1943, by Patent No. 54, Volume 92-A as containing 80 acres, described by metes and bounds as follows:

BEGINNING at the SE/corner of the E/2 of the NE/4 of this Section in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey, and the NE/corner of this survey;

THENCE West 1267.2 varas with the South line of the N/2 to the NE/corner of the NW/part of the S/2 and the NW/corner of this Survey;

THENCE South 356.4 varas with the East line of said NW/part of the S/2 to its SE/corner in the North line of the South part and the SW/corner of this survey;

THENCE East 1267.2 varas with the North line of said South part to its NE/corner in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey, and the SE/corner of this Survey;

THENCE North 356.4 varas with the West line of said Section 7 to the place of beginning, containing 80 acres, more or less.

FOR SALE BY STAFFORD-LOWDON CO. FORT WORTH 55326

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 }

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 RELEASE OF OIL AND GAS LEASE FROM BLAIR ROYALTIES OF ORLA, INC. TO R. W. BLAKE, ET UX

as the same appears of record in my office in book 51 page 201, RELEASE RECORDS.

Given under my Hand and Seal of said Court, at office in Pecos, Texas

this 1st day of December 19 89.

CATHERINE ASHLEY Clerk,

By Billie Jo Freeman Deputy.

(Billie JO Freeman)

IN WITNESS WHEREOF, this instrument is executed on this 27th day of NOVEMBER, 1989.

ATTEST:

By: _____

BLAIR ROYALTIES OF ORLA, INC.

By: Craig L. Blair
Craig L. Blair, President

ACKNOWLEDGMENT

STATE OF TEXAS §

COUNTY OF REEVES §

Before me the undersigned authority, on this day personally appeared Craig L. Blair known to me to be the person whose name is subscribed to the foregoing instrument as President of Blair Royalties of Orla, Inc., a corporation, and acknolwedged to me that he executed the same on behalf of said corporation, for the purposes and consideration therein expressed and in the capacity therein stated.

Given under my hand and seal of office, this 27th day of November, 1989

Elidia V Ramon
Notary Public in and for Reeves County, Texas.

2-28-93
My commission expires

ANY PROVISION HEREIN WHICH RESTRICTS THE SALE, RENTAL, OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

FILED FOR RECORD ON THE 28th DAY OF November A.D. 1989 AT 11:37A. M.

DULY RECORDED ON THE 28th DAY OF November A.D. 1989 AT 11:45A. M.

BY Billie Jo Freeman DEPUTY

CATHERINE ASHLEY, COUNTY CLERK, REEVES COUNTY, TEXAS.

(99)A

M 88676
Release
File dated 12-4-89
Garry Mauro, Commissioner

Received as stated
Date 12-4-89
By No. 90016384 $25.00
General Land Office

Garry Mauro
Commissioner
General Land Office

December 28, 1989

Bruce W. Blake
P.O. Box 2102
400 N. Main
Midland, TX 79701-2102

Re: Instrument Filing
a. M-88676
b. Reeves County, Texas

The General Land Office received the following instrument on December 4, 1989 and has filed it in mineral file number M-88676:

An Assignment of Overriding Royalty dated January 30, 1989, from Michael W. Roye to Blake Oil and Gas Corporation et al, recorded in volume 492, page 79, deed records, Reeves County, Texas

Filing Fee: $25.00
Late Fee: $25.00
Total Fee: $50.00

The total amount of the fees received for the filing of the instrument listed above is $50.00, which amount is acknowledged by the General Land Office.

Sincerely,

Theodore Ringer, Jr., CPA
Lease Compliance
Energy Resources
(512) 475-1535

TR/yrg

Stephen F. Austin Building
1700 North Congress Avenue
Austin, Texas 78701
(512) 463-5256

MF 886716 (10)
ITEM letter
TO Bruce W. Blake
FROM
DATE 12-28-89 (D)

GENERAL LAND OFFICE

GARRY MAURO
COMMISSIONER

MEMORANDUM

DATE: February 1, 1990

TO: Daryl Morgan

FROM: Stroud C. Kelley

SUBJECT: Mineral File 88676

There should be a refund being processed on this file, and I would like for you to track it down and see where it is in the process. If there is not one in process, please let me know.

M-88676 (101)

Memo to Daryl Morgan
2-1-90

GENERAL LAND OFFICE

GARRY MAURO
COMMISSIONER

MEMORANDUM

DATE: February 2, 1990

TO: Stroud C. Kelley

FROM: Daryl Morgan

SUBJECT: M-88676

Carl Liberty is handling the refund on the subject file as requested in your memo of December 5, 1989. He just recently received the duplicate distribution slip from Data Services for the $733.96 to be refunded. It will take an additional 3 to 4 weeks for a warrant to be mailed to Blake Oil & Gas.

Please let me know if I may be of further assistance.

TO: PRIDE PIPELINE COMPANY
P.O. BOX 2436
ABILENE, TEXAS 79604

DIVISION ORDER

05/09/90 KB/BW DUPLICATE

No. 08-030307 JANUARY 1, 1990

Effective as of the date of first runs by you.

The undersigned certify and guarantee that they are the legal owners of, and hereby warrant title to, in the proportions set out below, all the oil produced from the BLAIR ROYALTIES OF ORLA INC/NORTHSHOT Lease,

LOCATED IN THE COUNTY OF REEVES STATE OF TEXAS and described as follows: to wit:

THE NORTHSHOT BEING THE SOUTHEAST 80 ACRES OF THE NORTH 440 ACRES OF SAID SECTION 12, BLOCK 57, T-2, T & P RY. CO. SURVEY, REEVES COUNTY, TEXAS BEING MORE FULLY DESCRIBED IN EXHIBIT 'A', ATTACHED HERETO AND MADE A PART HEREOF.

Until further written notice, you are authorized to purchase oil therefrom and pay therefor, as follows:

OWNER NO.	CREDIT TO	NET REVENUE INTEREST
00004577	STATE OF TEXAS	.10531950 RI

SEE EXHIBIT 'B', ATTACHED HERETO AND MADE A PART HEREOF.

1. Oil run hereunder shall become your property upon delivery thereof into any tank, pipeline, or other conveyance designated by you, and shall be paid for by you monthly, except as hereinafter provided, according to the division of interest shown above at the price being posted or paid by you at the time of such delivery.

2. Payments for such oil shall be made on or before the 25th day of the month succeeding such purchases. Payments may be made to the owners shown above in person or by mailing your check therefor to the address of the owners designated to receive same as shown above. Provided, however, that at your option no payments shall be made to an owner until the sum due on account of such interest shall amount to $25.00 or more.

3. Quantities shall be computed from regularly compiled tank tables or by other reliable methods of computation (the owners to have the privilege of witnessing the gauge tickets), and correction shall be made for temperature and impurities according to the prevailing practice and the rules and regulations prescribed by the Commission or other legal authority of the State where the purchases hereunder are made. You may require the owners to treat or steam any unmerchantable oil at the owners' expense, before acceptance hereunder.

4. The owners severally agree to notify you in writing of any change in ownership, and that their successors shall be bound by the terms hereof. Orders transferring interests, supported by certified copy of deed, assignment, or other legal document, shall be in your hands by the 20th day of the month in which the transfer becomes effective, it being understood that transfers of interests are effective only on the first day of any current month at 7:00 o'clock A.M.

5. Satisfactory abstracts or other evidence of title will be furnished to you at any time on demand. In the event of a failure to so furnish such evidence of title, or in the event of a claim or controversy, which in your opinion, concerns title to any interest hereunder, you may hold, without interest and without any liability, the proceeds of all oil received by you hereunder until indemnity satisfactory to you has been furnished or until such claim or controversy has been settled to your satisfaction. In the event any action or suit is filed in any court affecting the title either to the real property above described or to the oil produced therefrom in which any of the owners are parties, written notice of the filing of said action or suit shall be immediately furnished to you by such owner against whom such action or suit is commenced, stating the court in which same is filed and the title of such action or suit. Each owner agrees to hold you harmless and to protect and indemnify you and/or any carrier transporting oil for your account from, against and for any loss or expense which you and/or such carrier may suffer or sustain or become liable for by reason of your purchase hereunder of said owner's interest, as above set out, in said oil and the payment therefor to said owner regardless of how the same may arise and including, but not limited to, the following: Any judgment rendered in an action or suit affecting the title to either the real property above described or the oil produced therefrom; all reasonable costs or expenses incurred in defending in such action or suit your position or that of your carrier receiving the oil; any claim or claims or judgment arising therefrom, for any tax, State or Federal, which may be asserted by any taxing authority against you in connection with, incident or in any manner related to, any sum or sums of money held in Suspense by you during the existence of any claim, controversy or suit, as above provided. You may deduct any such loss or expense from any amount owed by you to such owner at any time. Upon written notification to you by any Operator of the above lease that the undersigned is in default in the payment of its share of the leasehold expenses, you may pay direct to such Operator the proceeds of the oil run hereunder until notified by such Operator that the default is cured, and the undersigned agrees to hold you harmless and to protect and indemnify you for any such payments. You shall further be authorized to withhold funds in the event you are due money from owner and apply the funds to the payment of your account. In the event you are notified of a mispayment to any owner on any lease from which you purchase or that all parties have not been properly paid from any lease from which you purchase, each owner agrees to allow you to suspend funds until the claim is satisfied.

6. You are hereby authorized to withhold from the proceeds of any and all runs made hereunder the amount of any tax, either State or Federal, placed thereon, and to pay the same in our behalf.

7. This division order shall become valid and binding upon each and every owner as soon as signed by such owner, regardless of whether or not any other owners have so signed, and this division order supersedes all former division orders given on the property described above.

8. This contract shall continue in force for Thirty days and thereafter, until terminated by you giving notice of your intent to so terminate, or by any owner giving notice of intent to so terminate, without, however, affecting the same as to the interest of the other owners.

9. Where the term "oil" is used herein, it is intended also to include "distillate, condensate or other liquid hydrocarbons."

STATE OF TEXAS

BY _____

TITLE _____

TAX ID. [redacted]

WITNESS: _____

STATE OF TEXAS
GENERAL LAND OFFICE
STEPHEN F AUSTIN BLDG
AUSTIN TX 78701

IMPORTANT: TO AVOID DELAY IN PAYMENT - YOUR CORRECT ADDRESS AND YOUR SOCIAL SECURITY NUMBER OR TAX ACCOUNT NUMBER MUST BE SHOWN.

ATTACHMENT - EXHIBIT "A"
Blair Royalties of Orla, Inc./Northshot
Reeves County, Texas
Pride Lease #08-30307

The Southeast part of the North 440 acres of said Section 12 was duly patented to Frank H. Schuler, F. C. Gehle and Fred M. Ulrich on November 17, 1943, by Patent No. 54, Volume 92-A as containing 80 acres, described by metes and bounds as follows:

BEGINNING at the SE/corner of the E/2 of the NE/4 of this Section in the West line of Section 7, Block 56, Township 2, T & P RR Company Survey, and the NE/corner of this survey;

THENCE West 1267.2 varas with the South line of the N/2 to the NE/corner of the NW/part of the S/2 and the NW/corner of this survey;

THENCE South 356.4 varas with the East line of said NW/part of the S/2 to its SE/corner in the North line of the South part and the SW/corner of this survey;

THENCE East 1267.2 varas with the North line of said South part to its NE/corner in the West line of Section 7, Block 56, Township 2, T & P RR Company Survey, and the SE/corner of this survey;

THENCE North 356.4 varas with the West line of said Section 7 to the place of beginning, containing 80 acres, more or less; insofar and only insofar as the Lessors interest in and to the surface down to the base of the Brushy Canyon Formation, also described as the top of the Bone Springs Formation. All horizons below the base of the Brushy Canyon Formation are expressly reserved by Lessor.

ATTACHMENT-EXHIBIT 'B' PAGE 1
BLAIR ROYALTIES OF ORLA INC/NORTHSHOT
REEVES COUNTY
PRIDE LEASE 030307

CREDIT	DIVISION OF INTEREST
	ROYALTY INTEREST
ALGO NOVALLO SEP PROP	0.00156250
ALTHA M FARWELL SEP PROP	0.00156250
BETTY JANE STAPLES	0.01916670
CAROL WAGNER SEP PROP	0.00052080
DONALD H KIEL SEP PROP	0.00034720
ESTHER I WURM SEP PROP	0.00104170
EVELYN SCHULER LIFE ESTATE	0.00520840
JACK E BLAKE & WIFE CAROL JO BLAKE	0.02427780
JAMES N SCHULER SEP PROP	0.00520830
LOIS OESTRICH SEP PROP	0.00034720
LORNA JEAN RYBACHECK	0.00034720
MARY C GEHLE	0.00156250
MILDRED MAX ACCT #92-545269	0.00104170
RICHARD GEHLE SEP PROP	0.00104170
RICHARD KIEL SEP PROP	0.00052080
ROBERT A SCHULER SEP PROP	0.00520830
ROBERT W BLAKE & WIFE MARION BLAKE	0.01916670
SHIRLEY E CAMPBELL SEP PROP	0.00156250
STATE OF TEXAS	0.10531950
VIOLET SCHULER SEP PROP	0.01562500

BLAIR ROYALTIES OF ORLA INC/NORTHSHOT
REEVES COUNTY
PRIDE LEASE 030307

CREDIT	DIVISION OF INTEREST
OVERRIDING ROYALTY INTEREST	
BLAKE OIL & GAS CORPORATION	0.00645366
BRUCE W BLAKE	0.00645367
JACK E BLAKE JR	0.00645367
MICHAEL W ROYE	0.01000000
WORKING INTEREST	
BLAIR ROYALTIES OF ORLA INC	0.00760000
CRAIG L BLAIR	0.11400000
EARL L PERKINS	0.00760000
STEPHEN BLAIR	0.50920000
STEVEN B MCKINNEY	0.00760000
W A BLAIR	0.11400000

MF 88676
ITEM D.O.
TO
FROM Pride Pipeline
DATE 5.11.90

2-11-91

Garry Mauro
Commissioner
General Land Office

May 23, 1990

Pride Pipeline Company
Attn: Division Order Department
P.O. Box 2436
Abilene, Texas 79604

RE: Mineral File No. M-88676

This letter is issued in lieu of the Division Order prepared by your company for execution by the individual royalty owners.

Inasmuch as the statutes provide for the royalties that the State shall receive, it would not be in conformity with the law for the General Land Office to execute your division order, and thereby attempt to bind the State by the provisions contained therein.

The General Land Office, insofar as permitted under the law, acquiesces in the sale of the oil and/or gas to you under the lease, which oil and/or gas shall become your property when the State has been properly paid for same, as prescribed by law and under the terms and conditions set out in the lease covering the land in question.

Please refer to the mineral file number referenced above in all correspondence with this office. If you have any questions, please feel free to call me at (512) 463-5042.

Sincerely,

Drew Reid

Drew Reid, Landman
Lease Compliance
Energy Resources

DR/dr

Stephen F. Austin Building
1700 North Congress Avenue
Austin, Texas 78701
(512) 463-5256

104

MF 88676
ITEM Ltr.
TO Pride Pipeline
FROM
DATE 5-23-90

STUBBEMAN, MCRAE, SEALY, LAUGHLIN & BROWDER, INC.
ATTORNEYS AT LAW

AUSTIN, TEXAS
6836 AUSTIN CENTER BOULEVARD • 78731
SUITE 130 • ONE NORTHPOINT CENTRE
P. O. BOX 2286 • 78768
512/476-3502

MIDLAND, TEXAS
SUITE 800
TWO FIRST CITY CENTER • 79701
550 WEST TEXAS AVENUE
P. O. BOX 1540 • 79702
915/682-1616
FACSIMILE 3 915/682-1351
TELECOPIER 915/682-4884

HOUSTON, TEXAS
NCNB CENTER • 77002
700 LOUISIANA, SUITE 2400
P. O. BOX 61149 • 77208
713/237-1100
FACSIMILE 3 713/222-2842
TELECOPIER 713/237-1234

WALTER C. BEARDSLEY
OF COUNSEL

Austin Office
13 November 1989

Garry Mauro, Commissioner
General Land Office
PO Box 13083
Austin, TX 78711

Re: M88676: E/80 ac. N/120 ac. S/2 §12, Block 57, T-2, Reeves County

Dear Commissioner:

Reference is made to my letter of 8 November, and to the full disclosure of facts affecting the State's minerals in captioned land. That letter looked forward to a GLO written order of approval as provided for in NRC §52.188(b).

The terms of the order we have in mind are reflected in the enclosed draft of an order. We will appreciate your making such an order.

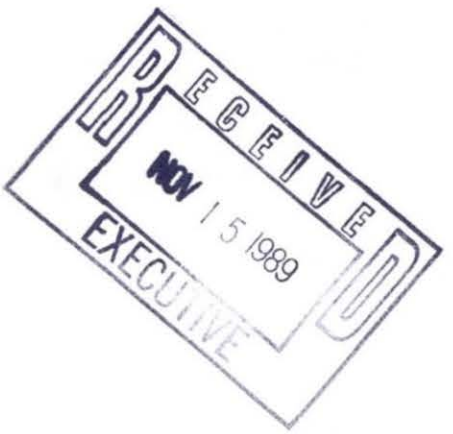
Very truly yours,

STUBBEMAN, MCRAE, SEALY, LAUGHLIN & BROWDER, INC.

Walter Beardsley

by Walter C. Beardsley

WCB:ljl
Enclosure



WCB3/58a

(105) M 88676

Ltr from Walter Beardsley

File dated 11-13-89

Garry Mauro, Commissioner

Garry Mauro
Commissioner
General Land Office

December 7, 1989

Mr. Walter C. Beardsley
Stubbeman, McRae, Sealy, Laughlin & Browder, Inc.
Post Office Box 2286
Austin, Texas 78768-2286

Re: M-88676, E/80 ac., N/120 ac. S/2 Sec. 12, Block 57, T-2, Reeves County; Blake Oil & Gas Corporation

Dear Mr. Beardsley:

In response to your letters of November 8 and December 4, 1989, and following the discussions between you and Mr. Bruce Blake, and Chief Clerk Giberson, Mr. Don Petty, and me, we are able to reply as follows:

First, you have inquired as to whether the assignment of an overriding royalty to Mike Roye might violate the Relinquishment Act. Relinquishment Act leases are freely assignable except as limited by the law of agency and Sections 52.188 and 52.189 of the Natural Resources Code. If, as has been represented by you and your client, Mr. Roye has no interest in the surface of the tract involved, there would appear to be no objection to his receiving an override except as to the Robert W. and Marian Blake lease to Blake Oil & Gas, which was void. The instrument assigning the overriding royalty to Mr. Roye was filed in this office on August 2, 1989.

You further inquire whether Blake Oil & Gas Corporation may acquire an overriding royalty on certain of the leases covering this tract. In the absence of other questionable transactions, such as using one's position as a surface cotenant to enhance one's own position to the detriment of the State, the retention or acquisition of an overriding royalty on leases under which an owner of the soil or his company is the lessee, but which were not executed by that owner of the soil or a party identified in Section 52.189(a) of the Natural Resources Code, does not violate the Relinquishment Act. Thus, the acquisition by Blake Oil & Gas of a 4.25% overriding royalty on the leases covering the 56/90ths interest not executed by Blake family members does not appear to violate the Relinquishment Act, under the facts presented by you.

Stephen F. Austin Building
1700 North Congress Avenue
Austin, Texas 78701
(512) 463-5256

You have also requested our advance approval of similar transactions with respect to leases covering depths below the base of the Brushy Canyon/top of the Bone Springs Formations. We decline to give such a blanket approval, as it is the policy of the Land Office to review each such situation on its own facts at the time it actually arises. However, as long as the standards of the law and the policies of the Land Office outlined in this letter are followed, an owner of the soil may acquire overriding royalties on leases not executed by him or a family member. Of course, any new leases must be at market value as determined by this office. It is strongly recommended that Blake Oil & Gas submit, if at all possible, all of such future leases covering undivided interests at one time in order that they may be evaluated together and in order to avoid the appearance that some surface owners are receiving preferential offers. The Land Office reserves the right to withhold approval of undivided interest leases until all or a substantial portion of the leases covering the entire interest are submitted.

With respect to the Robert W. and Marian Blake lease to Blake Oil & Gas, we have approved for filing both the release of this lease and the new lease taken by Orla Petco, which you have represented to us not to be affiliated with the Blake family. No assignment to Mr. Jack Blake, Blake Oil & Gas, or any other Blake family member of an overriding royalty or other interest under this lease will be permitted. A refund of bonus on the Robert W. and Marian Blake lease will be approved, as the lease is void as a matter of law. No other amounts appear to be due to the State as a result of this transaction.

This letter is premised on the assumption that all material facts have been fully disclosed, that your client's representations that the variations in royalty among the various undivided interest leases covering the above tract are a result of changing market conditions, that full disclosure has been made with respect to all previous similar dealings by Mr. Blake and Blake Oil & Gas, and that the State has received its share of all benefits received by Mr. Blake and Blake Oil & Gas through such similar dealings. These "similar dealings" include, but are not limited to, transactions involving Lease Nos. M-74920, M-77628 and M-80900. The questionable transactions here referred to are those described and responded to in your letter of December 4 and the letter attached to it from Mr. Blake and more specifically identified in the memorandum that I have shared with you, a copy of which is attached. Should the State learn that full

disclosure or sharing of benefits has not been made, the State reserves its right to pursue any and all remedies against Mr. Blake, Blake Oil & Gas, and their successors and assigns.

We appreciate the cooperation of the Blakes and you in this matter.

Very truly yours,

Stroud C. Kelley
Assistant General Counsel
(512) 463-5009

SCK/sp

cc: Mineral Files:
M-88676
M-74920
M-77628
M-80900

Jack Giberson
Chief Clerk

Don Petty
Director, Petroleum & Minerals

(106)

M 88676

Ltr to Walter Beardsley

File dated 12-7-89

Garry Mauro, Commissioner

CONOCO INC.
OIL AND GAS DIVISION ORDER

DBG

TO: CONOCO INC.
REAL PROPERTY ADMINISTRATION
P. O. BOX 1267
PONCA CITY, OK 74603

DIVISION ORDER: 43957
DATE PREPARED: 07/17/1990
PRODUCT TYPE: GAS
GAS EFFECTIVE DATE: 02/01/1990

EACH OF THE UNDERSIGNED WARRANTS OWNERSHIP OF THE INTEREST, SET OPPOSITE HIS NAME, IN ALL OIL (DEFINED AS CRUDE OIL AND CONDENSATE) AND/OR IN THE PROCEEDS DERIVED FROM THE SALE OF ALL GAS (DEFINED AS NATURAL GAS AND CASINGHEAD GAS) PRODUCED FROM:

LEASE CODE(S): 6068600

OPERATOR: BLAIR ROYALTIES OF ORLA
PROPERTY NAME: NORTHSHOT #1
DESCRIPTION: SECTION 12, BLOCK 57, T2.

COUNTY: REEVES STATE: TEXAS

INCLUDING ALL SUBSTANCES PRODUCED WITH SUCH OIL AND/OR GAS. 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, AND FOR THE PROCEEDS DERIVED FROM THE SALE OF GAS, IN ACCORDANCE WITH THE DIVISION OF INTEREST SHOWN BELOW: (THE CONTENTS OF THE ATTACHMENTS HERETO, SHALL CONSTITUTE A PART OF THIS DIVISION ORDER.)

CREDIT TO OWNER NO. 99993400	PROD	INTEREST
STATE OF TEXAS LAND OFF GENERAL LAND OFFICE 1700 N CONGRESS AUSTIN TX 78701	GAS	.1053195 RI

IMPORTANT: TO AVOID DELAY IN PAYMENT - YOUR CORRECT ADDRESS AND YOUR SOCIAL SECURITY NUMBER OR TAX ACCOUNT NUMBER MUST BE SHOWN. FAILURE TO SHOW YOUR SOCIAL SECURITY NUMBER OR TAX ACCOUNT NUMBER MAY RESULT IN OUR WITHHOLDING 20% OF 1099 REPORTABLE PAYMENTS EFFECTIVE JANUARY 1, 1984, IN COMPLIANCE WITH FEDERAL LAW.

SOCIAL SECURITY NUMBER |_|_|_|-|_|_|-|_|_|_|_|

FEDERAL TAX ID NUMBER |_|_|-|_|_|_|_|_|_|_|

FILE COPY

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 PIPE LINE 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. SETTLEMENT FOR GAS SOLD SHALL BE BASED ON THE NET PROCEEDS REALIZED AT THE WELL BY YOU, AFTER DEDUCTING ANY COSTS INCURRED IN COMPRESSING, TREATING, TRANSPORTING AND/OR DEHYDRATING THE GAS FOR DELIVERY. IF THE GAS IS PROCESSED IN OR NEAR THE FIELD WHERE PRODUCED, SETTLEMENT SHALL BE BASED ON THE NET PROCEEDS REALIZED AT THE WELL AS DETERMINED BY THE AGREEMENT BETWEEN THE PRODUCER AND PROCESSOR, OR, IN THE ABSENCE OF SUCH AN AGREEMENT, THE SAME BASIS AS SETTLEMENT WITH OTHER PRODUCERS OF GAS OF LIKE KIND AND QUALITY PROCESSED AT THE SAME PLANT. FOR GAS USED OFF THE LEASE, SETTLEMENT SHALL BE BASED ON MARKET VALUE AT THE WELL. WHERE GAS IS SOLD SUBJECT TO REGULATION BY GOVERNMENTAL AUTHORITY, THE PRICE APPROVED BY ORDER OF SUCH AUTHORITY SHALL BE USED AS A BASIS FOR DETERMINING NET PROCEEDS REALIZED, OR MARKET VALUE AT THE WELL, PROVIDED, THAT THE PORTION OF THE PROCEEDS NOT BASED ON A PERMANENT CERTIFICATE PRICE MAY BE SUSPENDED, WITHOUT INTEREST, UNTIL YOU HAVE BEEN FURNISHED INDEMNIFICATION SATISFACTORY TO YOU THAT ANY REQUIRED REFUND SHALL BE PAID.

3. SETTLEMENTS SHALL BE MADE MONTHLY BY YOUR CHECK MAILED TO THE UNDERSIGNED PARTIES AT THE ADDRESSES GIVEN HEREIN, LESS ANY TAXES REQUIRED BY LAW TO BE DEDUCTED AND PAID BY YOU. SHOULD THE PROCEEDS ACCRUING TO ANY INTEREST HEREUNDER FOR ANY MONTH BE LESS THAN TWENTY-FIVE DOLLARS ($25.00), YOU MAY, AT YOUR OPTION, RETAIN SUCH PROCEEDS WITHOUT INTEREST UNTIL THE FIRST REGULAR SETTLEMENT DATE WHEN THE PROCEEDS ACCUMULATED TOTAL AS MUCH AS TWENTY-FIVE DOLLARS ($25.00). PAYMENT OF THE ACCUMULATED AMOUNTS OF LESS THAN TWENTY-FIVE DOLLARS ($25.00) SHALL BE MADE IN DECEMBER OF EACH YEAR.

4. YOU ARE HEREBY RELIEVED OF ANY RESPONSIBILITY FOR DETERMINING WHEN ANY INTEREST HEREUNDER SHALL CHANGE BY INCREASE, DECREASE, TERMINATION, REVERSION OR OTHERWISE. YOU ARE AUTHORIZED TO REMIT PURSUANT TO THE DIVISION OF INTEREST CREDITED HEREUNDER UNTIL WRITTEN NOTICE TO THE CONTRARY IS RECEIVED BY YOU AT PONCA CITY, OKLAHOMA, AND YOU SHALL BE HELD HARMLESS AGAINST LOSS OR LIABILITY DUE TO YOUR FAILURE TO RECEIVE SUCH NOTICE. EACH OF THE UNDERSIGNED AGREEES 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.

5. EACH PARTY AGREES TO INDEMNIFY AND HOLD YOU HARMLESS FROM AND AGAINST ANY AND ALL LOSS, COST, OR EXPENSE ARISING OUT OF A CLAIM OR SUIT BASED ON YOUR PAYMENT TO HIM OF PROCEEDS OF PRODUCTION ATTRIBUTABLE TO SUCH INTEREST. IF ANY CLAIM IS MADE WHICH IN YOUR OPINION ADVERSELY AFFECTS TITLE TO ANY INTEREST CREDITED HEREUNDER, OR SUCH TITLE IS NOT SATISFACTORY TO YOU, THE PARTIES CREDITED WITH SUCH INTEREST SEVERALLY AGREE TO FURNISH ABSTRACTS OR OTHER EVIDENCE OF TITLE ACCEPTABLE TO YOU. IN THE EVENT OF FAILURE TO FURNISH SUCH EVIDENCE OF TITLE, YOU ARE AUTHORIZED TO WITHHOLD PAYMENTS ACCRUING TO SUCH INTEREST, WITHOUT INTEREST, UNTIL THE CLAIM IS SETTLED.

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 WITHOUT THE EXECUTION OF ADDITIONAL DIVISION ORDERS.

7. EACH WORKING INTEREST OWNER WARRANTS THAT THE OIL AND/OR GAS HAS BEEN PRODUCED IN ACCORDANCE WITH ALL APPLICABLE LAWS, RULES AND REGULATIONS.

8. THIS DIVISION ORDER MAY BE EXECUTED 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.

WITNESSES:

_____

_____

_____

_____

_____

_____

SIGNATURE:

_____

_____

_____

RPT NO: B7237-01
JOB NO: JN6111Z

OWNERSHIP ATTACHMENT

RUN DATE: 07/17/1990 PAGE 1
RUN TIME: 23.15.33
DBG

DIVISION ORDER/TRACT: 43957- NORTHSHOT #1

COUNTY: REEVES
STATE: TEXAS

OWNER NO.	OWNER NAME	PRODUCT	INTEREST DECIMAL	INTEREST TYPE	APO INTEREST DECIMAL	APO INTEREST TYPE
92096100 52	CRAIG L BLAIR	GAS	.1125000	WI		
43717400 83	W A BLAIR	GAS	.1125000	WI		
93594600 07	STEPHEN BLAIR	GAS	.5025000	WI		
06565100 11	STEVEN B MCKINNEY	GAS	.0075000	WI		
84387800 78	EARL L PERKINS	GAS	.0075000	WI		
47934600 17	BLAIR ROYALTIES	GAS	.0075000	WI		
	JACK E. BLAKE, JR.	GAS	.0064536	ORI		
	BLAKE OIL & GAS CORP.	GAS	.0064537	ORI		
	BRUCE W. BLAKE	GAS	.0064537	ORI		
	MICHAEL W. ROYE	GAS	.0200000	ORI		
	VIOLET SCHULER	GAS	.0156250	RI		
	ROBERT A. SCHULER	GAS	.0052083	RI		
	JAMES N. SCHULER	GAS	.0052083	RI		
	EVELYN SCHULER LIFE ESTATE	GAS	.0052084	RI		
	JACK E. BLAKE	GAS	.0242778	RI		
	BETTY JANE STAPLES	GAS	.0191667	RI		
	R.W. BLAKE	GAS	.0191667	RI		
	RICHARD KIEL	GAS	.0005208	RI		
	CAROL WAGNER	GAS	.0005208	RI		
	DONALD H. KIEL	GAS	.0003472	RI		
	LOIS OESTRICH	GAS	.0003472	RI		
	LORNA JEAN RYBACHECK	GAS	.0003472	RI		
	MILDRED MAX	GAS	.0010417	RI		
	ESTHER I. WURM	GAS	.0010417	RI		
	RICHARD GEHLE	GAS	.0010417	RI		
	MARY C. GEHLE	GAS	.0015625	RI		
	SHIRLEY E. CAMPBELL	GAS	.0015625	RI		
	ALTHA M. FARWELL	GAS	.0015625	RI		
	ALGO A. NOVALLO	GAS	.0015625	RI		
99993400 07	STATE OF TEXAS LAND OFF	GAS	.1053195	RI		

MF 88676
ITEM D.D.
TO
FROM CONOCO
DATE 8.18.90

10

Garry Mauro
Commissioner
General Land Office

September 20, 1990

Conoco Incorporated
Attn: Division Order Department
P.O. Box 1267
Ponca City, OK 74603

RE: Mineral File No. M-88676

This letter is issued in lieu of the Division Order prepared by your company for execution by the individual royalty owners.

Inasmuch as the statutes provide for the royalties that the State shall receive, it would not be in conformity with the law for the General Land Office to execute your division order, and thereby attempt to bind the State by the provisions contained therein.

The General Land Office, insofar as permitted under the law, acquiesces in the sale of the oil and/or gas to you under the lease, which oil and/or gas shall become your property when the State has been properly paid for same, as prescribed by law and under the terms and conditions set out in the lease covering the land in question.

Please refer to the mineral file number referenced above in all correspondence with this office. If you have any questions, please feel free to call me at (512) 463-5042.

Sincerely,

Drew Reid

Drew Reid, Landman
Lease Compliance
Energy Resources

DR/dr

Stephen F. Austin Building
1700 North Congress Avenue
Austin, Texas 78701
(512) 463-5256

Printed on recycled paper

MF 88676
ITEM L+R.
TO CONOCO
FROM
DATE 9.20.90

108

VOL 502 PAGE 264

M-88676

REEVES

FILE NO. 1278 JACK E. BLAKE, JR TO MICHAEL W. ROYE

ASSIGNMENT OF OVERRIDING ROYALTY

WHEREAS, under the date of January 30, 1989 by instrument recorded in Volume 492, Page 79 of the Deed Records of Reeves County, Texas, Michael W. Roye assigned to Blake Oil & Gas Corporation, Jack E. Blake, Jr., and Bruce W. Blake, in equal shares, an Overriding Royalty Interest equal to Four and One-Quarter Percent (4.25%) of all oil and gas produced, saved and marketed from the lands in Reeves County, Texas which are described in the Exhibit "A" attached hereto and made a part hereof, under and pursuant to the terms of the Oil & Gas Leases therein described.

NOW, THEREFORE, in consideration of Ten Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the undersigned, Jack E. Blake, Jr., whose marital status has not changed since acquiring this interest, does hereby sell, assign, transfer and set over unto Michael W. Roye, whose address is: P.O. Box 3714, Midland, Texas 79702, his heirs and assigns, an undivided One Hundred Percent (100%) Interest in and to the Overriding Royalty Interest conveyed to Jack E. Blake, Jr. therein.

This conveyance is made without warranty, either express or implied, and is executed this 18th day of May, 1990, and is effective as of the date of First Runs.

Jack E. Blake, Jr.

STATE OF TEXAS

COUNTY OF MIDLAND

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this 18th day of May, 1990 personally appeared Jack E. Blake, Jr., to me known to be the identical person, described in and who executed the within and foregoing instrument of writing and acknowledged to me that he duly executed the same as his free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.

My commission Expires 12-16-92

Marla S Wootan
Notary Public

MARLA S. WOOTAN
NOTARY PUBLIC
STATE OF TEXAS
My Comm. Exp. 12-16-92

$25.00

FOR SALE BY STAFFORD-LOWDON CO. FORT WORTH 55326

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 }

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 OVERRIDING ROYALTY from JACK E. BLAKE, JR TO MICHAEL W. ROYE

as the same appears of record in my office in book 502 page 264 DEED RECORDS

Given under my Hand and Seal of said Court, at office in Pecos, Texas

this 23rd day of May 1990.

CATHERINE ASHLEY Clerk,

By Virginia Palomino Deputy.

Virginia Palomino

502 PAGE 265

Assignment of Overriding Royalty
LEASE SCHEDULE
Jack E. Blake Jr., to Michael W. Roye

EXHIBIT "A" PAGE 1 of 1 STATE OF Texas COUNTY OF Reeves

LEASE NO.	LESSOR	LESSEE	DATE	DESCRIPTION	RECORDED BOOK	RECORDED PAGE	GROSS ACRES
M-88676	Farwell, Altha M.	Blake Oil & Gas Corp.	9/30/88	The Southeast 80 acres of the North 440 acres of said Section 12, Block 57, T-2, T&P Ry. Co. Survey, Reeves County, Texas.	489	362	80.00
	Rybacheck, Lorna Jean	Same as above	10/10/88	Same as above	489	412	80.00
	Oestrich, Lois & Clint	Same as above	9/30/88	Same as above	489	402	80.00
	Kiel, Donald H.	Same as above	10/10/88	Same as above	489	392	80.00
	Kiel, Richard	Same as above	9/30/88	Same as above	489	382	80.00
	Gehle, Mary C.	Same as above	9/30/88	Same as above	489	372	80.00
	Max, Mildred	Same as above	9/30/88	Same as above	489	422	80.00
	Schuler, Robert A. and James N., both individually and as Remainderman under Evelyn Schuler, Life Estate	Same as above	12/08/86	Same as above	474	168	80.00
	Schuler, Evelyn	Same as above	10/10/87	Same as above	481	311	80.00
	Schuler, Violet	Same as above	10/10/87	Same as above	481	303	80.00
	Novallo, Algo A.	Same as above	9/30/88	Same as above	490	23	80.00
	Gehle, Richard	Same as above	9/30/88	Same as above	490	43	80.00
	Campbell, Shirley E.	Same as above	10/17/88	Same as above	490	33	80.00
	Carol Wagner and Authur Wagner	Same as above	9/30/88	Same as above	491	448	80.00
	Esther I. Wurm	Same as above	9/30/88	Same as above	491	459	80.00

ANY PROVISION HEREIN WHICH RESTRICTS THE SALE, RENTAL, OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW

FILED FOR RECORD ON THE 22nd DAY OF May A.D. 1990 AT 10:53A. M.

DULY RECORDED ON THE 22nd DAY OF May A.D. 1990 AT 3:00P. M.

CATHERINE ASHLEY, COUNTY CLERK, REEVES COUNTY, TEXAS.

BY Virginia Palomino DEPUTY

16.22.8

MF 88676 (104)
Item AGMT ORRI
~~To~~
From MICHAEL W. ROYE
Date 6-22-90

6-55-90

M-88676

MICHAEL W. ROYE
Oil and Gas Investments
P. O. Box 3714
Midland, Texas 79702 -3714
(915) 683-6033

June 19, 1990

General Land Office
1700 North Congress
Room 640
Austin, TX 78701

Re: AORRI - Jack Blake, Jr. to MWR dated 5-18-90, State Lease #M-88676

Attention: Ted Ringer

X 25.00

Gentlemen: 90052983

Enclosed please find an Assignment of Overriding Royalty concerning State Lease M-88676. Also enclosed is a check in the amount of $25.00 for the required filing fee.

If I can be of further assistance, please notify me.

129

Sincerely yours,

Michael W. Roye

Michael W. Roye

MWR/jhd

Enclosures

1A, 1L $25.00

(110)

MF 88676
Item LTR
~~To~~
From Michael W. Roye
Date 6-22-90

6-55-90

Garry Mauro
Commissioner
General Land Office

August 27, 1990

Michael W. Roye
Oil and Gas Investments
P. O. Box 3714
Midland, Texas 79702-3714

Re: Instrument Filing
M-88676 Farwell, Altha M. et al (RAL)
Reeves County, Texas

Dear Mr. Roye:

The General Land Office received the following instrument on June 22, 1990, and has filed it in mineral file number M-88676:

Assignment of Overriding Royalty dated May 18, 1990, from Jack E. Blake, Jr., to Michael W. Roye, recorded in Volume 502, Page 264, Deed Records, Reeves County, Texas.

Filing Fee: $25.00

The total amount of the fees received for the filing of the instrument listed above is $25.00, which amount is acknowledged by the General Land Office.

Very truly yours,

Theodore Ringer, Jr., CPA
Lease Compliance
Energy Resources
(512) 475-1535

Stephen F. Austin Building
1700 North Congress Avenue
Austin, Texas 78701
(512) 463-5256

(111)

MF 88676

Item Ltr

To Michael W. Roye

From

Date 8-27-90

AA88676

FILE NO. 704 BLAIR ROYALTIES OF ORLA, INC. TO MICHAEL W. ROYE

ASSIGNMENT OF OVERRIDING ROYALTY INTEREST

IN CONSIDERATION of the sum of One and No/100 Dollars ($1.00) and other good and valuable consideration, receipt of which is hereby acknowledged, BLAIR ROYALTIES OF ORLA, INC., P. O. Box 20, Orla, Texas, 79770, does hereby assign, transfer, sell and convey unto MICHAEL W. ROYE, of P. O. Box 3714, Midland, Texas 79702, his heirs, successors and assigns, as Assignee, an overriding royalty interest of one percent of eight-eighths (1% of 8/8ths) of all the oil, gas and other hydrocarbons produced, saved and sold, if as and when produced, saved and sold, but not otherwise, from the lands set out in and covered by the Oil and Gas lease being hereinafter designated "Subject Land" and described as follows:

OIL AND GAS LEASE dated November 28, 1989, between Robert W. Blake and wife, Marion, as Agent and Attorney-in-Fact for the State of Texas and Blair Royalties of Orla, Inc, Lessee, filed for record in Volume 498, Page 29 of the Deed Records of Reeves County, Texas,

and covering the following land in Reeves County, Texas, to wit:

The Southeast 80 acres of the North 440 acres of said Section 12, Block 57, T-2, T&P Ry. Co. Survey, Reeves County, Texas more fully described as follows:

The Southeast part of the North 440 acres of said Section 12 was duly patented to Frank H. Schuler, F. C. Gehle and Fred M. Ulrich on November 17, 1943, by Patent No. 54, Volume 92-A as containing 80 acres, described by metes and bounds as follows:

BEGINNING at the SE/corner of the E/2 of the NE/4 of this Section in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey, and the NE/corner of this survey;

THENCE West 1267.2 varas with the South line of the N/2 to the NE/corner of the NW/part of the S/2 and the NW/corner of this Survey;

THENCE South 356.4 varas with the East line of said NW/part of the S/2 to its SE/corner in the North line of the South part and the SW/corner of this survey;

THENCE East 1267.2 varas with the North line of said South part to its NE/corner in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey, and the SE/corner of this Survey;

THENCE North 356.4 varas with the West line of said Section 7 to the place of beginning, containing 80 acres, more or less,

Insofar, and only insofar as the Lessor's interest in and to the surface down to the base of the Brushy Canyon Formation, also described as the top of the Bone Springs Formation. All horizons below the base of the Brushy Canyon Formation are expressly reserved by Lessor.

Such overriding royalty to be computed and paid or delivered as follows:

(a) Blair shall deliver to the credit of Assignee, free of cost, in the pipeline to which Blair may connect its wells, 1% of 8/8ths of all oil produced and saved by Blair from Subject Land under the terms of the above described lease, or from time to time, at Blair's option, pay Assignee for such overriding royalty at the current market value of such oil at the well; and

(b) Blair shall pay Assignee for gas produced from any well on Subject Land under the terms of the above described lease, and used by Blair off said premises or in the manufacture of gasoline or other products, 1% of 8/8ths of the market value of said gas as such at the mouth of the well. If such gas is sold by Blair, then Blair shall pay to Assignee 1% of 8/8ths of the net amount realized by Blair computed at the mouth of the well.

$50.00

LFP

FOR SALE BY STAFFORD-LOWDON CO. FORT WORTH 55326

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 }

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 OVERRIDING ROYALTY INTEREST FROM BLAIR ROYALTIES OF ORLA, INC. TO MICHAEL W. ROYE

as the same appears of record in my office in book 500 page 464, DEED RECORD.

Given under my Hand and Seal of said Court, at office in Pecos, Texas

this 16th day of March 19 90.

CATHERINE ASHLEY Clerk,

By Billie Jo Freeman Deputy.

(Billie JO Freeman)

The overriding royalties above provided for shall be applicable only to the oil and gaseous substances produced and saved from Subject Land under the terms of the above described lease after deducting that part used for lease operations, and, if said leases or Blair's interest therein cover less than the full oil and gas rights in any portion of the Subject Land, then the overriding royalties above provided for as to the production from such portion shall be reduced and paid or delivered to Assignee only in the proportion which Blair's leasehold estate thereon under the above described lease bears to the full oil and gas leasehold estate thereon.

Nothing herein contained shall impose or be held to imply any obligation on the part of Blair, its successors or assigns, as to the exploration, development or operation of Subject Land or to require Blair to continue said leases in force.

The aforesaid overriding royalty shall not be reduced by the amount of the Lessor's royalty, but the aforesaid overriding royalty shall be reduced by the amount of any prior overriding royalties and production payments outstanding as of the date hereof, and shall be delivered free of cost into the pipeline or tanks to which said well or wells may be connected.

This overriding royalty shall apply to any and all extensions, renewals and substitutions of the lease obtained by Blair, its successors or assigns, on the lands herein. Provided, however, that any such extension, renewal or substitution which is taken or contracted for, more than six (6) months after the expiration of an existing lease, shall not be deemed an extension, renewal or substitution for the purposes hereof.

No transfer of the overriding royalties herein assigned, however accomplished, shall be binding upon Blair, its successors and assign, until after he has been furnished with evidence satisfactory to him of such transfer.

IN WITNESS WHEREOF, this assignment is duly executed this 3rd day of January, 1990, but effective as of the date of the above described Oil and Gas Lease.

BLAIR ROYALTIES OF ORLA, INC.

By: Craig L. Blair
Craig L. Blair, President

STATE OF TEXAS §
§
COUNTY OF MIDLAND §

This instrument was acknowledged before me on 3rd January, 1990 by Craig L. Blair, President of Blair Royalties of Orla, Inc., a TEXAS corporation.

Notary Public

Notary Public Printed Name
My commission expires

ANY PROVISION HEREIN WHICH RESTRICTS THE SALE, RENTAL, OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

FILED FOR RECORD ON THE 16th DAY OF March A.D. 1990 AT 1:35P. M.

DULY RECORDED ON THE 16th DAY OF March A.D. 1990 AT 4;00P. M.

BY Billie Jo Stremmel DEPUTY

CATHERINE ASHLEY, COUNTY CLERK, REEVES COUNTY, TEXAS.

(112)

MF 88676
ITEM ASMT ORRI
TO
FROM Michael W Royce
DATE 5-15-90

2-12-90

m-88676

MICHAEL W. ROYE
Oil and Gas Investments
P. O. Box 3714
Midland, Texas 79702 - 3714
(915) 683-6033

May 11, 1990

General Land Office
1700 North Congress
Room 640
Austin, TX 78701

X50.00 90046328

Attention: Ted Ringer

Gentlemen:

Enclosed please find a certified copy of an Assignment of Overriding Royalty Interest between Blair Royalties of Orla, Inc. as Assignor and Michael W. Roye as Assignee. Also enclosed is a check in the amount of $50.00 covering the filing fee for this instrument.

129

1 + LATE FEE

Your prompt attention to this matter will be appreciated.

Sincerely yours,

Michael W. Roye

Michael W. Roye

MWR/jhd

Enclosures

MAILEFFLEF $50.00

(113)

MF 88676
ITEM 2 of 2
~~TO~~
FROM Michael W. Roye
DATE 5-15-90

2-12-90

Garry Mauro
Commissioner
General Land Office

June 20, 1990

Michael W. Roye
Oil and Gas Investments
P. O. Box 3714
Midland, TX 79702-3714

Re: Instrument Filing
M-88676 Robert W. Blake et ux (RAL)
Reeves County, Texas

Dear Mr. Roye:

The General Land Office received the following instruments on May 15, 1990, and has filed it in mineral file number M-88676.

Assignment of Overriding Royalty Interest dated January 3, 1990, from Blair Royalties of Orla, Inc., to Michael W. Roye, recorded in Volume 500, Page 464, Deed Records, Reeves County, Texas.

Filing Fee: $25.00
Late Fee : $25.00
Total Fee : $50.00

The total amount of the fees received for the filing of the instrument listed above is $50.00, which amount is acknowledged by the General Land Office.

Very truly yours,

Theodore Ringer, Jr., CPA
Lease Compliance
Energy Resources
(512) 475-1535

Stephen F. Austin Building
1700 North Congress Avenue
Austin, Texas 78701
(512) 463-5256

MF 88676 (014)
ITEM LTR
TO Michael W. Rogge
FROM
DATE 6-20-89

Texas General Land Office
Garry Mauro, Commissioner

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

August 9, 1996

I, Garry Mauro, Commissioner of the General Land Office of the State of Texas, do hereby certify that the papers, records, and documents of said office show:

That on October 6, 1876, J.J. Groos, Commissioner of the Texas General Land Office, issued Land Scrip Certificate 5074, entitling the Texas and Pacific Railway Company, by virtue of having completed railway improvements, to 640 acres of land, which land was to be located upon any of the vacant, unreserved, and unappropriated public domain of the State of Texas, in accordance with its charter and the General Laws governing the same, the grant having been made upon the condition that an alternate section be surveyed for the State, as well as the odd-numbered section for the railway company, and said Land Scrip Certificate was filed in the Texas General Land Office on August 9, 1877, in File Bexar Scrip 23792;

That on August 20, 1876, William B. Champlin, Deputy Surveyor for the Texas and Pacific Railway Co., surveyed 640 acres in Pecos County for the State of Texas, by virtue of Certificate 5074, and compiled field notes thereon, designating it as Section 12, Township 2, Block 57, which field notes were recorded in Book D-4, Page 118, Surveyor's Records, Pecos Land District, and were filed in the Texas General Land Office on August 9, 1877, in Bexar Scrip 23792, marked correct on map for 640 acres;

> That the file wrapper for File Bexar Scrip 23792 is endorsed: "Conflict with H&GN RR S-2840 & 2841 otherwise correct on map (dated) Oct. 18/77 (signed) Wm Thompson";

That on November 24, 1906, Section 12, Township 2, Block 57, T&P Ry. Co. Survey, Certificate 5074, 640 acres in Reeves County was awarded to Mrs. Julia Crume on her application filed in the Texas General Land Office on September 20, 1906, in School File 92212, and which application was filed to purchase said land under the provisions of Title LXXXVII, Chapter 12A, Revised Civil Statutes of 1895, and the amendments thereto by the Act of May 19, 1897, and

Printed on recycled paper with soybean ink

the Acts relating to the sale and lease of Public Free School and Asylum lands, approved April 19, 1901, and April 15, 1905, as a actual settler, said tract applied for having been classified as Mineral and Dry Grazing and endorsed: "Land forfeited for failure to reside thereon as required by law. (dated) 2/20/09 (signed) J.T. Robison Comm.", "Reinstated (dated) 4/12/09 (signed) J.T. Robison Comm." and "Must file waiver of mineral right, and also show whether or not you are a married woman. (dated) 10/29/06";

That on November 21, 1906, Mrs Julia Crume, executed an affidavit, sworn to according to law, in which she stated "that she is a widow over the age of twenty one years", said affidavit was filed in the Texas General Land Office on November 23, 1906, in School File 92212;

That on November 30, 1906, a certified copy of Mrs. Julia Crume's mineral rights waiver was received in the Texas General Land Office and filed in School File 92212;

That on April 9, 1909, an opinion was received in the Texas General Land Office from R.V. Davidson, Texas Attorney General, said opinion stated, "I am of the opinion that Mrs. Crume was not absent, in contemplation of law, from her home or from her land and that she has not abandoned same or absented herself therefrom and has in no manner forfeited her title, right or interest in and to said sections, and that you have the power and should reinstate her purchase and cancel the award thereof made to any subsequent party or parties", and a copy of said opinion was filed in the General Land Office in School File 92212;

That on September 25, 1909, Mrs. Julia Crume, a feme sole, made the required proof of occupancy on said Home Section 12, Township 2, Block 57, T&P Ry. Co. Survey, which proof was filed in the Texas General Land Office on October 2, 1909, in School File 92212, and Certificate of Occupancy 11930 was issued on October 5, 1917;

That on April 21, 1914, Julia Crume conveyed Section 12, Township 2, Block 57, T&P Ry. Co. Survey, as well as other lands, 1492 total acres in Reeves County, to Mays and Mays, a law firm composed of W.J. Mays and Charles Mays, and a certified copy of said deed was filed in the Texas General Land Office on July 10, 1926, in School File 92212;

That on December 13, 1923, W.J. Mays and Charles Mays conveyed Section 12, Township 2, Block 57, T&P Ry. Co., in Reeves County, to Helmer Peterson, and a certified copy of said deed was filed in the Texas General Land Office on July 10, 1926, in School File 92212;

That on August 27, 1925, Helmer Peterson conveyed Section 12, Township 2, Block 57, T&P Ry. Co. Survey, 440 acres in Reeves County, to K.M. Regan, and a certified copy of said deed was filed in the Texas General Land Office on July 10, 1926, in School File 92212, and is endorsed: "Cannot tell what portion of the Sec. is conveyed by this deed";

That the old file wrapper for School File 92212 is endorsed: "For add-See F92213, 97615 & 97616", "MF 6150", "Reuse to cancel the claim should affidavit of abandonment be filed through investigation (dated) 3/31/08", "Forfeited for failure to reside upon the land as required by law. (signed) J.T. Robison (dated) 2/20/08" and "Reinstated under opinion Atty Genl. see copy within (signed) J.T. Robison (dated) 4/12/09";

That the new file wrapper for School File 92212 is endorsed: "E 1/2 of NE 1/4, W 1/2 of NW 1/4, NW pt. of S 1/2", "See Official SK. in F-142477", "E 1/2 of NW 1/4 F 142475, W 1/2 of NE 1/4 F 142476, SE pt of N 400 a F 142477", " Sold in File 151379" and "(stamped) Land Forfeited Aug. 26, 1941 (signed) Bascom Giles Commissioner (Reinstated statement on old file wrapper)";

* * *

That on September 12, 1925, K.M. Regan conveyed 80 acres, more or less, out of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, in Reeves County, to Frank H. Schuler, F.C. Gehle and Fred W. Ulrich, and a certified copy of said Warrenty Deed was filed in the Texas General Land Office on August 26, 1926, in School File 142477;

That on November 13, 1943, H.U. von Rosenberg, compiled field notes for 80 acres in Reeves County, designating it as the South East Pt. of the North 440 acres of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, which field notes were filed in the Texas General Land Office on November 13, 1943, in School File 142477, marked correct on map for 80 acres on November 13, 1943, and are endorsed as patented on November 17, 1943;

That on March 24, 1975, Evelyn M. Gehle, a widow, conveyed an undivided one-third (1/3) interest in and to all of the Southeast part of the North 440 acres of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, Reeves County, to Jack E. Blake, and a certified copy of said Warranty Deed was received in the Texas General Land Office on July 16, 1975, in School File 142477;

That the file wrapper for School File 142477 is endorsed: "SE pt of N 440 Section 12", "Orig in 92212" and "See office SK. in this file";

That on November 13, 1943, payment in full for 80 acres, Southeast pt. of the North part of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, Certificate 5074, Reeves County, was received in the Texas General Land Office, and said land, having been classified Mineral and Grazing, with all minerals reserved to the State, was patented on November 17, 1943, to Frank H. Schuler, F.C. Gehle, and Fred Ulrich, their heirs, and assigns, by Patent Number 54 , Volume 92A, under Abstract 4924 and School File 142477;

* * *

That on October 30, 1919, Alma McLendon conveyed her application to Prospect Section 12, Block 57, Township 2, T&P Ry. Co. Survey in Reeves County, to C.H. Finley, and a certified copy of said deed was filed in the Texas General Land Office on April 12, 1929, in Mineral File M-6150;

That on January 3, 1920, JH Walker, Commissioner of the Texas General Land Office, under the provisions of Chapter 83, Act approved March 16, 1917, issued Oil and Gas Permit 6150, to C.H. Finley, Assignee of Alma McLendon, covering Section 12, Certificate 5074, Block 57, Township 2, T&P Ry. Co. Survey, as well as other Sections, total of 2560 acres of land, in Reeves County, for a term of three years and a certified copy of said permit was received in the Texas General Land Office on January 3, 1920, in Mineral File M-6150, and is endorsed: "(stamped) Forfeited for failure to continue development and pay 3rd year 10¢ per acre to State within time prescribed by law. (dated) 3-10-1922, (signed) JT Robison Commissioner";

That on March 20, 1920, C.H. Finley conveyed Oil and Gas Permit 6150, covering Section 12, Certificate 5074, Block 57, Township 2, T&P Ry. Co. Survey, as well as other Sections, total of 2560 acres of land, in Reeves County, to H.B. McDowell, J.O. Crockett, and F.H. Lazenby, Trustee of the American Oil and Refining Company, and a certified copy of said deed was filed in the Texas General Land Office on May 12, 1920, in Mineral File M-6150;

The file wrapper for Mineral File M-6150 is endorsed: "Forfeited for failure to pay third year 10¢ per acre to State within time prescribed by law. (dated) 3-10-1922 (signed) J.T. Robison, Commissioner", "See No. 12 Cert. No. 5074, See No. 14 Cert. No. 5075, See No. 22 Cert. No.

5079, See No. 24 Cert. No. 5080", "Transfer MF 5928", "Cert. of Co. Sur. in App. 8528, Combination Agreement in 4813" and "combined with 4813-4651-4812-4733-5019-6098-6180-4218 Average date Oct. 8-1919" and "(stamped) FORFEITED";

* * *

That on June 25, 1975, Jack E. Blake and wife, Carol Jo Blake, individually, and as agents for the State of Texas, executed and delivered a State Relinquishment Act Oil & Gas Lease, covering all of the Southeast part of the North 440 acres of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, in Reeves County, to the Dalco Oil Company, for a primary term of five years, with a cash bonus of $733.33, and an annual delay rental of $40.00, with like amounts payable each to landowner and State, and a royalty of three-thirtyseconds (3/32), payable each to landowner and State, and a certified copy of said lease was filed in the Texas General Land Office on August 28, 1975, in Mineral File M-72161;

That on November 13, 1975, Violet Schuler, single, Evelyn Schuler, widow of Robert L. Schuler, individually, and as agents for the State of Texas, executed and delivered a State Relinquishment Act Oil & Gas Lease, covering a part of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, Abstract 5701, containing 80 acres in Reeves County, to Griffin & Burnett, Inc., for a primary term of five years, with a cash bonus of $666.75, and an annual delay rental of $40.00, with like amounts payable each to landowner and State, and a royalty of three-sixteenths (3/16), one-half payable each to landowner and State, and a certified copy of said lease was filed in the Texas General Land Office on February 21, 1976, in Mineral File M-72161;

That on August 16, 1977, Betty Jane Yowell, individually, and as agent for the State of Texas, executed and delivered a State Relinquishment Act Oil & Gas Lease, covering an 80 acre tract of land out of the Southeast part of the North 440 acres of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, Reeves County, to Stanley S. Beard, for a primary term of five years, with a cash bonus of $833.33, and an annual delay rental of $80.00, with like amounts payable each to landowner and State, and a royalty of one-sixth (1/6), one-half payable each to landowner and State, and a certified copy of said lease was filed in the Texas General Land Office on September 29, 1977, in Mineral File M-72161;

That the file wrapper for Mineral File M-72161 is endorsed: "(stamped) EXPIRED (initialed) RW";

* * *

That on October 8, 1982, Violet Schuler and Evelyn Schuler, widow of Robert L. Schuler, individually, and as agents for the State of Texas, executed and delivered a State Relinquishment Act Oil & Gas Lease, covering all of the Southeast part of the North 440 acres of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, 80 acres in Reeves County, to Blake Oil & Gas Corporation, for a primary term of five years, with a cash bonus of $1,333.34, and an annual delay rental of $40.00, with like amounts payable each to landowner and State, and a royalty of three-sixteenth (3/16), one-half payable each to landowner and State, and a certified copy of said lease was filed in the Texas General Land Office on December 21, 1982, in Mineral File M-88676;

That on August 1, 1983, R.W. Blake, individually, and as agent for the State of Texas, executed and delivered a State Relinquishment Act Oil & Gas Lease, covering all of the Southeast part of the North 440 acres of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, 80 acres in Reeves County, to Orla Petco, Inc., for a primary term of three years, with a cash bonus of $667.00, and an annual delay rental of $6.67, with like amounts payable each to landowner and State, and a royalty of one-fourth (1/4), one-half payable each to landowner and State, and a certified copy of said lease was filed in the Texas General Land Office on December 8, 1983, in Mineral File M-88676;

That on August 1, 1983, Jack E. Blake and wife, Carol Jo Blake, individually, and as agents for the State of Texas, executed and delivered a State Relinquishment Act Oil & Gas Lease, covering all of the Southeast part of the North 440 acres of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, 80 acres in Reeves County to Orla Petco, Inc., for a primary term of three years, with a cash bonus of $667.00, this is a paid up lease and the rental sum of Thirteen and 34/100 Dollars ($13.34) covering the full three year term has been paid to owner of the soil and like amount to the state and no further rental is due, and a royalty of one-fourth (1/4), one-half payable each to landowner and State, and a certified copy of said lease was filed in the Texas General Land Office on May 11, 1984, in Mineral File M-88676;

That on August 4, 1983, Blake Oil & Gas Corporation assigned to Orla Petco, Inc., various interests in the lease in Mineral File M-88676, and reference to said assignment is herein made for all purposes to the instrument which was filed of record in Book 437, Page 718, Deed Records, Reeves County, a certified copy of which was filed in the Texas General Land Office on May 11, 1984, in

Mineral File M-88676;

That on November 22, 1983, Robert S. Schuler and James N. Schuler, individually, and as agents for the State of Texas, executed and delivered a State Relinquishment Act Oil & Gas Lease, covering all of the Southeast part of the North 440 acres of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, 80 acres in Reeves County, to Blake Oil & Gas Corporation, for a primary term of three years, with a cash bonus of $444.45, this is a paid up lease and the rental sum of Eight dollars and 90/100 ($8.90) covering the full three year term has been paid to owner of the soil and like amount to the state and no further rental is due, and a royalty of one-fourth (1/4), one-half payable each to landowner and State, and a certified copy of said lease was filed in the Texas General Land Office on January 4, 1984, in Mineral File M-88676;

That on January 3, 1984, Blake Oil & Gas Corporation, assigned to Orla Petro, Inc. its interest in the lease in Mineral File M-88676, and reference to said assignment is herein made for all purposes to the instrument which was filed of record in Book 443, Page 610, Deed Records, Reeves County, a certified copy of which was filed in the Texas General Land Office on May 11, 1984, in Mineral File M-88676;

That on May 8, 1986, Algo A. Novallo executed an Affidavit of Heirship regarding F.C. Gehle, Theodore F. Gehle, Henry C. Gehle, Otto A Gehle, Marie Charlotte Moehlman, Anna Louise Kiel, Emma Gehle, and Clara Dorothy Gehle, and the property listed: Southeast part of the North 440 acres of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, Reeves County, Texas, and reference to said affidavit is herein made for all purposes to the instrument which was filed of record in Volume 485, Page 466, Deed Records, Reeves County, a certified copy of which was filed in the Texas General Land Office on November 15, 1988, in Mineral File M-88676;

That on December 8, 1986, Robert A. Schuler and James N. Schuler, individually and as Remainderman under Evelyn Schuler, Life Estate, c/o Violet Schuler and as agent for the State of Texas, executed and delivered a State Relinquishment Act Oil & Gas Lease, covering all of the Southeast part of the North 440 acres of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, 80 acres in Reeves County, to Blake Oil & Gas Corporation, for a primary term of three years, with a cash bonus of $333.00, and an annual delay rental of $4.44, with like amounts payable each to landowner and State, and a royalty of three-sixteenths (3/16), one-half payable each to landowner and State, and a certified copy of said lease was filed in the Texas General Land Office on February 26, 1987, in Mineral

File M-88676;

That on October 10, 1987, Evelyn Schuler, individually, and as agent for the State of Texas, executed and delivered a State Relinquishment Act Oil & Gas Lease, covering the Southeast 80 acres of the North 440 acres of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, in Reeves County, to Blake Oil & Gas Corporation, for a primary term of three years, with a cash bonus of $166.50, and an annual delay rental of $2.22, with like amounts payable each to landowner and State, and a royalty of three-sixteenths (3/16), one-half payable each to landowner and State, and a certified copy of said lease was filed in the Texas General Land Office on December 26, 1987, in Mineral File M-88676;

That on October 10, 1987, Violet Schuler, individually, and as agent for the State of Texas, executed and delivered a State Relinquishment Act Oil & Gas Lease, covering the Southeast 80 acres of the North 440 acres of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, in Reeves County, to Blake Oil & Gas Corporation, for a primary term of three years, with a cash bonus of $500.00, and an annual delay rental of $6.67, with like amounts payable each to landowner and State, and a royalty of three-sixteenths (3/16), one-half payable each to landowner and State, and a certified copy of said lease was filed in the Texas General Land Office on December 26, 1987, in Mineral File M-88676;

That on September 30, 1988, Lois Oestrich and Clint Oestrich, individually, and as agents for the State of Texas, executed and delivered a State Relinquishment Act Oil & Gas Lease, covering .296 net acres of the Southeast 80 acres of the North 440 acres of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, in Reeves County, to Blake Oil & Gas Corporation, for a primary term of three years, with a cash bonus of $11.10, and an annual delay rental of $.15, with like amounts payable each to landowner and State, and a royalty of three-sixteenths (3/16), one-half payable each to landowner and State, and a certified copy of said lease was received in the Texas General Land Office on November 7, 1988, and filed in Mineral File M-88676;

That on September 30, 1988, Mildred Max, individually, and as agent for the State of Texas, executed and delivered a State Relinquishment Act Oil & Gas Lease, covering .89 net acres of the Southeast 80 acres of the North 440 acres of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, in Reeves County, to Blake Oil & Gas Corporation, for a primary term of three years, with a cash bonus of $66.75, and an annual delay rental of $.89, and a royalty of three-sixteenths (3/16), one-half payable each to landowner and

State, and a certified copy of said lease was received in the Texas General Land Office on November 7, 1988, and filed in Mineral File M-88676;

That on September 30, 1988, Richard Kiel, individually, and as agent for the State of Texas, executed and delivered a State Relinquishment Act Oil & Gas Lease, covering .444 net acres of the Southeast 80 acres of the North 440 acres of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, in Reeves County, to Blake Oil & Gas Corporation, for a primary term of three years, with a cash bonus of $33.30, and an annual delay rental of $.44, with like amounts paid to the landowner and State and a royalty of three-sixteenths (3/16), one-half payable each to landowner and State, and a certified copy of said lease was received in the Texas General Land Office on November 7, 1988, and filed in Mineral File M-88676;

That on September 30, 1988, Robert W. Blake and wife, Marion, individually, and as agents for the State of Texas, executed and delivered a State Relinquishment Act Oil & Gas Lease, covering 13.33 net acres of the Southeast 80 acres of the North 440 acres of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, in Reeves County, to Blake Oil & Gas Corporation, for a primary term of three years, with a cash bonus of $999.75, and an annual delay rental of $13.33, and a royalty of three-sixteenths (3/16), one-half payable each to landowner and State, and a certified copy of said lease was received in the Texas General Land Office on November 7, 1988, and filed in Mineral File M-88676;

That on September 30, 1988, Mary C. Gehle, individually, and as agent for the State of Texas, executed and delivered a State Relinquishment Act Oil & Gas Lease, covering 1.34 net acres of the Southeast 80 acres of the North 440 acres of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, in Reeves County, to Blake Oil & Gas Corporation, for a primary term of three years, with a cash bonus of $50.25, and an annual delay rental of $.67, with like amounts paid to the landowner and State and a royalty of three-sixteenths (3/16), one-half payable each to landowner and State, and a certified copy of said lease was received in the Texas General Land Office on November 7, 1988, and filed in Mineral File M-88676;

That on September 30, 1988, Altha M. Farwell, individually, and as agent for the State of Texas, executed and delivered a State Relinquishment Act Oil & Gas Lease, covering 1.34 net acres of the Southeast 80 acres of the North 440 acres of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, in Reeves County, to Blake Oil &

Gas Corporation, for a primary term of three years, with a cash bonus of $50.25, and an annual delay rental of $.67, with like amounts paid to the landowner and State and a royalty of three-sixteenths (3/16), one-half payable each to landowner and State, and a certified copy of said lease was received in the Texas General Land Office on November 7, 1988, and filed in Mineral File M-88676;

That on September 30, 1988, Richard Gehle, individually, and as agent for the State of Texas, executed and delivered a State Relinquishment Act Oil & Gas Lease, covering .89 net acres of the Southeast 80 acres of the North 440 acres of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, in Reeves County, to Blake Oil & Gas Corporation, for a primary term of three years, with a cash bonus of $66.75, and an annual delay rental of $.89, and a royalty of three-sixteenths (3/16), one-half payable each to landowner and State, and a certified copy of said lease was received in the Texas General Land Office on December 3, 1988, and filed in Mineral File M-88676;

That on September 30, 1988, Algo A. Novallo, individually, and as agent for the State of Texas, executed and delivered a State Relinquishment Act Oil & Gas Lease, covering 1.34 net acres of the Southeast 80 acres of the North 440 acres of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, in Reeves County, to Blake Oil & Gas Corporation, for a primary term of three years, with a cash bonus of $50.25, and an annual delay rental of $.67, with like amounts paid to the landowner and State, and a royalty of three-sixteenths (3/16), one-half payable each to landowner and State, and a certified copy of said lease was received in the Texas General Land Office on December 3, 1988, and filed in Mineral File M-88676;

That on October 10, 1988, Donald H. Kiel, individually, and as agent for the State of Texas, executed and delivered a State Relinquishment Act Oil & Gas Lease, covering .296 net acres of the Southeast 80 acres of the North 440 acres of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, in Reeves County, to Blake Oil & Gas Corporation, for a primary term of three years, with a cash bonus of $11.10, and an annual delay rental of $.15 with like amounts paid to the landowner and State and a royalty of three-sixteenths (3/16), one-half payable each to landowner and State, and a certified copy of said lease was received in the Texas General Land Office on November 7, 1988, and filed in Mineral File M-88676;

That on October 10, 1988, Lorna Jean Rybacheck, individually, and

as agent for the State of Texas, executed and delivered a State Relinquishment Act Oil & Gas Lease, covering .296 net acres of the Southeast 80 acres of the North 440 acres of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, in Reeves County, to Blake Oil & Gas Corporation, for a primary term of three years, with a cash bonus of $11.10, and an annual delay rental of $.15 with like amounts paid to the landowner and State and a royalty of three-sixteenths (3/16), one-half payable each to landowner and State, and a certified copy of said lease was received in the Texas General Land Office on November 7, 1988, and filed in Mineral File M-88676;

That on October 17, 1988, Shirley E. Campbell, individually, and as agent for the State of Texas, executed and delivered a State Relinquishment Act Oil & Gas Lease, covering 1.34 net acres of the Southeast 80 acres of the North 440 acres of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, in Reeves County, to Blake Oil & Gas Corporation, for a primary term of three years, with a cash bonus of $50.25, and an annual delay rental of $.67, with like amounts paid to the landowner and State, and a royalty of three-sixteenths (3/16), one-half payable each to landowner and State, and a certified copy of said lease was received in the Texas General Land Office on November 7, 1988, and filed in Mineral File M-88676;

That on September 30, 1988, Esther I. Wurm, individually, and as agent for the State of Texas, executed and delivered a State Relinquishment Act Oil & Gas Lease, covering .89 net acres of the Southeast 80 acres of the North 440 acres of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, in Reeves County, to Blake Oil & Gas Corporation, for a primary term of three years, with a cash bonus of $66.75, and an annual delay rental of $.89, and a royalty of three-sixteenths (3/16), one-half payable each to landowner and State, and a certified copy of said lease was received in the Texas General Land Office on February 1, 1989, and filed in Mineral File M-88676;

That on September 30, 1988, Carol Wagner and Arthur Wagner, individually, and as agents for the State of Texas, executed and delivered a State Relinquishment Act Oil & Gas Lease, covering .444 net acres of the Southeast 80 acres of the North 440 acres of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, in Reeves County, to Blake Oil & Gas Corporation, for a primary term of three years, with a cash bonus of $16.65, and an annual delay rental of $.22, with like amounts paid to the landowner and State, and a royalty of three-sixteenths (3/16), one-half payable each to landowner and State, and a certified copy of said lease was

received in the Texas General Land Office on February 1, 1989, and filed in Mineral File M-88676;

That on November 2, 1988, Jack E. Blake and wife, Carol Jo Blake, individually, and as agents for the State of Texas, executed and delivered a State Relinquishment Act Oil & Gas Lease, covering 16.884 net acres of the Southeast 80 acres of the North 440 acres of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, in Reeves County, to Michael W. Roye, for a primary term of three years, with a cash bonus of $1,688.40, and an annual delay rental of $16.88, with like amounts paid to the landowner and State, and a royalty of twenty three percent (23%), one-half payable each to landowner and State, and a certified copy of said lease was received in the Texas General Land Office on February 11, 1989, and filed in Mineral File M-88676;

That on November 2, 1988, Betty Jane Staples, individually, and as agent for the State of Texas, executed and delivered a State Relinquishment Act Oil & Gas Lease, covering 13.33 net acres of the Southeast 80 acres of the North 440 acres of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, in Reeves County, to Michael W. Roye, for a primary term of three years, with a cash bonus of $1,333.00, and an annual delay rental of $13.33, and a royalty of twenty three percent (23%), one-half payable each to landowner and State, and a certified copy of said lease was received in the Texas General Land Office on February 11, 1989, and filed in Mineral File M-88676;

That on January 30, 1989, Jack E. Blake, President of Blake Oil and Gas Corporation made a partial assignment to Michael W. Roye, of its interest in the leases in Mineral File M-88676, and reference to said assignment is herein made for all purposes to the instrument which was filed of record in Book 495, Page 52, Deed Records, Reeves County, a certified copy of which was received in the Texas General Land Office on August 2, 1989, and filed in Mineral File M-88676;

That on January 30, 1989, Michael W. Roye made as assignment to Blake Oil & Gas Corp., Jack E. Blake, Jr. and Bruce W. Blake, of an overriding royalty assignment of Four and One-Quarter Percent (4.25%) of all oil and gas produced in lease M-88676, said assignment is herein made for all purposes to the instrument which was filed of record in Book 492, Page 79, Deed Records, Reeves County and a certified copy of said assignment was filed in the Texas General Land Office on December 4, 1989, in Mineral File M-88676;

That on January 31, 1989, Michael W. Roye made a partial assignment to Blair Royalties of Orla, Inc., of his interest in the leases in Mineral File M-88676, and reference to said assignment is herein made for all purposes to the instrument which was filed of record in Book 495, Page 54, Deed Records, Reeves County, a certified copy of which was received in the Texas General Land Office on August 2, 1989, and filed in Mineral File M-88676;

That on January 31, 1989, Blair Royalties of Orla, Inc., made an Overriding Royalty assignment to Michael W. Roye, of its interest in the leases in Mineral File M-88676, and reference to said assignment is herein made for all purposes to the instrument which was filed of record in Book 495, Page 57, Deed Records, Reeves County, a certified copy of which was received in the Texas General Land Office on August 2, 1989, and filed in Mineral File M-88676;

That on November 27, 1989, Blair Royalties of Orla, Inc., released said lease M-88676, and a certified copy of said release was filed in the Texas General Land Office on December 4, 1989, in Mineral File M-88676;

That on November 28, 1989, Robert W. Blake and wife, Marion, individually, and as agents for the State of Texas, executed and delivered a State Relinquishment Act Oil & Gas Lease, covering 13.33 net acres the Southeast 80 acres of the North 440 acres of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, in Reeves County, to Blair Royalties of Orla, Inc., for a primary term of two years, with a cash bonus of $666.50, and an annual delay rental of $40.00, with like amounts paid to the landowner and State, and a royalty of twenty three percent (23%), one-half payable each to landowner and State, and a certified copy of said lease was received in the Texas General Land Office on December 4, 1989, and filed in Mineral File M-88676;

That on January 3, 1990, Blair Royalties of Orla, Inc., made an Overriding Royalty Interest assignment to Michael Roye, of an overriding royalty interest of one percent of eight-eighths (1% of 8/8ths) of all the oil, gas and other hydrocarbons produced, the instrument which was filed of record in Book 500, Page 464, Deed Records, Reeves County, a certified copy of which was filed in the Texas General Land Office on May 15, 1990, in Mineral File M-88676;

That on May 18, 1990, Jack E. Blake, Jr., made an Overriding Royalty assignment to Michael W. Roye, of an undivided One Hundred Percent (100%) Interest in and to the Overriding Royalty Interest conveyed to Jack E. Blake, Jr., the instrument which was filed of record in Book 502, Page 264, Deed Records, Reeves County, a

certified copy of which was filed in the Texas General Land Office on June 22, 1990, in Mineral File M-88676;

> That the latest royalty payments for lease M-88676 were received in the Texas General Land Office on May 23, 1996, for oil produced during April, 1996, and on June 14, 1996, for gas produced during March 1996;

IN TESTIMONY WHEREOF, I hereto set my hand and seal of said office the first date above written.

GARRY MAURO
COMMISSIONER

GM/BDS

John P. Usrey
Richard J. Ganem CPL\ESA
400 N. Marienfeld, Suite 100
Midland, TX 79701-0527

Fee: $100.00
Register No. 65242
Dicta No. 96-131
Files: Bexar Scrip 23793; School 92212, 142477; Mineral M-6150, M-72161, M-88676;

FILE NO. M-88676 COUNTY Lamesa
FILED 8-9 19 96
GARRY MAURO, COM'R
BY Bdd

Type or print only

Canyon Richard/Pool
1-273
4578

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division

161

Form W-2
Rev. 4/1/83
483-046

API No. 42- 389 31910

7. RRC District No. 08

8. RRC Lease No. N/A

Oil Well Potential Test, Completion or Recompletion Report, and Log

1. FIELD NAME (as per RRC Records or Wildcat): Matthews (Lower Cherry Canyon)

2. LEASE NAME: Northshot

9. Well No.: 1

3. OPERATOR'S NAME (Exactly as shown on Form P-5, Organization Report): Blair Royalties of Orla, Inc.

RRC Operator No.: 074195

10. County of well site: Reeves

4. ADDRESS: c/o Box 953, Midland, Texas 79702

11. Purpose of filing
- Initial Potential [X]
- Retest [ ]
- Reclass [ ]
- Well record only (explain in Remarks) [ ]

5. If Operator has changed within last 60 days, name former operator

6a. Location (Section, Block, and Survey): Sec. 12, Blk. 57, T-2, T & P

6b. Distance and direction to nearest town in this county.: 2.5 miles North from Orla

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: GRN

14. Completion or recompletion date: 1-15-90

SECTION I: POTENTIAL TEST DATA IMPORTANT: Test should be for 24 hours unless otherwise specified in field rules.

15. Date of test	16. No. of hours tested	17. Production method (Flowing, Gas Lift, Jetting, Pumping—Size & Type of pump)	18. Choke size
1-18-90	24	Flowing	16/64"

	Oil - BBLS	Gas — MCF	Water - BBLS	Gas - Oil Ratio	Flowing Tubing Pressure
19. Production during Test Period ▶	50	30	50	600	150 PSI
20. Calculated 24-Hour Rate ▶	Oil - BBLS	Gas — MCF	Water — BBLS	Oil Gravity—API—60° 36	Casing Pressure Packered off PSI

21. Was swab used during this test? Yes [ ] No [X]

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 | Blair Royalties of Orla, 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
Telephone: Area Code Number

Date: 1 / 24 / 90 (mo. / day / year)

Signature

SECTION II — DATA ON WELL COMPLETION AND LOG (Not Required on Retest)

24. Type of Completion: New Well [X] Deepening [ ] Plug Back [ ] Other [ ]

25. Permit to Drill, Plug Back or Deepen — DATE: 11-14-89 — PERMIT NO.: 364800
Rule 37 Exception — DATE: 11-14-89 — CASE NO.: 106320
Water Injection Permit — PERMIT NO.:
Salt Water Disposal Permit — PERMIT NO.:
Other — PERMIT NO.:

26. Notice of Intention to Drill this well was filed in Name of
Blair Royalties of Orla, 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: 80

29. Date Plug Back, Deepening, WorkOver or Drilling Operations: Commenced 12-11-89; Completed 12-20-89

30. Distance to nearest well, Same Lease & Reservoir: 1st Well

13 (A) Exception 12-12-89

31. Location of well, relative to nearest lease boundaries of lease on which this well is located: 330 Feet From South Line and 1450 Feet from West Line of the Northshot Lease

32. Elevation (DF, RKB, RT, GR, ETC.)

33. Was directional survey made other than inclination (Form W—12)? [ ] Yes [X] No

34. Top of Pay	35. Total Depth	36. P. B. Depth	37. Surface Casing Determined by:
4550	4710	4700'	Field Rules [ ]; Recommendation of T.D.W.R. [X]; Railroad Commission (Special) [ ] — Dt. of Letter 10-6-89

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 X; Cable Tools

41. Name of Drilling Contractor: Roper Energy

42. Is Cementing Affidavit Attached? [X] 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 #	1112'	-	645 sx Cl C	12-1/4"	surface	1042.75
4-1/2"	9.5 #	4710'	-	700 sx PP	7-7/8"	654'	924

44. LINER RECORD

Size	TOP	Bottom	Sacks Cement	Screen

45. TUBING RECORD

Size	Depth Set	Packer Set
2-3/8"	4480'	4450'

46. Producing Interval (this completion) Indicate depth of perforation or open hole

From	4550	To	4566
From		To	
From		To	
From		To	

47. ACID, SHOT, FRACTURE, CEMENT SQUEEZE, ETC.

Depth Interval	Amount and Kind of Material Used
4550 - 4566	12000 gals. gelled KCL water
	20,000 # 12/20 sand

48. FORMATION RECORD (LIST DEPTHS OF PRINCIPAL GEOLOGICAL MARKERS AND FORMATION TOPS)

Formations	Depth	Formations	Depth
Top Delaware	2928'		
Top Cherry Canyon	3810'		

REMARKS

Cementer: Fill in shaded areas.
Operator: Fill in other items.

Form W-15
Cementing Report
Rev. 4/1/83
483-045

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division

1. Operator's Name (As shown on Form P-5, Organization Report)	2. RRC Operator No.	3. RRC District No.	4. County of Well Site
Blair Royalties of Orla, Inc.	074195	08	Reeves

5. Field Name (Wildcat or exactly as shown on RRC records)	6. API No.	7. Drilling Permit No.
Matthews (Lower Cherry Canyon)	42- 389 31910	364800

8. Lease Name	9. Rule 37 Case No.	10. Oil Lease/Gas ID No.	11. Well No.
Northshot	106320	N/A	#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		12-12-89					
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.)		1112'					
17. Number of centralizers used		7					
18. Hrs. waiting on cement before drill-out		12					
1st Slurry	19. API cement used: No. of sacks ▶	445					
	Class ▶	65/35C:Poz					
	Additives ▶	Remarks#1					
2nd Slurry	No. of sacks ▶	200					
	Class ▶	"C"					
	Additives ▶	2% S-1					
3rd Slurry	No. of sacks ▶						
	Class ▶						
	Additives ▶						
1st	20. Slurry pumped: Volume (cu. ft.) ▶	778.75					
	Height (ft.) ▶	1886.9					
2nd	Volume (cu. ft.) ▶	264					
	Height (ft.) ▶	639.6					
3rd	Volume (cu. ft.) ▶						
	Height (ft.) ▶						
Total	Volume (cu. ft.) ▶	1042.75					
	Height (ft.) ▶	2526.5					
21. Was cement circulated to ground surface (or bottom of cellar) outside casing?		YES					

22. Remarks

Remarks#1: 6% D-20 + 2% S-1 + 1/4#/sk D-29

OVER ▶

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.

Benjamin Herrera SS-II — Name and title of cementer's representative
Dowell Schlumberger — Cementing Company
Benjamin Herrera — Signature

32 E. Industrial Loop — Address
Midland, Texas 79701 — City, State, Zip Code
(915) 683-1887 — Tel.: Area Code Number
12-12-89 — 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
Ann E. Ritchie — Signature

c/o Box 953, — Address
Midland, Texas 79702 — City, State, Zip Code
(915) 684-6381 — Tel.: Area Code Number
1-24-90 — 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

Form W-15
Cementing Report
Rev. 4/1/83

#882083 483-045

1. Operator's Name (As shown on Form P-5, Organization Report)	2. RRC Operator No.	3. RRC District No.	4. County of Well Site
BLAIR ROYALTIES of ORLA, INC.	074195	8	Reeves

5. Field Name (Wildcat or exactly as shown on RRC records)	6. API No.	7. Drilling Permit No.
Matthews (Lower Cherry Canyon)	42- 389 31910	364800

8. Lease Name	9. Rule 37 Case No.	10. Oil Lease/Gas ID No.	11. Well No.
North Shot	106320	N/A	1

CASING CEMENTING DATA:		SURFACE CASING	INTERMEDIATE CASING	PRODUCTION CASING		MULTI-STAGE CEMENTING PROCESS	
				Single String	Multiple Parallel Strings	Tool	Shoe
12. Cementing Date				12/21/89			
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.)				4710			
17. •Number of centralizers used				10			
18. Hrs. waiting on cement before drill-out				72			
1st Slurry	19. API cement used: No. of sacks ▶			700			
	Class ▶			Premium Plus			
	Additives ▶			Neat			
2nd Slurry	No. of sacks ▶						
	Class ▶						
	Additives ▶						
3rd Slurry	No. of sacks ▶						
	Class ▶						
	Additives ▶						
1st	20. Slurry pumped: Volume (cu. ft.) ▶			924			
	Height (ft.) ▶			4056			
2nd	Volume (cu. ft.) ▶						
	Height (ft.) ▶						
3rd	Volume (cu. ft.) ▶						
	Height (ft.) ▶						
Total	Volume (cu. ft.) ▶			924			
	Height (ft.) ▶			4056			
21. Was cement circulated to ground surface (or bottom of cellar) outside casing?				NO			

22. Remarks

OVER ▶

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.

W. D. Boyett - Cementer — HALLIBURTON SERVICES — W. D. Boyett

Name and title of cementer's representative — Cementing Company — Signature

Box 610 — Monahans, Texas 79756 — 915/943-2721 — 12/21/89

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. — Engineer — James M.C. Ritchie

Typed or printed name of operator's representative — Title — Signature

c/o Box 953, — Midland, Texas 79702 — (915) 684-6381 — 1-24-90

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.

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.)

1. FIELD NAME (as per RRC Records or Wildcat): Matthews (Lower Cherry Canyon)	2. LEASE NAME: Northshot
3. OPERATOR: Blair Royalties of Orla, Inc.	
4. ADDRESS: P.O.Box 953, Midland, Texas 79702	
5. LOCATION (Section, Block, and Survey): 2000' fs/l & 2070' fe/l Sec. 12 Blk. 57 TNSP. 2 T&P RR Co. survey	

6. RRC District: 8	
7. RRC Lease Number, (Oil completions only): N/A	
8. Well Number: 1	
9. RRC Identification Number (Gas completions only)	
10. County: REEVES	

RECORD OF INCLINATION

*11. 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)
243	243	¼	.44	1.07	1.07
499	256	3/4	1.31	3.35	4.42
890	391	1½	2.62	10.24	14.66
1112	222	½	.87	1.93	16.59
1662	550	2¼	3.93	21.62	38.21
2124	462	1	1.75	8.09	46.30
2623	499	2	3.49	17.42	63.72
3112	489	1	1.75	8.56	72.28
3615	503	1	1.75	8.80	81.08
4119	504	½	.87	4.38	85.46
4621	502	¼	.44	2.21	87.67
4710	89	3/4	1.31	1.17	88.84

If additional space is needed, use the reverse side of this form.

17. Is any information shown on the reverse side of this form? ☐ yes ☒ no

18. Accumulative total displacement of well bore at total depth of 4710 feet = 88.84 feet.

*19. Inclination measurements were made in – ☐ Tubing ☐ Casing ☐ Open hole ☒ Drill Pipe

20. Distance from surface location of well to the nearest lease line 330 feet.

21. Minimum distance to lease line as prescribed by field rules 467 feet.

22. Was 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 circumstance)

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

E.J.Roper-president

Name of Person and Title (type or print)

Roper Energy Company

Name of Company

Telephone: 915 (Area Code) 694-8866

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)

Blair Royalties of Orla, Inc.

Operator

Telephone: (915) (Area Code) 684-6381

Railroad Commission Use Only:

Approved By: _____ Title: _____ Date: _____

* Designates items certified by company that conducted the inclination surveys.

(116) M-88676

W-2 FOR WELL #1

2-4-97

88676

2-14-90
368748

▶ Return 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, Drilling Permits
P. O. Drawer 12967, Capitol Station
Austin, Texas 78711
▶ File a copy of W-1 and plat in RRC District Office.

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division

▶ Read Instructions on Back

Form W-1
Rev. 9.1-83
483-060

Application for Permit to Drill, Deepen, Plug Back, or Re-Enter

Purpose of filing (mark appropriate boxes):
[X] 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-
Permit No. ▶

1. Operator's Name (exactly as shown on Form P-5, Organization Report): Blair Royalties of Orla, Inc.
3. RRC Operator No.: 074195
4. RRC District No.: 08
5. County of Well Site: Reeves
Rule 37 Case No. ▶

2. Address (including city and zip code): c/o Box 953, Midland, Texas 79702
6. Lease Name (32 spaces maximum): Northshot
7. RRC Lease/ID No.: N/A
8. Well No.: 2
9. Total Depth: 4600'

10. Location
• Section 12 Block 57 Survey T-2, T & P Abstract No. A-
• This well is to be located 2.5 miles in a North 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: 350 ft.
12. Number of contiguous acres in lease, pooled unit, or unitized tract: 80 (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.	14. Completion depth	15. Spacing pattern (ft.)	16. Density pattern (acres)	17. Number of acres in drilling unit for this well. OUTLINE ON PLAT.	18. Is this acreage assigned to another well on this lease & 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. OIL	GAS
Matthews (Lower Cherry Canyon)	4400	467/1200	40	40	No	880'	Oil	2	0

22. Perpendicular surface location from two nearest designated lines:
• Lease/Unit 350' FSL and ~~1650~~ FWL 2330 FWL
• Survey/Section 2000' FSL and ~~2070~~ FEL 1190 FEL

If a directional well, show also projected bottom-hole location:
• Lease/Unit
• Survey/Section

23. Is this a pooled unit? Yes [ ] ▶ (Attach Form P-12 and certified plat.) No [X]

24. Is Item 17 less than Item 16 (substandard acreage for any field applied for)? Yes [ ] ▶ (Attach Form W-1A) No [X]

25. Is this wellbore subject to Statewide Rule 36 (hydrogen sulfide area)? Yes [ ] No [X] 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 [X] No [ ]
If not, and if the well requires a Rule 37 or 38 exception, see Instructions for Rule 37.

Remarks

This is an exception to Rule 37.

I certify that information stated in this application is true and complete, to the best of my knowledge.

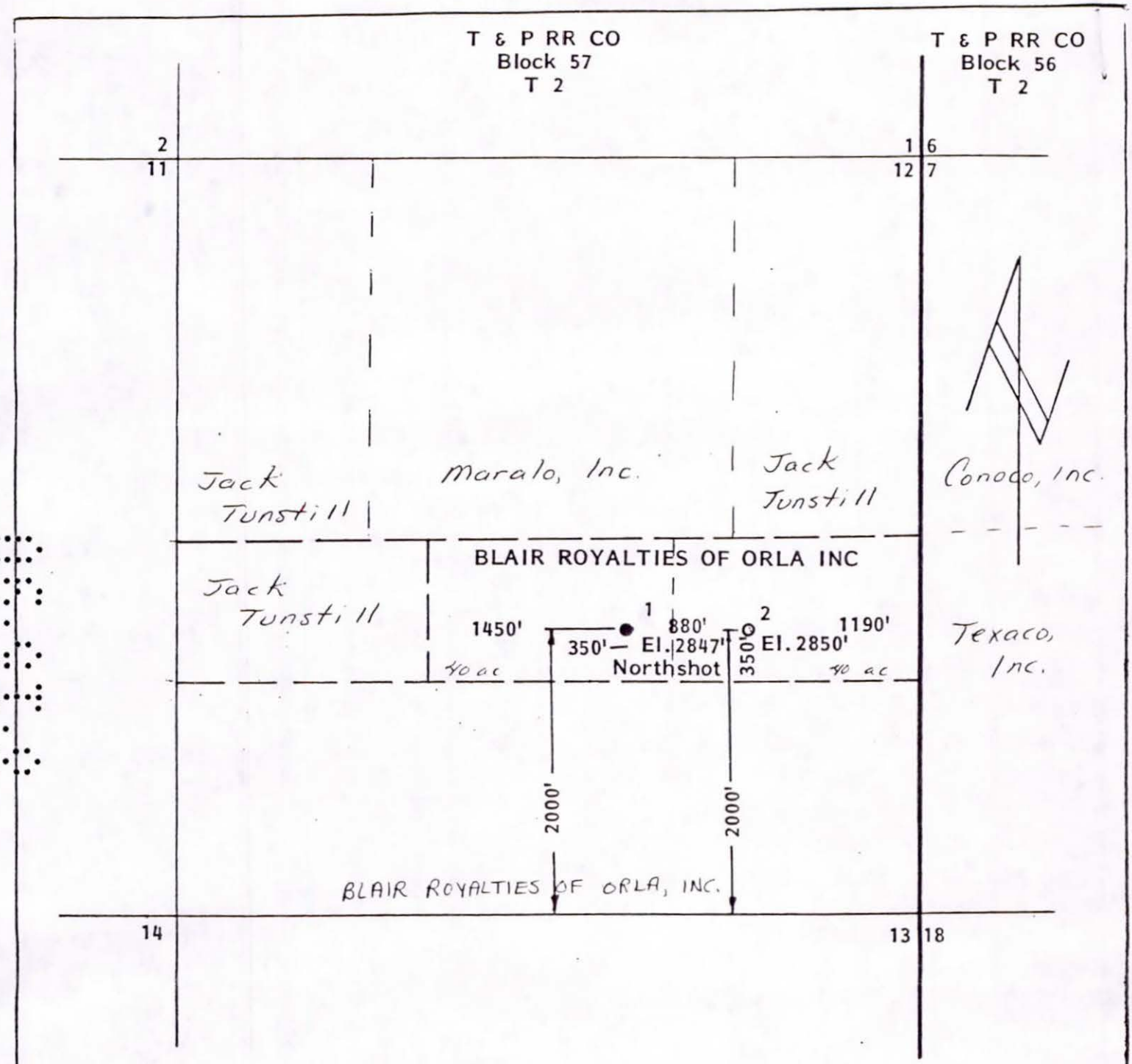
Signature

Ann E. Ritchie, Agent
Name and title of operator's representative

Date: 1-15-90 (mo. day yr.)

(915) 684-6381/273-4241
Tel.: Area Code Number

• RRC Use Only •



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.
Nov. 16, 1989, Jan. 10, 1990

Guy E. Saunders
Registered Public Surveyor
Licensed State Land Surveyor

STATE OF TEXAS
GUY E. SAUNDERS
04
REGISTERED PUBLIC SURVEYOR
3/63

GUY E. SAUNDERS

Location Plat
BLAIR ROYALTIES OF ORLA INC
Northshot Lease
Section 12, Block 57, T 2
T & P RR CO
Reeves County, Texas
Scale: 1" = 1000'

DEPTH OF USABLE-QUALITY GROUND WATER TO BE PROTECTED

PLEASE READ ALL INSTRUCTIONS

The information requested is essential in order for this agency to provide an appropriate response. Please allow for receipt of this form in our offices at least one week before your operation begins. Due to the volume of these requests, it is difficult for us to handle telephone inquiries, and such only serve to delay the processing of these forms. Complete, keep the bottom sheet (yellow) for your files, and mail the top 4 sheets of this 5-sheet set of carbon-backed forms to the address below; 1 of them will be returned to you bearing our response and others will be sent to the Austin and appropriate district office of the Railroad Commission.

Surface Casing
Texas Water Commission
P.O. Box 13087, Capitol Station
Austin, Texas 78711 (Phone: 512/463-8003)

Date 10-3-89 TWC File No.: SC-

Do not write in this space

Ann E. Ritchie (915) 684-6381
Name of person preparing this request & Telephone No. w/AC

Blair Royalties of Orla, Inc.
Company (operator's name as on RRC form W-1)

P.O. Box 953
Mailing Address

Midland, Texas 79702
City and State Zip Code

Fold

TYPE OR PRINT IN INK

COUNTY Reeves Survey Name & No. T-2, T & P

Block No. 57 Township ____ Section 12 (or) Lot No. ____

Abstract No. A- ____ LEASE Name Northshot Well No. 1

THE ABOVE INFORMATION IN THIS BLOCK MUST BE COMPLETE AND CORRECT!!!

RRC Lease No. ____ RRC Dist. No. 08

Distances, in feet, and directions measured at right angles from each of two intersecting Section or Survey lines
(NOT LEASE LINES) 2000 feet from South line and 2070 feet from East line

ALWAYS attach a map showing all surrounding SURVEYS and your well site.

Distance (in miles) and direction from a nearby town in this County (name the town). 2.5 miles North from Orla

Elevation (if avail.) ____ Proposed Total Depth 4600' Geologic Fm. at T.D. Cherry Canyon

Purpose of the Request: ☒ New Drill ☐ Re-entry ☐ Plug & Abd. ☐ Other (specify) ____

Is this an amended request? ☐ YES ☒ NO If 'yes', give previous File No. for this well: SC- ____

Additional data (check if attached):

Log of same or nearby well ____ (The applicable type of well log of a nearby well that shows the aquifers.)

ALWAYS attach the electric log of any well that is to be reentered.

Additional remarks: ____

Fold

DO NOT WRITE HERE
FOR TWC USE ONLY

The TEXAS WATER COMMISSION'S recommendation for the protection of usable-quality ground water at the referenced location is as follows:

Very truly yours,

Geologist, Surface Casing, TWC

Date ____
typed by TWC

NOTE: The depth to which we recommend that usable-quality water strata should be protected is intended to apply only to the subject well and not for area-wide use. Approval of the well-completion methods for protection of this ground water falls under the jurisdiction of the Railroad Commission of Texas. This recommendation is intended for normal drilling, production, and plugging operations only and does not apply to salt water disposal operations into a nonproductive zone (RRC Form W-14).

TWC-0051 (Rev 09-15-86)

(117) M-88676

W-1 FOR WELL #2

2-4-97

M-88676

March 26, 1997

RECEIVED
97 MAR 31 AM 11:33
ENERGY RESOURCES

Texas General Land Office
Stephen F. Austin Bldg.
1700 No. Congress Ave.
Austin, Tx 78701-1495

Re: Betty Jane Staples

Attn: Ms. Bridget L. Herring:

Dear Ms. Herring.

I was in your office Tuesday, Mar. 25th and left you copies of Probate matters pertaining to my wife's estate. You will recall that the mineral classified land she owns in Reeves County, Texas, was inadvertently omitted from her Inventory, Appraisement & List of Claims filed with the Probate File in Johnson County, Texas.

As we discussed, I am enclosing a copy of her recorded Warranty Deed to the property she purchased prior to ~~her~~ our marriage. Also, I am enclosing a xerox copy of our Marriage Certificate showing that Betty Jane Powell, the grantee in the Warranty Deed, became Betty Jane Staples on January 13, 1978.

I would like for you to change your records to reflect that the undersigned is now the owner of the interest she owned at the time of her death. Her will accomplishes this transfer and her probate has been filed in Reeves County, Texas where the land is situated.

Please confirm with me what action the GLO has taken in this regard.

Sincerely,

Stanley M. Staples
P.O. Box 291
Keene, Tx 76059-0291
817-641-1769

The State of Texas, } Know All Men by These Presents:

County of REEVES

That WE, EMMA SABASTIAN ULRICH, a widow; BERNICE ULRICH GOODENOUGH; and LAWRENCE F. ULRICH, each dealing herein with their sole and separate property of the County of Cook State of Illinois for and in consideration of the sum of TEN AND NO/100 ---------- ($10.00) ---------- DOLLARS to us in hand paid by BETTY JANE YOWELL, the receipt of which is hereby acknowledged, ~~as follows~~

have Granted, Sold and Conveyed, and by these presents do Grant, Sell and Convey unto the said BETTY JANE YOWELL,

of the County of Midland, State of Texas ~~all that certain~~ the following described tract of land situated in the County of Reeves, State of Texas, to-wit:

An undivided One-Third (1/3rd) interest in and to all of the Southeast part of the North 440 acres of Section 12, Block 57, Township 2, T & P RR Company Survey, described by metes and bounds as follows:

BEGINNING at the SE/corner of the E/2 of the NE/4 of this Section in the West line of Section 7, Block 56, Township 2, T & P RR Company Survey, and the NE/corner of this Survey;
THENCE West 1267.2 varas with the South line of the N/2 to the NE/corner of the NW/part of the S/2 and the NW/corner of this Survey;
THENCE South 356.4 varas with the East line of said NW part of the S/2 to a SE/corner in the North line of the South part and the SW/corner of this Survey;
THENCE East 1267.2 varas with the North line of said South part to its NE/corner in the West line of Section 7, Block 56, Township 2, T & P RR Company Survey, and the SE/corner of this Survey;
THENCE North 356.4 varas with the West line of said Section 7 to the place of beginning, containing 80 acres, more or less.

TO HAVE AND TO HOLD the above described premises, together with all and singular the rights and appurtenances thereto in anywise belonging unto the said BETTY JANE YOWELL, her heirs and assigns forever and we do hereby bind ourselves, our heirs, executors and administrators, to Warrant and Forever Defend, all and singular the said premises unto the said BETTY JANE YOWELL, her heirs and assigns, against every person whomsoever lawfully claiming, or to claim the same, or any part thereof, by, through and under us, but not otherwise.

WITNESS our hands at this 6th day of June 19 77

~~Witnesses at Request of Grantor:~~

X Emma Sebastian Ulrich
Emma Sabastian Ulrich (a widow)

X Bernice Ulrich Goodenough
Bernice Ulrich Goodenough

X Lawrence F. Ulrich
Lawrence F. Ulrich

SINGLE ACKNOWLEDGMENT

THE STATE OF TEXAS, ILLINOIS

COUNTY OF DUPAGE

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared Emma Sebastian Ulrich and Bernice Ulrich Goodenough, both known to me to be the persons whose names are 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,

this the 28th day of June A. D. 1977

Janice C. Shelther

Notary Public in and for DuPage County, Illinois

SINGLE ACKNOWLEDGMENT

THE STATE OF TEXAS, Wisconsin

COUNTY OF Price

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

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,

this the 22 day of June A. D. 1977

Therese Anne Trojak Expires 2-26-78

Notary Public in and for Price County, Wisconsin

SINGLE ACKNOWLEDGMENT

THE STATE OF TEXAS,

COUNTY OF

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

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,

this the day of A. D. 19

(L. S.)

Notary Public in and for County, Texas

THE STATE OF TEXAS,

COUNTY OF REEVES

I HEREBY CERTIFY that the foregoing instrument of writing with its certificate of authentication, was filed for record in my office on the 1st day of July, A. D. 19 77 at 10:30 o'clock A. M., and was duly recorded by me on the 1st day of July A. D. 19 77 in Vol. 349, page 810, of the DEED Records of said County.

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

CATHERINE ASHLEY

(L. S.)

County Clerk Reeves County, Texas

By Billie Jo Freeman, Deputy.

#2555

Warranty Deed

FROM

TO

FILED FOR RECORD

This 1st day of July, A.D. 19 77

at 10:30 o'clock A M.

Catherine Ashley County Clerk

By Olga Gonzales Deputy

RECORDED

In ..... County Records

In Book ..... on Page .....

County Clerk

By ..... Deputy

Recording Fee $ 2.50 1.50 + 1.00 c/c & copy

This instrument should be filed immediately with the County Clerk for Record.

Stanley N. Stapleton

Marriage Certificate

State of Nevada } ss. No. B127814
County of Clark, }

This is to Certify that the undersigned Doctor And Rev. David L. Faucett
did on the 13th day of February A.D. 19 [illegible]
at Candlelight Wedding Chapel Las Vegas Nevada
(Address or Church) (City)
join in lawful Wedlock STANLEY N. STAPLES
of MIDLAND State of TEXAS
and BETTY JANE YOWELL
of MIDLAND State of TEXAS
with their mutual consent, in the presence of Flem Taylor
who was a witness.

Christian Fellowship Temple Inc.
[signature]
(Sign this in official capacity.)

TO BE GIVEN TO THE PARTIES MARRIED

Stan Staples
817-641-1769
P.O. Box 291
Keene, TX
76059

~~M-9078~~

JOHNSON COUNTY
CURTIS H. DOUGLAS
COUNTY CLERK

Karen Alexander
Chief Deputy
817-556-6323

CLERK'S CERTIFICATE

STATE OF TEXAS

COUNTY OF JOHNSON

I, CURTIS H DOUGLAS, COUNTY AND PROBATE CLERK WITHIN AND FOR THE COUNTY AND STATE AFORESAID, DO HEREBY CERTIFY THAT THE FOLLOWING

12 PAGES ARE TRUE, FULL AND COMPLETE COPIES OF:

1. LAST WILL AND TESTAMENT
2. INVENTORY, APPRAISEMENT AND LIST OF CLAIMS
3. ORDER APPROVING INVENTORY, APPRAISEMENT AND LIST OF CLAIMS
4. ORDER ADMITTING WILL TO PROBATE AND AUTHORIZING LETTERS TESTAMENTARY

AS THE SAME ARE AND REMAIN ON FILE AND OF RECORD IN MY OFFICE.

IN WITNESS WHEREOF, I HAVE HEREIN SET MY HAND AND AFFIXED THE SEAL OF SAID COURT AT MY OFFICE IN THE CITY OF CLEBURNE, COUNTY OF JOHNSON AND STATE OF TEXAS, THIS THE 4 DAY OF MARCH, 1997.

CURTIS H DOUGLAS
COUNTY AND PROBATE CLERK
JOHNSON COUNTY, TEXAS

BY: Debi Thornton
Deputy

LAST WILL AND TESTAMENT

I, BETTY JANE STAPLES, of Midland County, Texas, being of sound and disposing mind and above the age of 21 years, do hereby make, publish and declare this my last will and testament hereby revoking all other wills and codicils heretofore made by me.

I.

I hereby direct that all expenses of last illness and funeral and burial be paid by my Executor, the one acting, hereinafter named, as soon as reasonably convenient to my Fiduciary after my death.

II.

It is my will and desire, and I hereby direct that no action shall be had in the County Court in relation to the settlement of or administration upon my estate, other than the probating and recording of this will and the return of the statutory inventory, appraisement and list of claims.

III.

I hereby constitute and appoint my husband, Stanley N. Staples, Independent Executor, without bond, or should he refuse to act, or resign, or for any other reason be unable to so act, then I appoint my son, Joel C. Yowell, of Nueces County, Texas, to act as Independent Executor of my estate and under this will and direct that no bond shall be required of him.

My said Independent Executor, the one acting, shall have full power and authority including, but not by way of limitation, the right and power without license of the Court to sell, convey, mortgage, invest, reinvest, exchange, manage, pledge, lease, or in any other way manage or dispose of any part or parts, real, personal or mixed, of my estate for cash or terms of credit and for such other consideration or considerations as such Executor, the one acting, shall deem advisable, and no purchaser or other party dealing with my appointed Fiduciary need look to the application of the purchase money or application of other considerations.

IV.

My estate consists of certain separate property in the form of a small undivided interest in an 80 acre tract in Reeves County, Texas; items of

A CERTIFIED COPY
COUNTY COURT AT LAW
ATTEST 3-4- 1997
By Cora Hourington

(1) Testatrix

personalty including various pieces of jewelry; cash in the bank in an account bearing my name only; and my one-half of the community estate acquired with my beloved husband since our marriage on January 13, 1978.

FIRST: I give, devise and bequeath to my children, Sarah Quinn Yowell, Joel C. Yowell and William Mercer Yowell, to divide among them as they see fit (1) my wedding band handed down to me from my maternal grandmother; (2) my pearls brought to me by my father from Japan; (3) my opal earrings given to me by my beloved husband; and (4) my diamond ring. It is my desire and request that they take the necessary steps for these four items to be passed along by them to their descendants and kept in the immediate family as long as possible.

SECOND: I hereby give, devise and bequeath all of the rest and residue of my estate to my beloved husband, Stanley N. Staples, in fee simple absolute, for his sole use and benefit any and all properties, whether they be my separate or community estate, of whatever nature and kind and wherever situated which I may own at the time of my death.

V.

In the event my husband, Stanley N. Staples, predeceases me or if he and I die at the same time or in a common accident or disaster or under circumstances as to render it difficult or impossible to determine which of us die first or are dead when found or dies from any cause within 180 days of my death, then and in that event, I give, devise and bequeath to Sarah Quinn Yowell, Joel C. Yowell and William Mercer Yowell, my children, in fee simple absolute, for their sole use and benefit any and all properties of whatever nature and kind and wherever situated, which I may own at the time of my death, share and share alike; that is to say, each of my children named above are to share in equal portions, provided, if one or more predeceases me and leaves a child or children, him or her surviving, then that part which such above named child would have received from my estate had he or she survived, shall pass to his or her child or children in equal portions; however, if either of my above named children shall predecease me without leaving a child or children him or her surviving, then that part of my estate

A CERTIFIED COPY
COUNTY COURT AT LAW
ATTEST 3-4 1997
CLERK
COBB DOUGLAS
County Clerk, Williamson
By Cobi Houghton

 Sally Quinn Staples
Testatrix

which such above named child would have received from my estate had he or she survived, shall pass equally to my surviving children or in whole if only one child survives me.

This I make and publish as my last will, hereunto signing and subscribing my name, this 29th day of January, 1982 in the presence of Cecil M. Wilson, W. Wayne Barnett and Louis B. Kellett, who attest the same at my request.

Betty Jane Staples
Testatrix

The above instrument was now here published as her last will, and signed and subscribed, by Betty Jane Staples, the Testatrix, in our presence, and we, at her request, in her presence, and in the presence of each other sign and subscribe our names thereto as attesting witnesses.

Cecil M. Wilson
Witness

W. Wayne Barnett
Witness

Louis B. Kellett
Witness

THE STATE OF TEXAS §

COUNTY OF MIDLAND §

BEFORE ME, the undersigned authority, on this day personally appeared BETTY JANE STAPLES, Cecil M. Wilson, W. Wayne Barnett and Louis B. Kellett, known to me to be the testatrix and the witnesses, respectively, whose names are subscribed to the annexed and foregoing instrument in their respective capacities, and all of said persons being by me duly sworn, the said BETTY JANE STAPLES, declared to me and to the said witnesses in my presence that said instrument is her last will and testament, and she had willingly made and executed it as her free act and deed for the purposes therein expressed; and the said witnesses, each on his or her oath stated to me in the presence and hearing of the said testatrix that the said testatrix had declared to them that the said instrument is her last will and testament and that she

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COUNTY COURT AT LAW
ATTEST 3-4 1997
DATE
CURTIS H. DOUGLAS
County Clerk, Jones
By Cora Hunter

Betty Jane Staples
Testatrix

executed same as such and wanted each of them to sign it as a witness; and upon their oaths each witness stated further that they did sign the same as witnesses in the presence of the said testatrix and at her request; that she was at the time 19 years of age or over and was of sound mind and that each of said witnesses was then at least 14 years of age.

Betty Jane Staples
Testatrix

Cecil M. Wilson
Witness

W. Wayne Barnett
Witness

Louis B. Kellett
Witness

SUBSCIRBED AND ACKNOWLEDGED before me by the said BETTY JANE STAPLES, testatrix, and subscribed and sworn to before me by the said _____ Cecil M. Wilson, W. Wayne Barnett and Louis B. Kellett witnesses this 29th day of January, 1982.

(Jan G. Brewer)
Jan G. Brewer
Notary Public in and for Midland County, Texas

My Commission expires 9-10-84

A CERTIFIED COPY
COUNTY COURT AT LAW
ATTEST: 3-4 19 97
DATES
CURTIS H. DOUGLAS
County Clerk, Johnson
County, Texas
By Cora Burgess
COUNTY

 Betty Jane Staples
Testatrix

ORIGINAL

NO. P96-15960

ESTATE OF	§	IN THE COUNTY COURT
	§	
BETTY JANE STAPLES,	§	AT LAW NUMBER 2
	§	
DECEASED	§	JOHNSON COUNTY, TEXAS

INVENTORY AND APPRAISEMENT AND LIST OF CLAIMS

That I, STANLEY N. STAPLES, Independent Executor of the Estate of BETTY JANE STAPLES, deceased, having collected the Estate within the time required by law, make and represent and show to the Court that this is a full, complete, true and correct Inventory and Appraisement of all the property, both real and personal of such Estate, together with a List of Claims due or owing to such Estate, which has come to my knowledge:

SEPARATE PROPERTY

A. **Real Property** **Value**

1. 1/2 undivided interest in property jointly owned by deceased and nieces, described as follows:

   14.0 acres of land, more or less, more fully described in the Warranty Deed to the Veterans Land Board dated July 15, 1975, recorded in Vol. 545, Page 248, Deed Records of Hill County, Texas, and further described in that Contract of Sale and Purchase dated June 23, 1975, recorded in Vol. 545, Page 244, Deed Records of Hill County, Texas, having a total value of $21,000.00.....$10,500.00

2. 1/2 undivided interest in property jointly owned by deceased and nieces, described as follows:

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County Clerk Johnson
County, Texas
By Cobi Bourgeois

175.4 acres of land, being a part of the Jeramiah Crabb Survey, Johnson County Abstract No. 1067, Hill County, Abstract No. 140, said 175.4 acres of land being more fully described by metes and bounds in that certain Deed of Trust dated September 2, 1987, executed by Carlton Crownover and wife, Betty Nell Crownover to Federal Land Bank of Texas, recorded in Vol. 220, Page 376, Deed of Trust Records of Hill County, Texas and in Vol. 1307, Page 866, Deed of Trust Records of Johnson County, Texas, having a total value of $192,940.00.....$ 96,470.00

TOTAL SEPARATE REAL PROPERTY..... $106,970.00

B. **Personal Property**

(1) Checking account #0509-012-1 at First State Bank of Keene, TX.....$ 23,079.40

(2) 1/2 interest in Carlton Crownover Estate Account #400-6185 at First State Bank of Grandview, TX., having a total value of $40,209.25 with decedent's interest being.....$ 20,104.63

TOTAL SEPARATE PERSONAL PROPERTY.....$43,184.03

COMMUNITY PROPERTY

Real Property:

1. Section 39, Block 39, T-5-S, T & P Ry. Co. Survey, Upton County, Texas, containing 636.5 Acres, more or less, @ $350.00 per acre, having a total value of $222,775.00, less indebtedness of $80,000.00 with a net value of $142,775.00, with decedent's 1/2 interest being.....$71,387.50

2. A house and lot at 1406 West Pecan, Midland, Texas, described as Tract 4, Block 1, Highland Park Townhomes Addition, an addition to the City of Midland, Midland, County, Texas, according to the map or plat recorded in volume 3, page 75, Plat records of Midland County, Midland,Texas, having a total value of $139,500.00, less an indebtedness of $56,546.17, leaving a net value of $82,953.83, with decedent's 1/2 interest being.....$41,476.91

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COUNTY COURT AT LAW
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CURTIS H. DOUGLAS
County Clerk Johnson
County, Texas
By

3. A house located on a 4.86 acre tract of land, being Tract No. 21, Johnson County School Land Survey, Abstract No. 442, Johnson County, Texas, having a total value of $250,000.00, with decedent's 1/2 interest being.....$125,000.00

TOTAL COMMUNITY REAL PROPERTY.....$237,864.41

2. **Personal Property:**

1. Staples Farm and Ranch Checking Account No. 400-4636 at First State Bank, Grandview, Texas having a total value of $96,068.84 with decedent's interest being.....$48,034.42

2. Checking Account (Royalty) No. 358-264027-9 at Nations Bank, Dallas, Dallas County, Texas, having a total value of $3,767.33 with decedent's 1/2 interest being.....$ 1,883.66

3. Checking Account No. 0017634981 at Bank One, Bedford, Texas, having a total value of $42,739.04, with decedent's 1/2 interest being.....$21,369.52

4. Various small overriding royalty interests located in Eastland County, Texas (Producing) having a total value of $650.00, with decedent's 1/2 interest being.....$ 325.00

5. Various small overriding royalty interests located in Yoakum County, Texas (Producing) having a total value of $1,000.00, with decedent's 1/2 interest being.....$ 500.00

6. .015000 overriding royalty interest under Benson Lease, Part of Tract #87, League 135, C.A. Pierce Subd.#2, Armstrong County School Land Survey, Cochran County, TX (Producing) having a total value of $800.00, with decedent's 1/2 interest being.....$ 400.00

7. IRA Account No. 452-40-7324-1 at Itasca State Bank, totaling $2,522.56, with decedent's 1/2 interest being.....$ 1,261.28

8. IRA Account No. 1405022861 at Colonial Savings, Ft. Worth, Texas, Totaling $19,174.80, with decedent's 1/2 interest

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County Clerk Johnson
County, Texas
By Debi Harrington

being.....$ 9,587.40

9. Household furnishings having a total value of $4000.00, with decedent's 1/2 interest being.....$ 2,000.00

10. Clothing and Jewelry totaling $1,000.00, with decedent's 1/2 interest being.....$ 500.00

11. A 1994 Ford Pickup F-250 Turbo Diesel (93,000) miles, having a total value of $18,000.00, with decedent's 1/2 interest being.....$ 9,000.00

12. A 1986 Mercedes 300 SDL Diesel (146,000 miles), with a total value of $14,000.00, with decedent's 1/2 interest being.....$ 7,000.00

13. Sun Life Assurance Company of Canada, Policy 5009546, having a total value of $5,000.00, with decedent's 1/2 interest being.....$ 2,500.00

14. An interest in the following farm machinery, equipment, plows and trailers with the decedent's 1/2 interest being:

a) 1991 John Deere 4440 Tractor.....$ 14,250.00
b) #235 Wingfold John Deere Tandum Disk (231/2 ft. width.....$ 3,000.00
c) 1989 Kent Field Cultivator(25ft) wide) with Anhydrous Ammonia hoses and Regulator.....$ 3,500.00
d) 1987 Graham Hoeme Chisel Plow (Double bar-15 Shank).....$ 1,150.00
e) Ard Vark 24' gooseneck trailer...$ 1,500.00
f) 16ft. utility trailer.....$ 400.00
g) 24 ft. utility trailer.....$ 600.00
h) 500 gal. Diesel tank, electric motor and trailer.....$ 700.00
i) 1981 John Deere 950 Tractor - Diesel).....$ 4,500.00
j) 3 bottom John Deere rollover moldboard breaking plow.....$ 600.00
k) John Deere 1408 rotary cutter....$ 1,750.00
l) 18" John Deere auger and digger..$ 550.00
m) Misc. hand tools & 5 hp air compressor.....$ 1,000.00

TOTAL COMMUNITY PERSONAL PROPERTY.....$ 137,861.28
TOTAL SEPARATE AND COMMUNITY PROPERTY.....$ 525,879.72

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COUNTY COURT AT LAW
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CURTIS H DOUGLAS
County Clerk Johnson
County, Texas
By Debbie Harrington

CLAIMS DUE AND OWING TO THE ESTATE

None

THE STATE OF TEXAS §
§
COUNTY OF JOHNSON §

I, STANLEY N. STAPLES, Independent Executor of the Estate of BETTY JANE STAPLES, Deceased, do solemnly swear that the foregoing is a true, correct, full and complete statement of the property and claims of the Estate that have come to my knowledge and of the claims owing to said Estate.

STANLEY N. STAPLES

SUBSCRIBED AND SWORN TO BEFORE ME by the said STANLEY N. STAPLES, this the 19th day of December, A.D. 1996.

BETTY SAWYER
Notary Public
State of Texas
Commission Expires 10-1-98

Notary Public, State of Texas

A CERTIFIED COPY
COUNTY COURT AT LAW
ATTEST: 3-4 1997
DATES
CURTIS H. DOUGLASS
County Clerk Johnson
County, Texas
By Abi Arrington

ORIGINAL

NO. P96-15960

ESTATE OF	§	IN THE COUNTY COURT
	§	
BETTY JANE STAPLES,	§	AT LAW NUMBER 2
	§	
DECEASED	§	JOHNSON COUNTY, TEXAS

ORDER APPROVING
INVENTORY AND APPRAISEMENT AND LIST OF CLAIMS

On this day came on to be examined the Inventory and Appraisement and List of Claims of STANLEY N. STAPLES, Independent Executor of the above-named estate, filed herein on the 20th day of December, 1996, and the same being in due form and considered a full and fair Inventory and Appraisement of such estate is hereby approved, as to assets only, and ordered of record.

SIGNED AND ORDERED ENTERED this 23rd day of December, 1996.

JUDGE PRESIDING

97 JAN -2 AM 11:31

A CERTIFIED COPY
COUNTY COURT AT LAW
ATTEST: 3-4 1997
DATES
CURTIS D. DOUGLAS
County Clerk Johnson
County, Texas
By Debi Harrington

ORIGINAL

NO. 96-15960

FILED
A.M. 5:25 P.M.
13 day of DEC 19 96
CURTIS H. DOUGLAS
County Clerk, Johnson County, Texas
BY _____ DEPUTY

ESTATE OF	)	IN THE COUNTY
	)	
BETTY JANE STAPLES,	)	COURT AT LAW NO. 2
	)	
DECEASED	)	JOHNSON COUNTY, TEXAS

ORDER ADMITTING WILL TO PROBATE
AND
AUTHORIZING LETTERS TESTAMENTARY

On the 13th day of December 1996, came on to be heard the Application of STANLEY N. STAPLES, for the probate of the Last Will and Testament to said Will of BETTY JANE STAPLES, hereinafter called Deceased, said Application and Will was filed with this Court on the 26th day of November, 1996.

It appearing to the Court that said Will is self-proven as provided by the Texas Probate Code; that said Application complies with the Texas Probate Code; that the Deceased died on the 29th day of October, 1996, and that four years have not elapsed since the date of the death of Deceased and the filing of said Application; that this Court has jurisdiction and venue over the estate of Deceased; that citation has been served and returned in the manner and for the length of time required by the Texas Probate Code; that the person for whom Letters Testamentary are sought is entitled thereto by law and is not disqualified; that Deceased at the time of the execution of said Last Will and Testament was of sound mind and had the right and power to make a Last Will and Testament under the rules and limitations prescribed by the Texas Probate Code;

A CERTIFIED COPY
COUNTY COURT AT LAW
ATTEST: 3-4 1997
DATE
CURTIS DOUGLAS
County Clerk, Johnson
County, Texas
By Debi Harrington

that Deceased executed said Last Will and Testament with the formalities and solemnities and under the circumstances required by law to make it a valid Will; that said Will was not revoked by Deceased; that all of the necessary proof required for the probate of said Will have been made, and that the person to whom Letters are to be granted is named in Last Will and Testament Independent Executor without bond.

IT IS THEREFORE, ORDERED, ADJUDGED AND DECREED by the Court that the Last Will and Testament of the Deceased, is hereby admitted to probate, and that said Will, together with the Application for Probate is ordered and recorded in the minutes of this Court. It is further ordered that Letters Testamentary thereof be granted to the said STANLEY N. STAPLES, as Independent Executor, upon taking the oath required by law.

It is further found that no interested person has applied to the Court for the appointment of appraiser or appraisers for said estate and it is therefore further ordered by the Court that the appointment of an appraiser or appraisers to appraise said estate is not necessary.

SIGNED AND ORDERED ENTERED this the 13th day of December 1996.

Wm. R. Arnold, Jr.
JUDGE PRESIDING

A CERTIFIED COPY
COUNTY COURT AT LAW
ATTEST 3-4 19 97
DATE
CURTIS H. DOUGLAS
County Clerk, Anson
County, Texas
By Cora Harrington

Certificate of Record

32.00 Recording Fee

_____ Certified Copy Fee

32.00 Total Paid

000548

FILED FOR RECORD

97 MAR 10 PM 1:57

DIANNE O. FLOREZ
COUNTY CLERK, REEVES COUNTY, TX

BY: U Palomo DEPUTY

Return to:

Stanley N Staples
P.O. Box 291
Keene, TX 76059

COMPARED

ANY PROVISION HEREIN WHICH RESTRICTS THE SALE, RENTAL, OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

THE STATE OF TEXAS, }
COUNTY OF REEVES. }

I, hereby certify that this instrument with its certificates of authenticity was FILED on the date and at the time stamped hereon and was duly RECORDED in the OFFICIAL PUBLIC RECORDS of Real Property of Reeves County, Texas, as indicated.

OPR VOL. 572 PAGE 575 DATE RECORDED 3-11-97

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

By: Tencha Acosta, Deputy

TENCHA ACOSTA

BEAR GRAPHICS, INC.

M-88676 (118)

Ltr. From Stanly Staples
with copy of Deed & Will
as to surface ownership
3-31-97

Texas General Land Office
Garry Mauro, Commissioner

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

April 7, 1997

Mr. Stanley N. Staples
P. O. Box 291
Keene, Texas 76059-0291

Re: SE/part of the N. 440 acres of Section 12
Blk. 57, Tsp. 2, T & P Ry. Co. Survey
State Lease M-88676
Reeves County, Texas

Dear Mr. Staples:

I am in receipt of your letter dated March 26, 1997, enclosing a copy of a Warranty Deed covering the referenced tract and your Marriage Certificate.

As per our phone conversation and as you requested, to reflect your ownership we have filed your letter along with the documents you furnished in Mineral File M-88676. This is the current oil and gas lease file for the referenced tract and is a public record in the Archives and Records of the Texas General Land Office.

Please let me know if you have any questions or if I may be of further assistance.

Sincerely,

J. Daryl Morgan, CPL
Legal Services Division
(512) 305-9106

Printed on recycled paper with soybean ink

M-88676 (119)

Ltr. to Stanley Staples

Texas General
Land Office

David Dewhurst
Commissioner

February 22, 2000

SUNOCO REFINING AND MARKETING CO.
ATTN: DIVISION ORDER DEPARTMENT
P.O. BOX 2039
TULSA, OK 74102-2039

Re: Property Name: NORTHSHOT
Mineral File No. MF-088676
Property Number: 022112000000

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) 463-6916.

Sincerely,

Marc A. Fuentes

Marc A. Fuentes
Accounts Examiner III
Royalty and Revenue Processing
Energy Resources

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

DIVISION ORDER CONTRACT

THIS COPY FOR YOUR FILES Property No. 022112000000 PPP

TO: Sunoco Refining and Marketing Co.
PO Box 2039
Tulsa, OK 74102-2039

11/09/1999

Effective 7 a m OCTOBER 01, 1999

The undersigned, severally and not jointly, warrants and guarantees it is the owner of the interest set out below of all the oil (defined herein to include condensate), produced from the property described as:

Operator: MTBB ACQUISITION COMPANY LLC
Property Name: NORTHSHOT
County: REEVES State: TX
Legal Description: SEE ATTACHMENT FOR LEGAL DESCRIPTION

MF-68676

OWNER NO.	TAX I.D./SOC. SEC. NO.	PAYEE	DIVISION OF INTEREST
0000000026	[redacted]	COMM OF THE GEN LAND OFFICE ID 1 23 1743284 2 STATE OF TX LAND OFFICE BLDG AUSTIN TX 78701	.1053195000 RI

THIS CONTRACT DOES NOT AMEND ANY LEASE OR OPERATING AGREEMENT BETWEEN THE INTEREST OWNERS AND THE LESSEE OR OPERATOR.

The following provisions apply to all interest owners ("owner") who execute this contract:

DELEGATION: The owner warrants and represents that it has delegated to the Lessee or Operator full authority to sell and deliver, and to Sunoco Refining & Marketing or its agent the right to receive, on such terms and conditions as the Lessee or Operator or his designee may determine, all oil produced from the described property and allocable to the interest of the owner as set forth herein. For the purpose of this provision, "Lessee" means the Lessee of the lease under which interest is owned, its successors or assigns and "Operator" means the operator of the described property, at the time the oil is sold.

PAYMENT: From the effective date, payment is to be made monthly by Sunoco R&M check, based on this Division of Interest, for oil run during the preceeding calendar month from the property listed above, less taxes required by law to be deducted and paid by Sunoco R&M as purchaser. Payments of less than $25.00 may be accrued before disbursement until the total amount equals $25.00 or more, or until December 31, of each year, whichever occurs first.
The owner agrees to indemnify and hold Sunoco R&M 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 judgements in connection with any suit affecting the owners interest to which Sunoco is made a Party.

DISPUTE/WITHHOLDING OF FUNDS: If a suit is filed affecting the interest of the owner, written notice shall be given to Sunoco R&M by the owner together with a copy of the complaint or petition filed.

In the event of a claim or dispute affecting title to the division of interest credited herein, Sunoco R&M is authorized to withhold payments accruing to such interest, without interest unless otherwise required by applicable statute, until the claim or dispute is settled.

CANCELLATION/REVOCATION: Cancellation or revocation of this contract shall be effective on the first day of that month commencing thirty (30) days after receipt of written notice of such cancellation or revocation to Sunoco R&M.

NOTICES: The owner agrees to notify Sunoco R&M in writing of any change in the division of interest, including changes of interest contingent on payment of money or expiration of time.
No change of interest shall be binding upon Sunoco R&M until the recorded copy of the instrument of change, or documents satisfactorily evidencing such change, are furnished to Sunoco R&M 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 Sunoco R&M.

All correspondence regarding this contract shall be furnished to the addresses listed above unless otherwise advised by either party.

Witnesses: Signature of Interest Owner: Social Security / Tax I.D. No.

Failure to furnish your Social Security / Tax I.D. Number will result in withholding tax in accordance with federal law, and any tax withheld will not be refunded by Sunoco.

SUN - 21146-2

THIS DISPLAY IS PART OF THE DIVISION ORDER. PLEASE DO NOT DETACH.

Property No. 022112000000 EFFECTIVE OCTOBER 01, 1999 **Page No.** 1A

Owner Number and Owner Social Security or Tax I.D. Number	Credit to	Division of Interest

THE NORTHSHOT BEING THE SOUTHEAST 80 ACRES OF THE NORTH 440 ACRES OF SAID SECTION 12, BLOCK 57, T-2, T & P RY. CO. SURVEY, REEVES COUNTY, TEXAS BEING MORE FULLY DESCRIBED IN EXHIBIT 'A', ATTACHED HERETO AND MADE A PART HEREOF. BEGINNING AT THE SE/CORNER OF THE E/2 OF THE NE/4 OF THIS SECTION IN THE WEST LINE OF SECTION 7, BLOCK 56, TOWNSHIP, 2, T&P RR COMPANY SURVEY, AND THE NE/CORNER OF THIS SURVEY; THENCE WEST 1267.2 VARAS WITH THE SOUTH LINE OF THE N/2 TO THE NE/2 TO THE NE/CORNER OF THE NW/PART OF THE S/2 AND THE NW/CORNER OF THIS SURVEY; THENCE SOUTH 356.4 VARAS WITH THE EAST LINE OF SAID NW/PART OF THE S/2 TO ITS SE/CORNER IN THE NORTH LINE OF THE SOUTH PART AND THE SW/CORNER OF THIS SURVEY; THENCE EAST 1267.2 VARAS WITH THE NORTH LINE OF SAID SOUTH PART TO ITS NE/ CORNER IN THE WEST LINE OF SECTION 7, BLOCK 56, TOWNSHIP 2, T&P RR COMP- ANY SURVEY, AND THE SE/CORNER OF THIS SURVEY; THENCE NORTH 356.4 VARAS WITH THE WEST LINE OF SAID SECTION 7 TO THE PLACE OF BEGINNING, CONTAINING 80 ACRES, MORE OR LESS, INSOFAR AND ONLY INSOFAR AS THE LESSORS INTEREST IN AND TO THE SURFACE DOWN TO THE BASE OF THE BRUSHY CANYON FORMATION, ALSO DESCRIBED AS THE TOP OF THE BONE SPRINGS FORMATION. ALL HORIZONS BELOW THE BASE OF THE BRUSHY CANYON FORMATION ARE EXPRESSLY RESERVED BY LESSOR.



(120)

88676

M.F.

Correspondence File To Division Order

From

Dated 12-23-99

15-53-09

Texas General Land Office

David Dewhurst Commissioner

Mailing
Post Office Box 12873
Austin, Texas
78711-2873

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

512.463.5001
1.800.998.4GLO
www.glo.state.tx.us

September 19, 2001

I, David Dewhurst, Commissioner of the General Land Office of the State of Texas, do hereby certify that the papers, records, and documents of said office show;

That on October 6, 1876, J.J. Groos, Commissioner of the Texas General Land Office, issued Land Scrip Certificate 5074, entitling the Texas and Pacific Railway Company, by virtue of having completed railway improvements, to 640 acres of land, which land was to be located upon any of the vacant, unreserved, and unappropriated public domain of the State of Texas, in accordance with its charter and the General Laws governing the same, the grant having been made upon the condition that an alternate section be surveyed for the State, as well as the odd-numbered section for the railway company, and said Land Scrip Certificate was filed in the Texas General Land Office on August 9, 1877, in File Bexar Scrip 23792;

That on August 20, 1876, William B. Champlin, Deputy Surveyor for the Texas and Pacific Railway Co., surveyed 640 acres in Pecos County for the State of Texas, by virtue of Certificate 5074, and compiled field notes thereon, designating it as Section 12, Township 2, Block 57, which field notes were recorded in Book D-4, Page 118, Surveyor's Records, Pecos Land District, and were filed in the Texas General Land Office on August 9, 1877, in Bexar Scrip 23792, marked correct on map for 640 acres;

That the file wrapper for File Bexar Scrip 23792 is endorsed: "Conflict with H&GN RR S-2840 & 2841 otherwise correct on map (dated) Oct. 18/77 (signed) Wm Thompson";

****

That on November 24, 1906, Section 12, Block 57, Township 2, T&P Ry. Co. Survey, Certificate 5074, 640 acres in Reeves County was awarded to Mrs. Julia Crume on her application filed in the Texas General Land Office on September 20, 1906, in School File 92212, and which application was filed to purchase said land under the provisions of Title LXXXVII, Chapter 12A, Revised Civil Statutes of 1895, and the amendments thereto by the Act of May 19, 1897, and the Acts relating to the sale and lease of Public Free School and Asylum lands, approved April 19, 1901, and April 15, 1905, as a actual settler, said tract applied for having been classified as Mineral and Dry Grazing and endorsed: "Land forfeited for failure to reside thereon as required by law. (dated) 2/20/09 (signed) J.T. Robison Comm.", "Reinstated (dated) 4/12/09 (signed) J.T. Robison Comm." and "Must file waiver of mineral right, and also show whether or not you are a married woman. (dated) 10/29/06";

That on November 21, 1906, Mrs. Julia Crume, executed an affidavit, sworn to according to law, in which she stated "that she is a widow over the age of twenty one

years", said affidavit was filed in the Texas General Land Office on November 23, 1906, in School File 92212;

That on November 30, 1906, a certified copy of Mrs. Julia Crume's mineral rights waiver was received in the Texas General Land Office and filed in School File 92212;

That on April 9, 1909, an opinion was received in the Texas General Land Office from R.V. Davidson, Texas Attorney General, said opinion stated, "I am of the opinion that Mrs. Crume was not absent, in contemplation of law, from her home or from her land and that she has not abandoned same or absented herself therefrom and has in no manner forfeited her title, right or interest in and to said sections, and that you have the power and should reinstate her purchase and cancel the award thereof made to any subsequent party or parties", and a copy of said opinion was filed in the General Land Office in School File 92212;

That on September 25, 1909, Mrs. Julia Crume, a feme sole, made the required proof of occupancy on said Home Section 12, Township 2, Block 57, T&P Ry. Co. Survey, which proof was filed in the Texas General Land Office on October 2, 1909, in School File 92212, and Certificate of Occupancy 11930 was issued on October 5, 1917;

That on April 21, 1914, Julia Crume conveyed Section 12, Township 2, Block 57, T&P Ry. Co. Survey, as well as other lands, 1492 total acres in Reeves County, to Mays and Mays, a law firm composed of W.J. Mays and Charles Mays, and a certified copy of said deed was filed in the Texas General Land Office on July 10, 1926, in School File 92212;

That on December 13, 1923, W.J. Mays and Charles Mays conveyed Section 12, Township 2, Block 57, T&P Ry. Co., in Reeves County, to Helmer Peterson, and a certified copy of said deed was filed in the Texas General Land Office on July 10, 1926, in School File 92212;

That on August 27, 1925, Helmer Peterson conveyed Section 12, Township 2, Block 57, T&P Ry. Co. Survey, 440 acres in Reeves County, to K.M. Regan, and a certified copy of said deed was filed in the Texas General Land Office on July 10, 1926, in School File 92212, and is endorsed: "Cannot tell what portion of the Sec. is conveyed by this deed";

That the old file wrapper for School File 92212 is endorsed: "For add-See F92213, 97615 & 97616", "MF 6150", "Reuse to cancel the claim should affidavit of abandonment be filed through investigation (dated) 3/31/08", "Forfeited for failure to reside upon the land as required by law. (signed) J.T. Robison (dated) 2/20/08" and "Reinstated under opinion Atty Genl. see copy within (signed) J.T. Robison (dated) 4/12/09";

That the new file wrapper for School File 92212 is endorsed: "E 1/2 of NE 1/4, W 1/2 of NW 1/4, NW pt. of S 1/2", "See Official SK. in F-142477", "E 1/2 of NW 1/4 F 142475, W 1/2 of NE 1/4 F 142476, SE pt of N 400 a F 142477", " Sold in File 151379" and "(stamped) Land Forfeited Aug. 26, 1941 (signed) Bascom Giles Commissioner";

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That on January 3, 1920, JH Walker, Commissioner of the Texas General Land Office, under the provisions of Chapter 83, Act approved March 16, 1917, issued Oil and Gas Permit 6150, to C.H. Finley, Assignee of Alma McLendon, covering Section 12, Certificate 5074, Block 57, Township 2, T&P Ry. Co. Survey, as well as other Sections, total of 2560 acres of land, in Reeves County, for a term of three years and a certified copy of said permit was received in the Texas General Land Office on January 3, 1920, in Mineral File M-6150;

The file wrapper for Mineral File M-6150 is endorsed: "Forfeited for failure to pay third year 10¢ per acre to State within time prescribed by law. (dated) 3-10-1922 (signed) J.T. Robison, Commissioner", "See No. 12 Cert. No. 5074, See No. 14 Cert. No. 5075, See No. 22 Cert. No. 5079, See No. 24 Cert. No. 5080", "Transfer MF 5928", "Cert. of Co. Sur. in App. 8528, Combination Agreement in 4813" and "combined with 4813-4651-4812-4733-5019-6098-6180-4218 Average date Oct. 8-1919" and "(stamped) FORFEITED";

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That on September 12, 1925, K.M. Regan conveyed a "Tract of land described as follows: Beginning at a point in the east line of Section 12, block 57, Township 2, T&P Railway Survey ,Reeves County, Texas 1650 feet from the South East corner of said section, thence West 3520 feet in a line parallel to the south line of said section to a point Thence north 990 feet in a line parallel to the east line of said section to a point, Thence East 3520 feet in a line parallel to the south line of this tract and the said section to a point in the east line of said section, Thence south along the east line of said section 990 feet to the point of beginning and containing Eighty (80) acres more or less in Said Section 12, Block 57, Township 2, Reeves County, Texas.", to Frank H. Schuler, F.C. Gehle and Fred W. Ulrich, and a certified copy of said deed was filed in the Texas General Land Office on August 26, 1926, in School File 142477;

That on November 13, 1943, H.U. von Rosenberg, Surveyor, issued Compiled Field Notes for the "S.E. Pt. of N. 440 acres, Certificate No. 5074, Section 12, Block 57, Township 2, T&P Ry. Co. Survey, Reeves County", and said field notes filed in the Texas General Land Office in School File 142477, said field notes were marked correct on map for 80.0 acres, and are endorsed as patented on November 17, 1943;

That the file wrapper for School File 142477 is endorsed: "Abst. 4924", "SE pt of N 100 (drawn through and replaced with 440) ac.", "Orig. in 92212", "Pat: Frank H. Schuler, F.C. Gehle and Fred Ulrich assigns M/R 11-15-43 (signed) Darby"

That on November 13, 1943, payment in full for 80 acres, the SE pt of the N 440 acres of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, Certificate 5074, Reeves County, was received in the Texas General Land Office, and said land, having been classified mineral and dry grazing, with all the minerals reserved to the State, was patented on November 17, 1943, to Frank H. Schuler, F.C. Gehle and Fred Ulrich, their heirs, and assigns, by Patent Number 54, Volume 92-A, under Abstract 4924 and School File 142477;

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That on June 25, 1975, Jack E. Blake and wife, Carol Jo Blake, individually, and as agent for the State of Texas, executed and delivered a State Relinquishment Act Oil & Gas (Undivided Interest) Lease, covering "All of the SE pt. of the North 440 acres of Section 12, Block 57, Township 2, T&P Ry. Co. Survey,

described by metes and bounds as follows: BEGINNING at the SE/corner of the E/2 of the NE/4 of this Section in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey ,and the NE/corner of this Survey; THENCE West 1267.2 varas with the South line of the N/2 of the NE corner of the NW/Part of the S/2 and the NW corner of this Survey; THENCE South 356.4 varas with the East line of said NW part of the S/2 to its SE/corner in the North line of the South part of the SW/corner of this Survey; THENCE East 1267.2 varas with the North line of said South part to its NE corner in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey; THENCE North 356.4 varas with the West line of said Section 7 to the place of beginning", 80 acres in Reeves County, to DALCO Oil Company, for a primary term of five (5) years, with a cash bonus of $733.33, and an annual delay rental of $40.00, with like amounts payable each to landowner and State, and a royalty of three thirty-seconds (3/32nds), one-half payable each to landowner and State, and a certified copy of said lease was filed in the Texas General Land Office on August 28, 1975, in Mineral File M-72161;

That on November 13, 1975, Violet Schuler, single; and Evelyn Schuler, widow of Robert L. Schuler, deceased, individually, and as agent for the State of Texas, executed and delivered a State Relinquishment Act Oil & Gas (Undivided Interest) Lease, covering "All of the E/2 of the North 440 acres of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, described by metes and bounds as follows: BEGINNING at the SE/corner of the E/2 of the NE/4 of this Section in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey ,and the NE/corner of this Survey; THENCE West 1267.2 varas with the South line of the N/2 of the NE corner of the NW/Part of the S/2 and the NW corner of this Survey; THENCE South 356.4 varas with the East line of said NW part of the S/2 to its SE/corner in the North line of the South part of the SW/corner of this Survey; THENCE East 1267.2 varas with the North line of said South part to its NE/corner in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey; THENCE North 356.4 varas with the West line of said Section 7 to the place of beginning", 80 acres in Reeves County, to Griffin & Burnett, Inc., for a primary term of five (5) years, with a cash bonus of $666.75, and an annual delay rental of $40.00, with like amounts payable each to landowner and State, and a royalty of three-sixteenths (3/16ths), one-half payable each to landowner and State, and a certified copy of said lease was filed in the Texas General Land Office on February 21, 1976, in Mineral File M-72161;

That the file wrapper for Mineral File M-72161 is endorsed: "(stamped) EXPIRED (initialed) RW";

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That on June 6, 1977, Emma Sabastian Ulrich, a widow, Bernice Ulrich Goodenough and Lawrence F. Ulrich assigned to Betty Jane Yowell, various interests in the lease in Mineral File M-88676, and reference to said assignment is herein made for all purposes to the instrument which was filed of record in Volume 349, Page 810, Deed Records, Reeves County, a certified copy of which was filed in the Texas General Land Office on March 31, 1997, in Mineral File M-88676;

That on October 8, 1982, Violet Schuler and Evelyn Schuler, widow of Robert L. Schuler, deceased, individually, and as agent for the State of Texas, executed and delivered a State Relinquishment Act Oil & Gas Lease, covering "All of the E/2 of the North 440 acres of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, described by metes and bounds as follows: BEGINNING at the SE/corner of the E/2 of the NE/4 of this Section in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey ,and the NE/corner of this Survey; THENCE West 1267.2 varas with the South line of the N/2 of the NE corner of the NW/Part of the S/2 and the NW corner of this Survey; THENCE South 356.4 varas with the East line of said

NW part of the S/2 to its SE/corner in the North line of the South part of the SW/corner of this Survey; THENCE East 1267.2 varas with the North line of said South part to its NE/corner in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey; THENCE North 356.4 varas with the West line of said Section 7 to the place of beginning", 80 acres in Reeves County, to Blake Oil & Gas Corporation, for a primary term of five (5) years, with a cash bonus of $1,333.34, and an annual delay rental of $40.00, with like amounts payable each to landowner and State, and a royalty of three-sixteenth (3/16ths), one-half payable each to landowner and State, and a certified copy of said lease was filed in the Texas General Land Office on December 12, 1982, in Mineral File M-88676;

That on August 1, 1983, R.W. Blake, individually, and as agent for the State of Texas, executed and delivered a State Relinquishment Act Oil & Gas Lease, covering "All of the E/2 of the North 440 acres of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, described by metes and bounds as follows: BEGINNING at the SE/corner of the E/2 of the NE/4 of this Section in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey ,and the NE/corner of this Survey; THENCE West 1267.2 varas with the South line of the N/2 of the NE corner of the NW/Part of the S/2 and the NW corner of this Survey; THENCE South 356.4 varas with the East line of said NW part of the S/2 to its SE/corner in the North line of the South part of the SW/corner of this Survey; THENCE East 1267.2 varas with the North line of said South part to its NE/corner in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey; THENCE North 356.4 varas with the West line of said Section 7 to the place of beginning", 80 acres in Reeves County, to ORLA PETCO, Inc., for a primary term of five (5) years, with a cash bonus of $667.00, and an annual delay rental of $6.67, with like amounts payable each to landowner and State, and a royalty of one-fourth (1/4), one-half payable each to landowner and State, and a certified copy of said lease was filed in the Texas General Land Office on December 8, 1983, in Mineral File M-88676;

That on August 1, 1983, Jack E. Blake and wife, Carol Jo Blake, individually, and as agent for the State of Texas, executed and delivered a **Paid Up** State Relinquishment Act Oil & Gas Lease, covering "All of the E/2 of the North 440 acres of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, described by metes and bounds as follows: BEGINNING at the SE/corner of the E/2 of the NE/4 of this Section in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey ,and the NE/corner of this Survey; THENCE West 1267.2 varas with the South line of the N/2 of the NE corner of the NW/Part of the S/2 and the NW corner of this Survey; THENCE South 356.4 varas with the East line of said NW part of the S/2 to its SE/corner in the North line of the South part of the SW/corner of this Survey; THENCE East 1267.2 varas with the North line of said South part to its NE/corner in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey; THENCE North 356.4 varas with the West line of said Section 7 to the place of beginning", 80 acres in Reeves County, to ORLA PETCO, Inc., for a primary term of five (5) years, with a cash bonus of $667.00, with like amounts payable each to landowner and State, and a royalty of one-fourth (1/4), one-half payable each to landowner and State, and a certified copy of said lease was filed in the Texas General Land Office on May 11, 1984, in Mineral File M-88676;

That on August 4, 1983, Violet Schuler and Evelyn Schuler, widow of Robert L. Schuler, deceased assigned to Blake Oil & Gas Corporation, various interests in the lease in Mineral File M-88676, and reference to said assignment is herein made for all purposes to the instrument which was filed of record in Book 437, Page 718, Deed Records, Reeves County, a certified copy of which was filed in the Texas General Land Office on May 11, 1984, in Mineral File M-88676;

That on November 22, 1983, Robert A. Schuler and James N. Schuler, individually, and as agent for the State of Texas, executed and delivered a **Paid Up** State Relinquishment Act Oil & Gas Lease, covering "All of the E/2 of the North 440 acres of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, described by metes and bounds as follows: BEGINNING at the SE/corner of the E/2 of the NE/4 of this Section in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey ,and the NE/corner of this Survey; THENCE West 1267.2 varas with the South line of the N/2 of the NE corner of the NW/Part of the S/2 and the NW corner of this Survey; THENCE South 356.4 varas with the East line of said NW part of the S/2 to its SE/corner in the North line of the South part of the SW/corner of this Survey; THENCE East 1267.2 varas with the North line of said South part to its NE/corner in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey; THENCE North 356.4 varas with the West line of said Section 7 to the place of beginning", 80 acres in Reeves County, to Blake Oil & Gas Corporation, for a primary term of five (5) years, with a cash bonus of $444.45, with like amounts payable each to landowner and State, and a royalty of one-fourth (1/4), one-half payable each to landowner and State, and a certified copy of said lease was filed in the Texas General Land Office on January 4, 1984, in Mineral File M-88676;

That on January 3, 1984, Robert A. Schuler and James N. Schuler assigned to Orla Petco, Inc., various interests in the lease in Mineral File M-88676, and reference to said assignment is herein made for all purposes to the instrument which was filed of record in Book 443, Page 610, Deed Records, Reeves County, a certified copy of which was filed in the Texas General Land Office on May 11, 1984, in Mineral File M-88676;

That on December 8, 1986, Robert A. Schuler and James N. Schuler, both individually, and as Reminderman under Evelyn Schuler Life Estate c/o Violet Schuler, and as agent for the State of Texas, executed and delivered a State Relinquishment Act Oil & Gas Lease, covering "All of the E/2 of the North 440 acres of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, described by metes and bounds as follows: BEGINNING at the SE/corner of the E/2 of the NE/4 of this Section in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey ,and the NE/corner of this Survey; THENCE West 1267.2 varas with the South line of the N/2 of the NE corner of the NW/Part of the S/2 and the NW corner of this Survey; THENCE South 356.4 varas with the East line of said NW part of the S/2 to its SE/corner in the North line of the South part of the SW/corner of this Survey; THENCE East 1267.2 varas with the North line of said South part to its NE/corner in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey; THENCE North 356.4 varas with the West line of said Section 7 to the place of beginning", 80 acres in Reeves County, to Blake Oil and Gas Corporation for a primary term of three (3) years, with a cash bonus of $333.00, and an annual delay rental of $4.44, with like amounts payable each to landowner and State, and a royalty of three-sixteenths (3/16ths), one-half payable each to landowner and State, and a certified copy of said lease was filed in the Texas General Land Office on February 26, 1887, in Mineral File M-88676;

That on October 10, 1987, Violet Schuler, individually, and as agent for the State of Texas, executed and delivered a State Relinquishment Act Oil & Gas Lease, covering "All of the E/2 of the North 440 acres of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, described by metes and bounds as follows: BEGINNING at the SE/corner of the E/2 of the NE/4 of this Section in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey ,and the NE/corner of this Survey; THENCE West 1267.2 varas with the South line of the N/2 of the NE corner of the NW/Part of the S/2 and the NW corner of this Survey; THENCE South 356.4 varas with the East line of said NW part of the S/2 to its SE/corner in the North line of the South part of the SW/corner of this Survey; THENCE East 1267.2 varas with the North line of said South part to its NE/corner in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey;

THENCE North 356.4 varas with the West line of said Section 7 to the place of beginning", 80 acres in Reeves County, to Blake Oil and Gas Corporation for a primary term of three (3) years, with a cash bonus of $500.00, and an annual delay rental of $6.67, with like amounts payable each to landowner and State, and a royalty of three-sixteenths (3/16ths), one-half payable each to landowner and State, and a certified copy of said lease was filed in the Texas General Land Office on December 26, 1987, in Mineral File M-88676;

That on October 10, 1987, Evelyn Schuler, individually, and as agent for the State of Texas, executed and delivered a State Relinquishment Act Oil & Gas Lease, covering "All of the E/2 of the North 440 acres of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, described by metes and bounds as follows: BEGINNING at the SE/corner of the E/2 of the NE/4 of this Section in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey ,and the NE/corner of this Survey; THENCE West 1267.2 varas with the South line of the N/2 of the NE corner of the NW/Part of the S/2 and the NW corner of this Survey; THENCE South 356.4 varas with the East line of said NW part of the S/2 to its SE/corner in the North line of the South part of the SW/corner of this Survey; THENCE East 1267.2 varas with the North line of said South part to its NE/corner in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey; THENCE North 356.4 varas with the West line of said Section 7 to the place of beginning", 80 acres in Reeves County, to Blake Oil and Gas Corporation for a primary term of three (3) years, with a cash bonus of $166.50, and an annual delay rental of $2.22, with like amounts payable each to landowner and State, and a royalty of three-sixteenths (3/16ths), one-half payable each to landowner and State, and a certified copy of said lease was filed in the Texas General Land Office on December 26, 1987, in Mineral File M-88676;

That on September 30, 1988, Carol Wagner and Arthur Wagner, individually, and as agent for the State of Texas, executed and delivered a State Relinquishment Act Oil & Gas Lease, covering "All of the E/2 of the North 440 acres of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, described by metes and bounds as follows: BEGINNING at the SE/corner of the E/2 of the NE/4 of this Section in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey ,and the NE/corner of this Survey; THENCE West 1267.2 varas with the South line of the N/2 of the NE corner of the NW/Part of the S/2 and the NW corner of this Survey; THENCE South 356.4 varas with the East line of said NW part of the S/2 to its SE/corner in the North line of the South part of the SW/corner of this Survey; THENCE East 1267.2 varas with the North line of said South part to its NE/corner in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey; THENCE North 356.4 varas with the West line of said Section 7 to the place of beginning", 80 acres in Reeves County, to Blake Oil and Gas Corporation for a primary term of three (3) years, with a cash bonus of $16.65, and an annual delay rental of $.22, with like amounts payable each to landowner and State, and a royalty of three-sixteenths (3/16ths), one-half payable each to landowner and State, and a certified copy of said lease was filed in the Texas General Land Office on February 1, 1989, in Mineral File M-88676;

That on September 30, 1988, Ester L. Wurm, individually, and as agent for the State of Texas, executed and delivered a State Relinquishment Act Oil & Gas Lease, covering "All of the E/2 of the North 440 acres of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, described by metes and bounds as follows: BEGINNING at the SE/corner of the E/2 of the NE/4 of this Section in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey ,and the NE/corner of this Survey; THENCE West 1267.2 varas with the South line of the N/2 of the NE corner of the NW/Part of the S/2 and the NW corner of this Survey; THENCE South 356.4 varas with the East line of said NW part of the S/2 to its SE/corner in the North line of the South part of the SW/corner of this Survey; THENCE East 1267.2 varas with the North line of said South part to its NE/corner in the West line of Section 7, Block 56, Township 2, T&P RR Company

Survey; THENCE North 356.4 varas with the West line of said Section 7 to the place of beginning", 80 acres in Reeves County, to Blake Oil and Gas Corporation for a primary term of three (3) years, with a cash bonus of $33.37, and an annual delay rental of $.45, with like amounts payable each to landowner and State, and a royalty of three-sixteenths (3/16ths), one-half payable each to landowner and State, and a certified copy of said lease was filed in the Texas General Land Office on February 1, 1989, in Mineral File M-88676;

That on September 30, 1988, Richard Gehle, individually, and as agent for the State of Texas, executed and delivered a State Relinquishment Act Oil & Gas Lease, covering "All of the E/2 of the North 440 acres of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, described by metes and bounds as follows: BEGINNING at the SE/corner of the E/2 of the NE/4 of this Section in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey ,and the NE/corner of this Survey; THENCE West 1267.2 varas with the South line of the N/2 of the NE corner of the NW/Part of the S/2 and the NW corner of this Survey; THENCE South 356.4 varas with the East line of said NW part of the S/2 to its SE/corner in the North line of the South part of the SW/corner of this Survey; THENCE East 1267.2 varas with the North line of said South part to its NE/corner in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey; THENCE North 356.4 varas with the West line of said Section 7 to the place of beginning", 80 acres in Reeves County, to Blake Oil and Gas Corporation for a primary term of three (3) years, with a cash bonus of $33.37, and an annual delay rental of $.45, with like amounts payable each to landowner and State, and a royalty of three-sixteenths (3/16ths), one-half payable each to landowner and State, and a certified copy of said lease was filed in the Texas General Land Office on December 3, 1988, in Mineral File M-88676;

That on September 30, 1988, Algo A. Novallo, individually, and as agent for the State of Texas, executed and delivered a State Relinquishment Act Oil & Gas Lease, covering "All of the E/2 of the North 440 acres of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, described by metes and bounds as follows: BEGINNING at the SE/corner of the E/2 of the NE/4 of this Section in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey ,and the NE/corner of this Survey; THENCE West 1267.2 varas with the South line of the N/2 of the NE corner of the NW/Part of the S/2 and the NW corner of this Survey; THENCE South 356.4 varas with the East line of said NW part of the S/2 to its SE/corner in the North line of the South part of the SW/corner of this Survey; THENCE East 1267.2 varas with the North line of said South part to its NE/corner in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey; THENCE North 356.4 varas with the West line of said Section 7 to the place of beginning", 80 acres in Reeves County, to Blake Oil and Gas Corporation for a primary term of three (3) years, with a cash bonus of $50.25, and an annual delay rental of $.67, with like amounts payable each to landowner and State, and a royalty of three-sixteenths (3/16ths), one-half payable each to landowner and State, and a certified copy of said lease was filed in the Texas General Land Office on December 3, 1988, in Mineral File M-88676;

That on September 30, 1988, Mary C. Gehle, individually, and as agent for the State of Texas, executed and delivered a State Relinquishment Act Oil & Gas Lease, covering "All of the E/2 of the North 440 acres of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, described by metes and bounds as follows: BEGINNING at the SE/corner of the E/2 of the NE/4 of this Section in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey ,and the NE/corner of this Survey; THENCE West 1267.2 varas with the South line of the N/2 of the NE corner of the NW/Part of the S/2 and the NW corner of this Survey; THENCE South 356.4 varas with the East line of said NW part of the S/2 to its SE/corner in the North line of the South part of the SW/corner of this Survey; THENCE East 1267.2 varas with the North line of said South part to its NE/corner in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey; THENCE North 356.4 varas with the West line of said Section 7 to the place of beginning", 80 acres

in Reeves County, to Blake Oil and Gas Corporation for a primary term of three (3) years, with a cash bonus of $50.25, and an annual delay rental of $.67, with like amounts payable each to landowner and State, and a royalty of three-sixteenths (3/16ths), one-half payable each to landowner and State, and a certified copy of said lease was filed in the Texas General Land Office on November 7, 1988, in Mineral File M-88676;

That on September 30, 1988, Lois Oestrich and Clint Oestrich, individually, and as agent for the State of Texas, executed and delivered a State Relinquishment Act Oil & Gas Lease, covering "All of the E/2 of the North 440 acres of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, described by metes and bounds as follows: BEGINNING at the SE/corner of the E/2 of the NE/4 of this Section in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey ,and the NE/corner of this Survey; THENCE West 1267.2 varas with the South line of the N/2 of the NE corner of the NW/Part of the S/2 and the NW corner of this Survey; THENCE South 356.4 varas with the East line of said NW part of the S/2 to its SE/corner in the North line of the South part of the SW/corner of this Survey; THENCE East 1267.2 varas with the North line of said South part to its NE/corner in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey; THENCE North 356.4 varas with the West line of said Section 7 to the place of beginning", 80 acres in Reeves County, to Blake Oil and Gas Corporation for a primary term of three (3) years, with a cash bonus of $11.10, and an annual delay rental of $.15, with like amounts payable each to landowner and State, and a royalty of three-sixteenths (3/16ths), one-half payable each to landowner and State, and a certified copy of said lease was filed in the Texas General Land Office on November 7, 1988, in Mineral File M-88676;

That on September 30, 1988, Mildred Max, individually, and as agent for the State of Texas, executed and delivered a State Relinquishment Act Oil & Gas Lease, covering "All of the E/2 of the North 440 acres of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, described by metes and bounds as follows: BEGINNING at the SE/corner of the E/2 of the NE/4 of this Section in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey ,and the NE/corner of this Survey; THENCE West 1267.2 varas with the South line of the N/2 of the NE corner of the NW/Part of the S/2 and the NW corner of this Survey; THENCE South 356.4 varas with the East line of said NW part of the S/2 to its SE/corner in the North line of the South part of the SW/corner of this Survey; THENCE East 1267.2 varas with the North line of said South part to its NE/corner in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey; THENCE North 356.4 varas with the West line of said Section 7 to the place of beginning", 80 acres in Reeves County, to Blake Oil and Gas Corporation for a primary term of three (3) years, with a cash bonus of $33.37, and an annual delay rental of $.45, with like amounts payable each to landowner and State, and a royalty of three-sixteenths (3/16ths), one-half payable each to landowner and State, and a certified copy of said lease was filed in the Texas General Land Office on November 7, 1988, in Mineral File M-88676;

That on September 30, 1988, Richard Kiel, individually, and as agent for the State of Texas, executed and delivered a State Relinquishment Act Oil & Gas Lease, covering "All of the E/2 of the North 440 acres of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, described by metes and bounds as follows: BEGINNING at the SE/corner of the E/2 of the NE/4 of this Section in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey ,and the NE/corner of this Survey; THENCE West 1267.2 varas with the South line of the N/2 of the NE corner of the NW/Part of the S/2 and the NW corner of this Survey; THENCE South 356.4 varas with the East line of said NW part of the S/2 to its SE/corner in the North line of the South part of the SW/corner of this Survey; THENCE East 1267.2 varas with the North line of said South part to its NE/corner in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey; THENCE North 356.4 varas with the West line of said Section 7 to the place of beginning", 80 acres in

Reeves County, to Blake Oil and Gas Corporation for a primary term of three (3) years, with a cash bonus of $16.65, and an annual delay rental of $.22, with like amounts payable each to landowner and State, and a royalty of three-sixteenths (3/16ths), one-half payable each to landowner and State, and a certified copy of said lease was filed in the Texas General Land Office on November 7, 1988, in Mineral File M-88676;

That on September 30, 1988, Robert W. Blake and wife, Marion, individually, and as agent for the State of Texas, executed and delivered a State Relinquishment Act Oil & Gas Lease, covering "All of the E/2 of the North 440 acres of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, described by metes and bounds as follows: BEGINNING at the SE/corner of the E/2 of the NE/4 of this Section in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey ,and the NE/corner of this Survey; THENCE West 1267.2 varas with the South line of the N/2 of the NE corner of the NW/Part of the S/2 and the NW corner of this Survey; THENCE South 356.4 varas with the East line of said NW part of the S/2 to its SE/corner in the North line of the South part of the SW/corner of this Survey; THENCE East 1267.2 varas with the North line of said South part to its NE/corner in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey; THENCE North 356.4 varas with the West line of said Section 7 to the place of beginning", 80 acres in Reeves County, to Blake Oil and Gas Corporation for a primary term of three (3) years, with a cash bonus of $499.87, and an annual delay rental of $6.67, with like amounts payable each to landowner and State, and a royalty of three-sixteenths (3/16ths), one-half payable each to landowner and State, and a certified copy of said lease was filed in the Texas General Land Office on November 7, 1988, in Mineral File M-88676;

That on September 30, 1988, Altha M. Farwell, individually, and as agent for the State of Texas, executed and delivered a State Relinquishment Act Oil & Gas Lease, covering "All of the E/2 of the North 440 acres of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, described by metes and bounds as follows: BEGINNING at the SE/corner of the E/2 of the NE/4 of this Section in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey ,and the NE/corner of this Survey; THENCE West 1267.2 varas with the South line of the N/2 of the NE corner of the NW/Part of the S/2 and the NW corner of this Survey; THENCE South 356.4 varas with the East line of said NW part of the S/2 to its SE/corner in the North line of the South part of the SW/corner of this Survey; THENCE East 1267.2 varas with the North line of said South part to its NE/corner in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey; THENCE North 356.4 varas with the West line of said Section 7 to the place of beginning", 80 acres in Reeves County, to Blake Oil and Gas Corporation for a primary term of three (3) years, with a cash bonus of $50.25, and an annual delay rental of $.67, with like amounts payable each to landowner and State, and a royalty of three-sixteenths (3/16ths), one-half payable each to landowner and State, and a certified copy of said lease was filed in the Texas General Land Office on November 7, 1988, in Mineral File M-88676;

That on October 10, 1988, Donald H. Kiel, individually, and as agent for the State of Texas, executed and delivered a State Relinquishment Act Oil & Gas Lease, covering "All of the E/2 of the North 440 acres of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, described by metes and bounds as follows: BEGINNING at the SE/corner of the E/2 of the NE/4 of this Section in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey ,and the NE/corner of this Survey; THENCE West 1267.2 varas with the South line of the N/2 of the NE corner of the NW/Part of the S/2 and the NW corner of this Survey; THENCE South 356.4 varas with the East line of said NW part of the S/2 to its SE/corner in the North line of the South part of the SW/corner of this Survey; THENCE East 1267.2 varas with the North line of said South part to its NE/corner in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey; THENCE North 356.4 varas with the West line of said Section 7 to the place of beginning", 80 acres in

Reeves County, to Blake Oil and Gas Corporation for a primary term of three (3) years, with a cash bonus of $11.10, and an annual delay rental of $.15, with like amounts payable each to landowner and State, and a royalty of three-sixteenths (3/16ths), one-half payable each to landowner and State, and a certified copy of said lease was filed in the Texas General Land Office on November 7, 1988, in Mineral File M-88676;

That on October 10, 1988, Lorna Jean Rybacheck, individually, and as agent for the State of Texas, executed and delivered a State Relinquishment Act Oil & Gas Lease, covering "All of the E/2 of the North 440 acres of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, described by metes and bounds as follows: BEGINNING at the SE/corner of the E/2 of the NE/4 of this Section in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey ,and the NE/corner of this Survey; THENCE West 1267.2 varas with the South line of the N/2 of the NE corner of the NW/Part of the S/2 and the NW corner of this Survey; THENCE South 356.4 varas with the East line of said NW part of the S/2 to its SE/corner in the North line of the South part of the SW/corner of this Survey; THENCE East 1267.2 varas with the North line of said South part to its NE/corner in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey; THENCE North 356.4 varas with the West line of said Section 7 to the place of beginning", 80 acres in Reeves County, to Blake Oil and Gas Corporation for a primary term of three (3) years, with a cash bonus of $11.10, and an annual delay rental of $.15, with like amounts payable each to landowner and State, and a royalty of three-sixteenths (3/16ths), one-half payable each to landowner and State, and a certified copy of said lease was filed in the Texas General Land Office on November 7, 1988, in Mineral File M-88676;

That on October 17, 1988, Shirley E. Campbell, individually, and as agent for the State of Texas, executed and delivered a State Relinquishment Act Oil & Gas Lease, covering "All of the E/2 of the North 440 acres of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, described by metes and bounds as follows: BEGINNING at the SE/corner of the E/2 of the NE/4 of this Section in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey ,and the NE/corner of this Survey; THENCE West 1267.2 varas with the South line of the N/2 of the NE corner of the NW/Part of the S/2 and the NW corner of this Survey; THENCE South 356.4 varas with the East line of said NW part of the S/2 to its SE/corner in the North line of the South part of the SW/corner of this Survey; THENCE East 1267.2 varas with the North line of said South part to its NE/corner in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey; THENCE North 356.4 varas with the West line of said Section 7 to the place of beginning", 80 acres in Reeves County, to Blake Oil and Gas Corporation for a primary term of three (3) years, with a cash bonus of $50.25, and an annual delay rental of $.67, with like amounts payable each to landowner and State, and a royalty of three-sixteenths (3/16ths), one-half payable each to landowner and State, and a certified copy of said lease was filed in the Texas General Land Office on November 7, 1988, in Mineral File M-88676;

That on November 2, 1988, Jack E. Blake and wife, Carol Jo Blake, individually, and as agent for the State of Texas, executed and delivered a State Relinquishment Act Oil & Gas Lease, covering "All of the E/2 of the North 440 acres of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, described by metes and bounds as follows: BEGINNING at the SE/corner of the E/2 of the NE/4 of this Section in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey ,and the NE/corner of this Survey; THENCE West 1267.2 varas with the South line of the N/2 of the NE corner of the NW/Part of the S/2 and the NW corner of this Survey; THENCE South 356.4 varas with the East line of said NW part of the S/2 to its SE/corner in the North line of the South part of the SW/corner of this Survey; THENCE East 1267.2 varas with the North line of said South part to its NE/corner in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey; THENCE North 356.4 varas with the West line of said Section 7 to the place of beginning", "Insofar, and only insofar as the Lessors interest in and to the surface down to the base of the

Brushy Canyon Formation, also described as the top of the Bone Springs Formation. All horizons below the base of the Brushy Canyon Formation are expressly reserved by Lessor.", 80 acres in Reeves County, to Michael W. Roye for a primary term of three (3) years, with a cash bonus of $844.20, and an annual delay rental of $8.44, with like amounts payable each to landowner and State, and a royalty of 23%, one-half payable each to landowner and State, and a certified copy of said lease was filed in the Texas General Land Office on February 11, 1989, in Mineral File M-88676;

That on November 2, 1988, Betty Jane Staples, individually, and as agent for the State of Texas, executed and delivered a State Relinquishment Act Oil & Gas Lease, covering "All of the E/2 of the North 440 acres of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, described by metes and bounds as follows: BEGINNING at the SE/corner of the E/2 of the NE/4 of this Section in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey ,and the NE/corner of this Survey; THENCE West 1267.2 varas with the South line of the N/2 of the NE corner of the NW/Part of the S/2 and the NW corner of this Survey; THENCE South 356.4 varas with the East line of said NW part of the S/2 to its SE/corner in the North line of the South part of the SW/corner of this Survey; THENCE East 1267.2 varas with the North line of said South part to its NE/corner in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey; THENCE North 356.4 varas with the West line of said Section 7 to the place of beginning", "Insofar, and only insofar as the Lessors interest in and to the surface down to the base of the Brushy Canyon Formation, also described as the top of the Bone Springs Formation. All horizons below the base of the Brushy Canyon Formation are expressly reserved by Lessor.", 80 acres in Reeves County, to Michael W. Roye for a primary term of three (3) years, with a cash bonus of $666.50, and an annual delay rental of $6.67, with like amounts payable each to landowner and State, and a royalty of 23%, one-half payable each to landowner and State, and a certified copy of said lease was filed in the Texas General Land Office on February 11, 1989, in Mineral File M-88676;

That on November 2, 1988, Robert W. Blake and wife, Marion Blake, individually, and as agent for the State of Texas, executed and delivered a State Relinquishment Act Oil & Gas Lease, covering "All of the E/2 of the North 440 acres of Section 12, Block 57, Township 2, T&P Ry. Co. Survey, described by metes and bounds as follows: BEGINNING at the SE/corner of the E/2 of the NE/4 of this Section in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey ,and the NE/corner of this Survey; THENCE West 1267.2 varas with the South line of the N/2 of the NE corner of the NW/Part of the S/2 and the NW corner of this Survey; THENCE South 356.4 varas with the East line of said NW part of the S/2 to its SE/corner in the North line of the South part of the SW/corner of this Survey; THENCE East 1267.2 varas with the North line of said South part to its NE/corner in the West line of Section 7, Block 56, Township 2, T&P RR Company Survey; THENCE North 356.4 varas with the West line of said Section 7 to the place of beginning", "Insofar, and only insofar as the Lessors interest in and to the surface down to the base of the Brushy Canyon Formation, also described as the top of the Bone Springs Formation. All horizons below the base of the Brushy Canyon Formation are expressly reserved by Lessor.", 80 acres in Reeves County, to Blair Royalties of Orla, Inc. for a primary term of two (2) years, with a cash bonus of $40.00, and an annual delay rental of $8.44, with like amounts payable each to landowner and State, and a royalty of 23%, one-half payable each to landowner and State, and a certified copy of said lease was filed in the Texas General Land Office on December 4, 1989, in Mineral File M-88676;

That on January 30, 1989, Jack E. Blake, President of Blake Oil & Gas Corporation executed a "Partial Assignment of Oil and Gas Lease" to Michael W. Roye, in the lease in Mineral File M-88676, and reference to said assignment is herein made for all purposes to the instrument which was filed of record in

Book 495, Page 52, Deed Records, Reeves County, a certified copy of which was filed in the Texas General Land Office on August 2, 1989, in Mineral File M-88676;

That on January 30, 1989, Michael W. Roye executed a "Partial Assignment of Oil and Gas Lease" to Blair Royalties of Orla, Inc., in the lease in Mineral File M-88676, and reference to said assignment is herein made for all purposes to the instrument which was filed of record in Book 495, Page 54, Deed Records, Reeves County, a certified copy of which was filed in the Texas General Land Office on August 2, 1989, in Mineral File M-88676;

That on January 31, 1989, Blair Royalties of Orla, Inc. executed an "Assignment of Overriding Royalty" to Michael W. Roye, in the lease in Mineral File M-88676, and reference to said assignment is herein made for all purposes to the instrument which was filed of record in Book 495, Page 57, Deed Records, Reeves County, a certified copy of which was filed in the Texas General Land Office on August 2, 1989, in Mineral File M-88676;

That on January 31, 1989, Michael W. Roye executed an "Assignment of Overriding Royalty" to Blake Oil & Gas Corporation, Jack E. Blake, Jr. and Bruce W. Blake in the lease in Mineral File M-88676, and reference to said assignment is herein made for all purposes to the instrument which was filed of record in Book 492, Page 79, Deed Records, Reeves County, a certified copy of which was filed in the Texas General Land Office on December 4, 1989, in Mineral File M-88676;

That on November 27, 1989, Blair Royalties of Orla, Inc. released said lease M-88676, and reference to said release is herein made for all purposes to the instrument which was filed of record in Book 51, Page 201, Release Records, Reeves County, a certified copy of which was filed in the Texas General Land Office on December 4, 1989, in Mineral File M-88676;

That on January 3, 1990, effective date of November 28, 1989, Blair Royalties of Orla, Inc. executed an "Assignment of Overriding Royalty Interest" to Michael W. Roye, in the lease in Mineral File M-88676, and reference to said assignment is herein made for all purposes to the instrument which was filed of record in Book 500, Page 464, Deed Records, Reeves County, a certified copy of which was filed in the Texas General Land Office on May 15, 1990, in Mineral File M-88676;

That on May 18, 1990, "effective as of the date of First Runs", Jack E. Blake, Jr. executed an "Assignment of Overriding Royalty" to Michael W. Roye, in the lease in Mineral File M-88676, and reference to said assignment is herein made for all purposes to the instrument which was filed of record in Book 502, Page 264, Deed Records, Reeves County, a certified copy of which was filed in the Texas General Land Office on June 22, 1990, in Mineral File M-88676;

That on February 4, 1997, Railroad Commission Form W-2, Oil Well Potential Test, Completion or Recompletion Report and Log, was filed in the Texas General Land Office in Mineral File M-88676, indicating that well No. 1, Matthews (Lower Cherry Canyon) Northshot, was completed as a new well on January 15, 1990;

That on September 22, 2000, effective date of May 1, 2000, MTBB Acquisition Co., LLC, and Stratum Energy Group Partners, LP assigned to Synergy Oil & Gas, Inc., various interests in the lease in Mineral File M-88676 and others, and reference to said assignment is herein made for all purposes to the

instrument which was filed of record in Volume 625, Pages 159-164, Official Public Records, Reeves County, a certified copy of which was filed in the Texas General Land Office on November 27, 2000, in Mineral File M-88364;

That the latest royalty payments for lease M-88676 were received in the Texas General Land Office on June 29, 2001, for oil produced during May, 2001, and on June 15, 2001, for gas produced during April, 2001;

****

IN TESTIMONY WHEREOF, I hereto set my hand and seal of said office the first date above written.

DAVID DEWHURST
COMMISSIONER

DD/MC

Mr. Albert Sherman
Cotton, Bledsoe, Tighe & Dawson
PO Box 2776
Midland, Texas 79702-2776

Fee: $100.00
Register No. 47447
Dicta No. 2001-79
Files: Bexar Scrip 23792, School Files: 92212, 142477, Mineral Files: M-6150, M-72161, M-88364, M-88676, M-90203

(121)

FILE NO. M-88676

Reeves COUNTY

47 2001-79

FILED: 9-19 2001

DAVID DEWHURST, COMR.

BY: MC

Texas General Land Office

David Dewhurst Commissioner

June 13, 2002

CERTIFIED MAIL 7000 0520 0023 2503 7134

PENN VIRGINIA OIL & GAS CORP.
840 GESSNER ROAD
SUITE 800
HOUSTON TEXAS 77024 4289

RE: Notice of under-payment on State Leases
(M-088364, M-088676, M-097729 and M-101511)

Dear Sir or Madam:

The Energy Inspections Division of the Texas General Land Office has completed a limited review of the above referenced lease operated by Penn Virginia Oil & Gas Corporation. Through this review, it was determined that $126,058.29 is due for production starting January 1999 through March 2002. This amount is comprised of $106,077.66 in royalty, $11,180.38 in penalty and $8,800.25 in interest, which has been computed through July 1, 2002, 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 findings (Attachment I);

° Schedules supporting royalty, penalty and interest calculations (Attachment II-A through II-F), 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.

Mailing
Post Office Box 12873
Austin, Texas
78711-2873

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

512.463.5001
1.800.998.4GLO
www.glo.state.tx.us

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

If you have any questions, please call Landia Robinson, Accounts Examiner, at (512) 475-1490 to discuss payment and production/royalty data or Gary Posey, Senior Inspections Manager, at (915) 694-1483 for information pertaining to the inspection of field production operations.

Sincerely,

Michael W. Dunn, Director
Energy Inspections Division
Energy Resources

MD/lr

CC: Gary Posey
Senior Manager
Energy Inspections Division
(915) 694-1483
e-mail: gary.posey@glo.state.tx.us

Andrew Hernandez, Inspector

ATTACHMENT I

REVIEW SUMMARY

State Lease M-088364, 088676, 097729 and 101511,

A routine field inspection of lease operations was conducted on the above referenced leases. During the review it was determined that oil and gas production has either been under reported or never reported or paid to the GLO for the well ID#'s (oil) 08-30714, 30917, 31537, 32191, 32490, 36522 and 36555.

We have concluded that royalty revenue is due in the following amount:

	Royalty	Penalty	Interest	Total
Attachment IIA-Gas	$ 24,977.82	$ 2,500.07	$ 2,066.49	$ 29,544.38
Attachment IIB-Gas	$ 14,937.80	$ 1,520.92	$ 1,297.18	$ 17,755.90
Attachment IIC-Gas	$ 6,197.88	$ 1,126.86	$ 813.99	$ 8,138.73
Attachment IID-Oil	$ 5,506.06	$ 567.16	$ 550.44	$ 6,623.66
Attachment IIE-Gas	$ 15,178.72	$ 1,537.42	$ 1,171.80	$ 17,887.94
Attachment IIF-Oil	$ 39,279.38	$ 3,927.95	$ 2,900.35	$ 46,107.68
Total	$106,077.66	$11,180.38	$ 8,800.25	$126,058.29

(See attachments II-A through II-F for supporting calculations)

PENN VIRGINIA OIL & GAS CORPORATION
FIELD: MATHEWS (LOWER CHERRY CANYON)
REEVES COUNTY

AE: LWR
Filename: PENN
Date: 6/4/2002

SUMMARY

(1) Mineral Lease Number	(2) Royalty Due	(3) Penalty	(4) Interest	(5) Additional Royalty Due
88364				
gas	$24,977.82	$2,500.07	$2,066.49	$29,544.38
88676				
gas	$14,937.80	$1,520.92	$1,297.18	$17,755.90
97729				
gas	$6,197.88	$1,126.86	$813.99	$8,138.73
oil	$5,506.06	$567.16	$550.44	$6,623.66
101511				
gas	$15,178.72	$1,537.42	$1,171.80	$17,887.94
oil	$39,279.38	$3,927.95	$2,900.35	$46,107.68
Total	$106,077.66	$11,180.38	$8,800.25	$126,058.29

Note:
See Attachment II-A through II-F.

PENN VIRGINIA OIL & GAS CORPORATION
STATE LEASE: M-088364
LEASE NAME: LONG SHOT "A" / MIDSHOT "A"
FIELD: MATHEWS (LOWER CHERRY CANYON)
REEVES COUNTY
RRC OIL WELL #08-30714 & 32191
STATE'S ROYALTY DECIMAL: .25

ATTACHMENT II-A

Penalty Date
7/8/02

AE: LWR
Filename: PENN
Date: 6/12/02

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Month	RRC Production (mcf) W#030714 (A)	RRC Production (mcf) W#032191 (A)	Total RRC Production (mcf)	Price (B)	Gross Value (4)X(5)	Royalty Decimal	Royalty Due (6)X(7)	Royalty Paid	Difference (8)-(9)	Number of Days Late	Penalty (C)	Interest (C)	Additional Royalty Due (10)+(12)+(13)
Sep-00	360	561	921	3.57	$3,287.97	0.2500	$821.99	$387.17	$434.82	600	$43.48	$77.34	$555.64
Oct-00	625	684	1,309	3.57	$4,673.13	0.2500	$1,168.28	$621.34	$546.94	570	$54.69	$91.89	$693.52
Nov-00	585	445	1,030	3.57	$3,677.10	0.2500	$919.28	$489.25	$430.03	539	$43.00	$67.86	$540.89
Dec-00	511	510	1,021	3.57	$3,644.97	0.2500	$911.24	$684.28	$226.96	508	$25.00	$33.50	$285.46
Jan-01	557	670	1,227	6.95	$8,527.65	0.2500	$2,131.91	$1,130.23	$1,001.68	480	$100.17	$138.64	$1,240.49
Feb-01	411	626	1,037	6.95	$7,207.15	0.2500	$1,801.79	$706.66	$1,095.13	449	$109.51	$140.42	$1,345.06
Mar-01	568	566	1,134	6.95	$7,881.30	0.2500	$1,970.33	$624.83	$1,345.50	419	$134.55	$159.25	$1,639.30
Apr-01	548	740	1,288	6.95	$8,951.60	0.2500	$2,237.90	$756.02	$1,481.88	388	$148.19	$160.29	$1,790.36
May-01	2,181	738	2,919	6.95	$20,287.05	0.2500	$5,071.76	$1,082.63	$3,989.13	358	$398.91	$392.14	$4,780.18
Jun-01	2,866	797	3,663	6.95	$25,457.85	0.2500	$6,364.46	$1,230.54	$5,133.92	327	$513.39	$452.35	$6,099.66
Jul-01	2,458	800	3,258	3.21	$10,470.27	0.2500	$2,617.57	$896.05	$1,721.52	296	$172.15	$134.14	$2,027.81
Aug-01	483	179	662	3.13	$2,073.62	0.2500	$518.41	$229.70	$288.71	266	$28.87	$19.65	$337.23
Sep-01	2,051	709	2,760	2.34	$6,457.30	0.2500	$1,614.33	$458.07	$1,156.26	235	$115.63	$66.90	$1,338.79
Oct-01	1,498	875	2,373	1.37	$3,247.47	0.2500	$811.87	$230.34	$581.53	205	$58.15	$27.91	$667.59
Nov-01	2,243	768	3,011	2.82	$8,499.91	0.2500	$2,124.98	$657.37	$1,467.61	174	$146.76	$55.49	$1,669.86
Dec-01	1,727	629	2,356	2.35	$5,541.55	0.2500	$1,385.39	$438.99	$946.40	143	$94.64	$26.14	$1,067.18
Jan-02	1,665	553	2,218	2.42	$5,366.13	0.2500	$1,341.53	$420.32	$921.21	115	$92.12	$16.96	$1,030.29
Feb-02	1,460	613	2,073	1.82	$3,770.24	0.2500	$942.56	$259.31	$683.25	84	$68.33	$5.62	$757.20
Mar-02	1,820	774	2,594	2.35	$6,101.35	0.2500	$1,525.34	$0.00	$1,525.34	54	$152.53	$0.00	$1,677.87
Total	24,617	12,237	36,854		$145,123.61		$36,280.92	$11,303.10	$24,977.82		$2,500.07	$2,066.49	$29,544.38

NOTE:

(A) - RRC VOLUME- REPRESENTS THE CASINGHEAD GAS PRODUCTION REPORTED TO THE RRC FOR WELL ID#08-030714 AND ID#032191.

(B) - PRICE - REPRESENTS THE PRICES FROM THE COUNTY AVERAGE GAS SALES PRICES COMPILED BY THE GAS PRODUCERS MONTHLY TAX REPORTS AND PROVIDED BY THE TEXAS COMPTROLLER OF PUBLIC ACCOUNTS FOR THE PERIOD OF SEPTEMBER 2000 THROUGH JUNE 2001. THE PRICES FOR THE PERIOD OF JULY 2001 THROUGH MARCH 2002 THE PRICES WER TAKEN FROM THE PRICES REPORTED TO THE GLO ON GLO-2 REPORTS FOR M-101511.

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

PENN VIRGINIA OIL & GAS CORPORATION
STATE LEASE: M-088676
LEASE NAME: NORTHSHOT
FIELD: MATHEWS (LOWER CHERRY CANYON)
REEVES COUNTY
RRC OIL WELL #08-32490
STATE'S ROYALTY DECIMAL: .1053

ATTACHMENT II-B

Penalty Date
7/8/02

AE: LWR
Filename: PENN
Date: 6/12/02

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Month	RRC Production (mcf) W#032490 (A)	Price (B)	Gross Value (2)X(3)	Royalty Decimal	Royalty Due (4)X(5)	Royalty Paid	Difference (6)-(7)	Number of Days Late	Penalty (C)	Interest (C)	Additional Royalty Due (8)+(10)+(11)
Sep-00	2,199	3.57	$7,850.43	0.1053	$826.65	$412.32	$414.33	600	$41.43	$73.69	$529.45
Oct-00	2,627	3.57	$9,378.39	0.1053	$987.54	$549.70	$437.84	570	$43.78	$73.56	$555.18
Nov-00	2,584	3.57	$9,224.88	0.1053	$971.38	$506.28	$465.10	539	$46.51	$73.40	$585.01
Dec-00	2,336	3.57	$8,339.52	0.1053	$878.15	$650.26	$227.89	508	$25.00	$33.64	$286.53
Jan-01	2,294	6.95	$15,943.30	0.1053	$1,678.83	$881.17	$797.66	480	$79.77	$110.40	$987.83
Feb-01	1,231	6.95	$8,555.45	0.1053	$900.89	$350.22	$550.67	449	$55.07	$70.61	$676.35
Mar-01	2,460	6.95	$17,097.00	0.1053	$1,800.31	$563.30	$1,237.01	419	$123.70	$146.41	$1,507.12
Apr-01	2,539	6.95	$17,646.05	0.1053	$1,858.13	$621.44	$1,236.69	388	$123.67	$133.77	$1,494.13
May-01	3,092	6.95	$21,489.40	0.1053	$2,262.83		$2,262.83	358	$226.28	$222.44	$2,711.55
Jun-01	2,669	6.95	$18,549.55	0.1053	$1,953.27		$1,953.27	327	$195.33	$172.10	$2,320.70
Jul-01	2,407	3.21	$7,735.40	0.1053	$814.54		$814.54	296	$81.45	$63.47	$959.46
Aug-01	2	3.13	$6.26	0.1053	$0.66		$0.66	266	$25.00	$0.04	$25.70
Sep-01	2,164	2.34	$5,062.90	0.1053	$533.12		$533.12	235	$53.31	$30.85	$617.28
Oct-01	2,870	1.37	$3,927.62	0.1053	$413.58		$413.58	205	$41.36	$19.85	$474.79
Nov-01	3,219	2.82	$9,087.09	0.1053	$956.87		$956.87	174	$95.69	$36.18	$1,088.74
Dec-01	3,019	2.35	$7,100.99	0.1053	$747.73		$747.73	143	$74.77	$20.65	$843.15
Jan-02	2,689	2.42	$6,505.65	0.1053	$685.04		$685.04	115	$68.50	$12.61	$766.15
Feb-02	2,227	1.82	$4,050.32	0.1053	$426.50		$426.50	84	$42.65	$3.51	$472.66
Mar-02	3,135	2.35	$7,373.84	0.1053	$776.47		$776.47	54	$77.65	$0.00	$854.12
Total	45,763		$184,924.04		$19,472.49	$4,534.69	$14,937.80		$1,520.92	$1,297.18	$17,755.90

NOTE:
(A) - RRC VOLUME- REPRESENTS THE CASINGHEAD GAS PRODUCTION REPORTED TO THE RRC FOR WELL ID#08-32490.

(B) - PRICE - REPRESENTS THE PRICES FROM THE COUNTY AVERAGE GAS SALES PRICES COMPILED BY THE GAS PRODUCERS MONTHLY TAX REPORTS AND PROVIDED BY THE TEXAS COMPTROLLER OF PUBLIC ACCOUNTS FOR THE PERIOD OF SEPTEMBER 2000 THROUGH JUNE 2001. THE PRICES FOR THE PERIOD OF JULY 2001 THROUGH MARCH 2002 THE PRICES WERE TAKEN FROM THE PRICES REPORTED TO THE GLO ON GLO-2 REPORTS FOR M-101511.

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

PENN VIRGINIA OIL & GAS CORPORATION
STATE LEASE: M-097729
LEASE NAME: HOTSHOT & LEWELLING STATE
FIELD: MATHEWS (LOWER CHERRY CANYON)
REEVES COUNTY
RRC OIL WELL #08-30917 & 31537
STATE'S ROYALTY DECIMAL: .0938

ATTACHMENT II-C

Penalty Date
7/8/02

AE: LWR
Filename: PENN
Date: 6/12/02

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Month	RRC Production (mcf) W#30917 (A)	RRC Production (mcf) W#31537 (A)	Total RRC Production (2) + (3)	Price (B)	Gross Value (4) X (5)	Royalty Decimal	Royalty Due (6)X(7)	Royalty Paid	Difference (8)-(9)	Number of Days Late	Penalty (C)	Interest (C)	Additional Royalty Due (10)+(12)+(13)
Jan-99		422	422	0.42	$177.16	0.0938	$16.62		$16.62	1,211	$25.00	$6.29	$47.91
Feb-99		400	400	1.04	$415.49	0.0938	$38.97		$38.97	1,180	$25.00	$14.36	$78.33
Mar-99		530	530	0.68	$361.73	0.0938	$33.93		$33.93	1,150	$25.00	$12.17	$71.10
Apr-99		533	533	1.13	$600.77	0.0938	$56.35		$56.35	1,119	$25.00	$19.64	$100.99
May-99		469	469	0.95	$446.55	0.0938	$41.89		$41.89	1,089	$25.00	$14.19	$81.08
Jun-99		423	423	1.19	$504.84	0.0938	$47.35		$47.35	1,058	$25.00	$15.55	$87.90
Jul-99		313	313	1.31	$409.08	0.0938	$38.37		$38.37	1,027	$25.00	$12.21	$75.58
Aug-99		240	240	1.52	$365.29	0.0938	$34.26		$34.26	997	$25.00	$10.57	$69.83
Sep-99		290	290	1.07	$310.53	0.0938	$29.13		$29.13	966	$25.00	$8.69	$62.82
Oct-99		156	156	1.42	$222.24	0.0938	$20.85		$20.85	936	$25.00	$6.01	$51.86
Nov-99		462	462	1.60	$741.26	0.0938	$69.53		$69.53	905	$25.00	$19.34	$113.87
Dec-99		656	656	1.08	$711.67	0.0938	$66.75		$66.75	874	$25.00	$17.89	$109.64
Jan-00		703	703	1.09	$763.37	0.0938	$71.60		$71.60	845	$25.00	$18.50	$115.10
Feb-00		381	381	1.29	$490.96	0.0938	$46.05		$46.05	814	$25.00	$11.43	$82.48
Mar-00		360	360	1.17	$421.27	0.0938	$39.52		$39.52	784	$25.00	$9.42	$73.94
Apr-00		578	578	1.30	$751.43	0.0938	$70.48		$70.48	753	$25.00	$16.08	$111.56
May-00		639	639	1.28	$819.92	0.0938	$76.91		$76.91	723	$25.00	$16.79	$118.70
Jun-00		795	795	1.53	$1,212.94	0.0938	$113.77		$113.77	692	$25.00	$23.68	$162.45
Jul-00		752	752	1.54	$1,159.37	0.0938	$108.75		$108.75	661	$25.00	$21.52	$155.27
Aug-00		676	676	1.21	$820.05	0.0938	$76.92		$76.92	631	$25.00	$14.47	$116.39
Sep-00		209	209	3.57	$746.13	0.0938	$69.99		$69.99	600	$25.00	$12.45	$107.44
Oct-00	627	165	792	3.57	$2,827.44	0.0938	$265.21		$265.21	570	$26.52	$44.56	$336.29
Nov-00	801	211	1,012	3.57	$3,612.84	0.0938	$338.88		$338.88	539	$33.89	$53.48	$426.25
Dec-00	791	136	927	3.57	$3,309.39	0.0938	$310.42		$310.42	508	$31.04	$45.82	$387.28
Jan-01	746	129	875	6.95	$6,081.25	0.0938	$570.42		$570.42	480	$57.04	$78.95	$706.41
Feb-01	361	62	423	6.95	$2,939.85	0.0938	$275.76		$275.76	449	$27.58	$35.36	$338.70
Mar-01	751	130	881	6.95	$6,122.95	0.0938	$574.33		$574.33	419	$57.43	$67.98	$699.74
Apr-01	675	116	791	6.95	$5,497.45	0.0938	$515.66		$515.66	388	$51.57	$55.78	$623.01

PENN VIRGINIA OIL & GAS CORPORATION
STATE LEASE: M-097729
LEASE NAME: HOTSHOT & LEWELLING STATE
FIELD: MATHEWS (LOWER CHERRY CANYON)
REEVES COUNTY
RRC OIL WELL #08-30917 & 31537
STATE'S ROYALTY DECIMAL: .0938

ATTACHMENT II-C

Penalty Date
7/8/02

AE: LWR
Filename: PENN
Date: 6/12/02

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Month	RRC Production (mcf) W#30917 (A)	RRC Production (mcf) W#31537 (A)	Total RRC Production (2) + (3)	Price (B)	Gross Value (4) X (5)	Royalty Decimal	Royalty Due (6)X(7)	Royalty Paid	Difference (8)-(9)	Number of Days Late	Penalty (C)	Interest (C)	Additional Royalty Due (10)+(12)+(13)
May-01	543	94	637	6.95	$4,427.15	0.0938	$415.27		$415.27	358	$41.53	$40.82	$497.62
Jun-01	578	193	771	6.95	$5,358.45	0.0938	$502.62		$502.62	327	$50.26	$44.29	$597.17
Jul-01	526	175	701	3.21	$2,252.81	0.0938	$211.31		$211.31	296	$25.00	$16.46	$252.77
Aug-01	85	29	114	3.13	$357.09	0.0938	$33.50		$33.50	266	$25.00	$2.28	$60.78
Sep-01	424	142	566	2.34	$1,324.21	0.0938	$124.21		$124.21	235	$25.00	$7.19	$156.40
Oct-01	520	174	694	1.37	$949.75	0.0938	$89.09		$89.09	205	$25.00	$4.28	$118.37
Nov-01	560	187	747	2.82	$2,108.75	0.0938	$197.80		$197.80	174	$25.00	$7.48	$230.28
Dec-01	556	185	741	2.35	$1,742.91	0.0938	$163.48		$163.48	143	$25.00	$4.51	$192.99
Jan-02	480	160	640	2.42	$1,548.39	0.0938	$145.24		$145.24	115	$25.00	$2.67	$172.91
Feb-02	444	148	592	1.82	$1,076.69	0.0938	$100.99		$100.99	84	$25.00	$0.83	$126.82
Mar-02	665	222	887	2.35	$2,086.31	0.0938	$195.70		$195.70	54	$25.00	$0.00	$220.70
Total	10,133	12,645	22,778		$66,075.73		$6,197.88	$0.00	$6,197.88		$1,126.86	$813.99	$8,138.73

NOTE:
(A) - RRC VOLUME- REPRESENTS THE CASINGHEAD GAS PRODUCTION REPORTED TO THE RRC FOR WELL ID#08-30917, 31537.

(B) - PRICE - REPRESENTS THE PRICES REPORTED TO THE GLO ON GLO-2 REPORTS FOR M-088364 FOR THE MONTHS OF JANUARY 1999 THROUGH JANUARY 2000. THE PRICES FOR THE MONTHS OF FEBRUARY 2000 THROUGH AUGUST 2000 WERE REPORTED TO THE GLO ON GLO-2 REPORTS FOR M-088676. FOR THE MONTHS OF SEPTEMBER 2000 THROUGH JUNE 2001 THE PRICES WERE TAKEN FROM THE COUNTY AVERAGE GAS SALES PRICES COMPILED BY THE GAS PRODUCERS MONTHLY TAX REPORTS AND PROVIDED BY COMPTROLLER'S OF PUBLIC ACCOUNTS. FOR THE MONTHS OF JULY 2001 THROUGH MARCH 2002 THE PRICES WERE REPORTED TO THE GLO ON GLO-2 REPORTS FOR M-101511.

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

PENN VIRGINIA OIL & GAS CORPORATION
STATE LEASE: M-097729
LEASE NAME: HOTSHOT
FIELD: MATHEWS (LOWER CHERRY CANYON)
REEVES COUNTY
RRC OIL WELL #08-30917
STATE'S ROYALTY DECIMAL: .0938

ATTACHMENT II-D

Penalty Date
7/8/02

AE: LWR
Filename: PENN
Date: 6/12/02

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Month	RRC Production (bbls) W#30917 (A)	Price (B)	Gross Value (2) X (3)	Royalty Decimal	Royalty Due (4)X(5)	Royalty Paid	Difference (6)-(7)	Number of Days Late	Penalty (C)	Interest (C)	Additional Royalty Due (8)+(10)+(11)
Nov-00	243	31.45	$7,642.35	0.0938	$716.85		$716.85	539	$71.69	$113.12	$901.66
Dec-00	330	25.39	$8,378.70	0.0938	$785.92		$785.92	508	$78.59	$116.01	$980.52
Jan-01	322	26.40	$8,500.80	0.0938	$797.38		$797.38	480	$79.74	$110.37	$987.49
Feb-01	53	26.71	$1,415.63	0.0938	$132.79		$132.79	449	$25.00	$17.03	$174.82
Mar-01	95	24.22	$2,300.90	0.0938	$215.82		$215.82	419	$25.00	$25.54	$266.36
Apr-01	103	24.43	$2,516.29	0.0938	$236.03		$236.03	388	$25.00	$25.53	$286.56
May-01		25.52	$0.00	0.0938	$0.00		$0.00	358	$0.00	$0.00	$0.00
Jun-01	361	24.38	$8,801.18	0.0938	$825.55		$825.55	327	$82.56	$72.74	$980.85
Jul-01		23.32	$0.00	0.0938	$0.00		$0.00	296	$0.00	$0.00	$0.00
Aug-01	146	26.71	$3,899.66	0.0938	$365.79		$365.79	266	$36.58	$24.89	$427.26
Sep-01	149	26.03	$3,878.47	0.0938	$363.80		$363.80	235	$36.38	$21.05	$421.23
Oct-01		21.18	$0.00	0.0938	$0.00		$0.00	205	$0.00	$0.00	$0.00
Nov-01	152	18.22	$2,769.44	0.0938	$259.77		$259.77	174	$25.98	$9.82	$295.57
Dec-01	152	18.17	$2,761.84	0.0938	$259.06		$259.06	143	$25.91	$7.15	$292.12
Jan-02	153	18.40	$2,815.41	0.0938	$264.09		$264.09	115	$26.41	$4.86	$295.36
Feb-02	155	19.48	$3,019.34	0.0938	$283.21		$283.21	84	$28.32	$2.33	$313.86
Total	2,414		$58,700.01		$5,506.06	$0.00	$5,506.06		$567.16	$550.44	$6,623.66

NOTE:

(A) - RRC VOLUME- REPRESENTS THE OIL PRODUCTION REPORTED TO THE RRC FOR WELL ID#08-30917.

(B) - PRICE - REPRESENTS WEST TEXAS INTERMEDIATE CRUDE OIL PRICE TAKEN FROM SUNOCO, INC. (PURCHASER) WEBSITE FOR THE MONTHS OF NOVEMBER 2000 THROUGH JULY 2001. FOR THE MONTHS OF AUGUST 2001 THROUGH MARCH 2002 THE PRICES WERE REPORTED TO THE GLO ON GLO-1 REPORTS FOR M-101511.

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

PENN VIRGINIA OIL & GAS CORPORATION
STATE LEASE: M-101511
LEASE NAME: LASELL STATE & LOWE STATE
FIELD: MATHEWS (LOWER CHERRY CANYON)
REEVES COUNTY
RRC OIL WELL #08-36522 & 36555
STATE'S ROYALTY DECIMAL: .0938

ATTACHMENT II-E

Penalty Date
7/8/02

AE: LWR
Filename: PENN
Date: 6/12/02

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Month	RRC Production (mcf) W#36552 (A)	RRC Production (mcf) W#36555 (A)	Total RRC Production (2) + (3)	Price (B)	Gross Value (4) X (5)	Royalty Decimal	Royalty Due (6)X(7)	Royalty Paid	Difference (8)-(9)	Number of Days Late	Penalty (C)	Interest (C)	Additional Royalty Due (10)+(12)+(13)
Mar-01	1,797	1,793	3,590	$6.95	$24,950.50	0.1000	$2,495.05		$2,495.05	419	$249.51	$295.30	$3,039.86
Apr-01	1,476	1,490	2,966	$6.95	$20,613.70	0.1000	$2,061.37		$2,061.37	388	$206.14	$222.97	$2,490.48
May-01	1,810	1,882	3,692	$6.95	$25,659.40	0.1000	$2,565.94		$2,565.94	358	$256.59	$252.24	$3,074.77
Jun-01	1,349	1,784	3,133	$6.95	$21,774.35	0.1000	$2,177.44		$2,177.44	327	$217.74	$191.85	$2,587.03
Jul-01	1,618	1,564	3,182	$3.21	$10,220.58	0.1000	$1,022.06		$1,022.06	296	$102.21	$79.64	$1,203.91
Aug-01	174		174	$3.13	$544.97	0.1000	$54.50		$54.50	266	$25.00	$3.71	$83.21
Sep-01	965	1,136	2,101	$2.34	$4,910.04	0.1000	$491.00		$491.00	235	$49.10	$28.41	$568.51
Oct-01	1,657	1,657	3,314	$1.37	$4,533.55	0.1000	$453.36		$453.36	205	$45.34	$21.76	$520.46
Nov-01	1,593	1,623	3,216	$2.82	$9,081.98	0.1000	$908.20		$908.20	174	$90.82	$34.34	$1,033.36
Dec-01	1,830	1,896	3,726	$2.35	$8,763.93	0.1000	$876.39		$876.39	143	$87.64	$24.20	$988.23
Jan-02	1,540	1,351	2,891	$2.42	$6,994.36	0.1000	$699.44		$699.44	115	$69.94	$12.88	$782.26
Feb-02	1,616	1,394	3,010	$1.82	$5,474.39	0.1000	$547.44		$547.44	84	$54.74	$4.50	$606.68
Mar-02	1,931	1,583	3,514	$2.35	$8,265.28	0.1000	$826.53		$826.53	54	$82.65	$0.00	$909.18
Total	19,356	19,153	38,509		$151,787.03		$15,178.72		$15,178.72		$1,537.42	$1,171.80	$17,887.94

NOTE:

(A) - RRC VOLUME- REPRESENTS THE CASINGHEAD GAS PRODUCTION REPORTED TO THE RRC FOR WELL ID#08-36552 & 36555.

(B) - PRICE - REPRESENTS THE PRICE TAKEN FROM THE COUNTY AVERAGE GAS SALES PRICES COMPILED BY THE GAS PRODUCERS MONTHLY TAX REPORTS AND PROVIDED BY THE TEXAS COMPTROLLER OF PUBLIC ACCOUNTS. FOR THE MONTHS OF JULY 2001 THROUGH MARCH 2002 THE PRICES WERE REPORTED TO THE GLO ON GLO-2 REPORTS.

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

PENN VIRGINIA OIL & GAS CORPORATION
STATE LEASE: M-101511
LEASE NAME: LASELL STATE & LOWE STATE
FIELD: MATHEWS (LOWER CHERRY CANYON)
REEVES COUNTY
RRC OIL WELL #08-36522 & 36555
STATE'S ROYALTY DECIMAL: .0938

ATTACHMENT II-F

Penalty Date
7/8/02

AE: LWR
Filename: PENN
Date: 6/12/02

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Month	RRC Production (bbls) W#36552 (A)	RRC Production (bbls) W#36555 (A)	Total RRC Production (2) + (3)	Price (B)	Gross Value (4) X (5)	Royalty Decimal	Royalty Due (6)X(7)	Royalty Paid	Difference (8)-(9)	Number of Days Late	Penalty (C)	Interest (C)	Additional Royalty Due (10)+(12)+(13)
Feb-01	726	732	1,458	26.71	$38,943.18	0.1000	$3,894.32		$3,894.32	449	$389.43	$499.33	$4,783.08
Mar-01	736	920	1,656	24.22	$40,108.32	0.1000	$4,010.83		$4,010.83	419	$401.08	$474.71	$4,886.62
Apr-01	740	917	1,657	24.43	$40,480.51	0.1000	$4,048.05		$4,048.05	388	$404.81	$437.85	$4,890.71
May-01	770	765	1,535	25.52	$39,173.20	0.1000	$3,917.32		$3,917.32	358	$391.73	$385.08	$4,694.13
Jun-01	585	756	1,341	24.38	$32,693.58	0.1000	$3,269.36		$3,269.36	327	$326.94	$288.06	$3,884.36
Jul-01	379	375	754	23.32	$17,583.28	0.1000	$1,758.33		$1,758.33	296	$175.83	$137.01	$2,071.17
Aug-01	761	747	1,508	26.71	$40,278.68	0.1000	$4,027.87		$4,027.87	266	$402.79	$274.12	$4,704.78
Sep-01	348	364	712	26.03	$18,533.36	0.1000	$1,853.34		$1,853.34	235	$185.33	$107.24	$2,145.91
Oct-01	592	585	1,177	21.18	$24,928.86	0.1000	$2,492.89		$2,492.89	205	$249.29	$119.66	$2,861.84
Nov-01	588	599	1,187	18.22	$21,627.14	0.1000	$2,162.71		$2,162.71	174	$216.27	$81.77	$2,460.75
Dec-01	396	596	992	18.17	$18,024.64	0.1000	$1,802.46		$1,802.46	143	$180.25	$49.78	$2,032.49
Jan-02	585	394	979	18.40	$18,014.97	0.1000	$1,801.50		$1,801.50	115	$180.15	$33.17	$2,014.82
Feb-02	396	389	785	19.48	$15,291.49	0.1000	$1,529.15		$1,529.15	84	$152.92	$12.57	$1,694.64
Mar-02	584	585	1,169	23.19	$27,112.50	0.1000	$2,711.25		$2,711.25	54	$271.13	$0.00	$2,982.38
Total	8,186	8,724	16,910		$392,793.71		$39,279.38		$39,279.38		$3,927.95	$2,900.35	$46,107.68

NOTE:

(A) - RRC VOLUME- REPRESENTS THE OIL PRODUCTION REPORTED TO THE RRC FOR WELL ID#08-36552, 36555.

(B) - PRICE - REPRESENTS WEST TEXAS INTERMEDIATE CRUDE OIL PRICE TAKEN FROM SUNOCO, INC. (PURCHASER) WEBSITE FOR THE MONTHS OF FEBRUARY 2001 THROUGH JULY 2001. FOR THE MONTHS OF AUGUST 2001 THROUGH MARCH 2002 THE PRICES WERE REPORTED TO THE GLO ON GLO-1 REPORTS FOR M-101511.

(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)
PENALTY (3)			
• 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
INTEREST			
• 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.

(122)

File No. M-88676

Billing Ltr to Poon

From GLO - RAM

Date Filed: 6/13/02

David Dewhurst, Commissioner

By _____

U.S. Postal Service

CERTIFIED MAIL RECEIPT

(Domestic Mail Only; No Insurance Coverage Provided)

Postage	$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	**$**

Postmark Here

Recipient's Name (Please Print Clearly) (To be completed by mailer)

Penn Virginia O&G Corp

Street, Apt. No.; or PO Box No.

840 Gessner Road, Ste 800

City, State, ZIP+ 4

Houston TX 77024 4289

Certified Mail Provides:

- A mailing receipt
- A unique identifier for your mailpiece
- A signature upon delivery
- A record of delivery kept by the Postal Service for two years

Important Reminders:

- Certified Mail may ONLY be combined with First-Class Mail or Priority Mail
- Certified Mail is not available for any class of international mail.
- NO INSURANCE COVERAGE IS PROVIDED with Certified Mail. F valuables, please consider Insured or Registered Mail.
- For an additional fee, a Return Receipt may be requested to provide proof delivery. To obtain Return Receipt service, please complete and attach a Retu Receipt (PS Form 3811) to the article and add applicable postage to cover th fee. Endorse mailpiece "Return Receipt Requested". To receive a fee waiver f a duplicate return receipt, a USPS postmark on your Certified Mail receipt required.
- For an additional fee, delivery may be restricted to the addressee addressee's authorized agent. Advise the clerk or mark the mailpiece with th endorsement "Restricted Delivery".
- If a postmark on the Certified Mail receipt is desired, please present the ar cle at the post office for postmarking. If a postmark on the Certified M receipt is not needed, detach and affix label with postage and mail.

IMPORTANT: Save this receipt and present it when making an inquiry.

Texas General Land Office

David Dewhurst Commissioner

July 26, 2002

CERTIFIED MAIL 7000 0520 0022 8712 2831

SECOND REQUEST

PENN VIRGINIA OIL & GAS CORPORATION
840 GESSNER ROAD
SUITE 800
HOUSTON, TEXAS 77024 4289

RE: Notice of under-payment on State Leases
(M-088364, M-088676, M-097729 and M-101511)

Dear Sir or Madam:

Enclosed is a copy of our letter to you dated June 13, 2002, requesting additional royalties due on the captioned leases. As of this date we have not received your payment or a reply to this letter.

Be advised that penalty and interest continue to accrue until payment is received. A revised schedule is enclosed showing updated penalty and interest. The amount now due is $127,582.80, which is comprised of $106,077.66 in additional royalty, $11,180.38 in penalty and $10,324.76 in interest. Penalty and interest have been computed in accordance with Section 52.131 of the Texas Natural Resources Code.

You are also hereby notified that if the amount now due is not received in this office by August 21, 2002, these leases will be forwarded to our legal division for appropriate action.

Sincerely,

Michael W. Dunn, Director
Energy Inspections Division
Energy Resources

MD/lr

CC: Gary Posey
Senior Manager
Energy Inspections Division
(915) 694-1483
e-mail: gary.posey@glo.state.tx.us

Mailing
Post Office Box 12873
Austin, Texas
78711-2873

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

512.463.5001
1.800.998.4GLO
www.glo.state.tx.us

ATTACHMENT II

PENN VIRGINIA OIL & GAS CORPORATION
FIELD: MATHEWS (LOWER CHERRY CANYON)
REEVES COUNTY

AE: LWR
Filename: PENN
Date: 7/25/2002

SUMMARY

(1)	(2)	(3)	(4)	(5)
Mineral Lease Number	Royalty Due	Penalty	Interest	Additional Royalty Due
Attachment II-A				
88364				
gas	$24,977.82	$2,500.07	$2,425.29	$29,903.18
Attachment II-B				
8676				
gas	$14,937.80	$1,520.92	$1,511.98	$17,970.70
Attachment II-C & D				
97729				
gas	$6,197.88	$1,126.86	$903.31	$8,228.05
oil	$5,506.06	$567.16	$630.09	$6,703.31
Attachment II-E & F				
101511				
gas	$15,178.72	$1,537.42	$1,390.02	$18,106.16
oil	$39,279.38	$3,927.95	$3,464.07	$46,671.40
Total	$106,077.66	$11,180.38	$10,324.76	$127,582.80

Note:
See Attachment II-A through II-F.

PENN VIRGINIA OIL & GAS CORPORATION
STATE LEASE: M-088364
LEASE NAME: LONG SHOT "A" / MIDSHOT "A"
FIELD: MATHEWS (LOWER CHERRY CANYON)
REEVES COUNTY
RRC OIL WELL #08-30714 & 32191
STATE'S ROYALTY DECIMAL: .25

ATTACHMENT II-A

Penalty Date
8/21/02

AE: LWR
Filename: PENN
Date: 7/26/02

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Month	RRC Production (mcf) W#030714 (A)	RRC Production (mcf) W#032191 (A)	Total RRC Production (mcf)	Price (B)	Gross Value (4)X(5)	Royalty Decimal	Royalty Due (6)X(7)	Royalty Paid	Difference (8)-(9)	Number of Days Late	Penalty (C)	Interest (C)	Additional Royalty Due (10)+(12)+(13)
Sep-00	360	561	921	3.57	$3,287.97	0.2500	$821.99	$387.17	$434.82	644	$43.48	$83.63	$561.93
Oct-00	625	684	1,309	3.57	$4,673.13	0.2500	$1,168.28	$621.34	$546.94	614	$54.69	$99.80	$701.43
Nov-00	585	445	1,030	3.57	$3,677.10	0.2500	$919.28	$489.25	$430.03	583	$43.00	$74.08	$547.11
Dec-00	511	510	1,021	3.57	$3,644.97	0.2500	$911.24	$684.28	$226.96	552	$25.00	$36.79	$288.75
Jan-01	557	670	1,227	6.95	$8,527.65	0.2500	$2,131.91	$1,130.23	$1,001.68	524	$100.17	$153.13	$1,254.98
Feb-01	411	626	1,037	6.95	$7,207.15	0.2500	$1,801.79	$706.66	$1,095.13	493	$109.51	$156.26	$1,360.90
Mar-01	568	566	1,134	6.95	$7,881.30	0.2500	$1,970.33	$624.83	$1,345.50	463	$134.55	$178.71	$1,658.76
Apr-01	548	740	1,288	6.95	$8,951.60	0.2500	$2,237.90	$756.02	$1,481.88	432	$148.19	$181.72	$1,811.79
May-01	2,181	738	2,919	6.95	$20,287.05	0.2500	$5,071.76	$1,082.63	$3,989.13	402	$398.91	$449.84	$4,837.88
Jun-01	2,866	797	3,663	6.95	$25,457.85	0.2500	$6,364.46	$1,230.54	$5,133.92	371	$513.39	$526.61	$6,173.92
Jul-01	2,458	800	3,258	3.21	$10,470.27	0.2500	$2,617.57	$896.05	$1,721.52	340	$172.15	$159.04	$2,052.71
Aug-01	483	179	662	3.13	$2,073.62	0.2500	$518.41	$229.70	$288.71	310	$28.87	$23.82	$341.40
Sep-01	2,051	709	2,760	2.34	$6,457.30	0.2500	$1,614.33	$458.07	$1,156.26	279	$115.63	$83.63	$1,355.52
Oct-01	1,498	875	2,373	1.37	$3,247.47	0.2500	$811.87	$230.34	$581.53	249	$58.15	$36.33	$676.01
Nov-01	2,243	768	3,011	2.82	$8,499.91	0.2500	$2,124.98	$657.37	$1,467.61	218	$146.76	$76.72	$1,691.09
Dec-01	1,727	629	2,356	2.35	$5,541.55	0.2500	$1,385.39	$438.99	$946.40	187	$94.64	$39.83	$1,080.87
Jan-02	1,665	553	2,218	2.42	$5,366.13	0.2500	$1,341.53	$420.32	$921.21	159	$92.12	$30.29	$1,043.62
Feb-02	1,460	613	2,073	1.82	$3,770.24	0.2500	$942.56	$259.31	$683.25	128	$68.33	$15.50	$767.08
Mar-02	1,820	774	2,594	2.35	$6,101.35	0.2500	$1,525.34	$0.00	$1,525.34	98	$152.53	$19.56	$1,697.43
Total	24,617	12,237	36,854		$145,123.61		$36,280.92	$11,303.10	$24,977.82		$2,500.07	$2,425.29	$29,903.18

NOTE:

(A) - RRC VOLUME- REPRESENTS THE CASINGHEAD GAS PRODUCTION REPORTED TO THE RRC FOR WELL ID#08-030714 AND ID#032191.

(B) - PRICE - REPRESENTS THE PRICES FROM THE COUNTY AVERAGE GAS SALES PRICES COMPILED BY THE GAS PRODUCERS MONTHLY TAX REPORTS AND PROVIDED BY THE TEXAS COMPTROLLER OF PUBLIC ACCOUNTS FOR THE PERIOD OF SEPTEMBER 2000 THROUGH JUNE 2001. THE PRICES FOR THE PERIOD OF JULY 2001 THROUGH MARCH 2002 THE PRICES WER TAKEN FROM THE PRICES REPORTED TO THE GLO ON GLO-2 REPORTS FOR M-101511.

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

PENN VIRGINIA OIL & GAS CORPORATION
STATE LEASE: M-088676
LEASE NAME: NORTHSHOT
FIELD: MATHEWS (LOWER CHERRY CANYON)
REEVES COUNTY
RRC OIL WELL #08-32490
STATE'S ROYALTY DECIMAL: .1053

ATTACHMENT II-B

Penalty Date
8/21/02

AE: LWR
Filename: PENN
Date: 7/26/02

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Month	RRC Production (mcf) W#032490 (A)	Price (B)	Gross Value (2)X(3)	Royalty Decimal	Royalty Due (4)X(5)	Royalty Paid	Difference (6)-(7)	Number of Days Late	Penalty (C)	Interest (C)	Additional Royalty Due (8)+(10)+(11)
Sep-00	2,199	3.57	$7,850.43	0.1053	$826.65	$412.32	$414.33	644	$41.43	$79.69	$535.45
Oct-00	2,627	3.57	$9,378.39	0.1053	$987.54	$549.70	$437.84	614	$43.78	$79.89	$561.51
Nov-00	2,584	3.57	$9,224.88	0.1053	$971.38	$506.28	$465.10	583	$46.51	$80.12	$591.73
Dec-00	2,336	3.57	$8,339.52	0.1053	$878.15	$650.26	$227.89	552	$25.00	$36.94	$289.83
Jan-01	2,294	6.95	$15,943.30	0.1053	$1,678.83	$881.17	$797.66	524	$79.77	$121.94	$999.37
Feb-01	1,231	6.95	$8,555.45	0.1053	$900.89	$350.22	$550.67	493	$55.07	$78.57	$684.31
Mar-01	2,460	6.95	$17,097.00	0.1053	$1,800.31	$563.30	$1,237.01	463	$123.70	$164.30	$1,525.01
Apr-01	2,539	6.95	$17,646.05	0.1053	$1,858.13	$621.44	$1,236.69	432	$123.67	$151.66	$1,512.02
May-01	3,092	6.95	$21,489.40	0.1053	$2,262.83		$2,262.83	402	$226.28	$255.17	$2,744.28
Jun-01	2,669	6.95	$18,549.55	0.1053	$1,953.27		$1,953.27	371	$195.33	$200.36	$2,348.96
Jul-01	2,407	3.21	$7,735.40	0.1053	$814.54		$814.54	340	$81.45	$75.25	$971.24
Aug-01	2	3.13	$6.26	0.1053	$0.66		$0.66	310	$25.00	$0.05	$25.71
Sep-01	2,164	2.34	$5,062.90	0.1053	$533.12		$533.12	279	$53.31	$38.56	$624.99
Oct-01	2,870	1.37	$3,927.62	0.1053	$413.58		$413.58	249	$41.36	$25.83	$480.77
Nov-01	3,219	2.82	$9,087.09	0.1053	$956.87		$956.87	218	$95.69	$50.02	$1,102.58
Dec-01	3,019	2.35	$7,100.99	0.1053	$747.73		$747.73	187	$74.77	$31.47	$853.97
Jan-02	2,689	2.42	$6,505.65	0.1053	$685.04		$685.04	159	$68.50	$22.52	$776.06
Feb-02	2,227	1.82	$4,050.32	0.1053	$426.50		$426.50	128	$42.65	$9.68	$478.83
Mar-02	3,135	2.35	$7,373.84	0.1053	$776.47		$776.47	98	$77.65	$9.96	$864.08
Total	45,763		$184,924.04		$19,472.49	$4,534.69	$14,937.80		$1,520.92	$1,511.98	$17,970.70

NOTE:
(A) - RRC VOLUME- REPRESENTS THE CASINGHEAD GAS PRODUCTION REPORTED TO THE RRC FOR WELL ID#08-32490.

(B) - PRICE - REPRESENTS THE PRICES FROM THE COUNTY AVERAGE GAS SALES PRICES COMPILED BY THE GAS PRODUCERS MONTHLY TAX REPORTS AND PROVIDED BY THE TEXAS COMPTROLLER OF PUBLIC ACCOUNTS FOR THE PERIOD OF SEPTEMBER 2000 THROUGH JUNE 2001. THE PRICES FOR THE PERIOD OF JULY 2001 THROUGH MARCH 2002 THE PRICES WERE TAKEN FROM THE PRICES REPORTED TO THE GLO ON GLO-2 REPORTS FOR M-101511.

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

PENN VIRGINIA OIL & GAS CORPORATION
STATE LEASE: M-097729
LEASE NAME: HOTSHOT & LEWELLING STATE
FIELD: MATHEWS (LOWER CHERRY CANYON)
REEVES COUNTY
RRC OIL WELL #08-30917 & 31537
STATE'S ROYALTY DECIMAL: .0938

ATTACHMENT II-C

Penalty Date
8/21/02

AE: LWR
Filename: PENN
Date: 7/26/02

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Month	RRC Production (mcf) W#30917 (A)	RRC Production (mcf) W#31537 (A)	Total RRC Production (2) + (3)	Price (B)	Gross Value (4) X (5)	Royalty Decimal	Royalty Due (6)X(7)	Royalty Paid	Difference (8)-(9)	Number of Days Late	Penalty (C)	Interest (C)	Additional Royalty Due (10)+(12)+(13)
Jan-99		422	422	0.42	$177.16	0.0938	$16.62		$16.62	1,255	$25.00	$6.54	$48.16
Feb-99		400	400	1.04	$415.49	0.0938	$38.97		$38.97	1,224	$25.00	$14.93	$78.90
Mar-99		530	530	0.68	$361.73	0.0938	$33.93		$33.93	1,194	$25.00	$12.66	$71.59
Apr-99		533	533	1.13	$600.77	0.0938	$56.35		$56.35	1,163	$25.00	$20.45	$101.80
May-99		469	469	0.95	$446.55	0.0938	$41.89		$41.89	1,133	$25.00	$14.79	$81.68
Jun-99		423	423	1.19	$504.84	0.0938	$47.35		$47.35	1,102	$25.00	$16.24	$88.59
Jul-99		313	313	1.31	$409.08	0.0938	$38.37		$38.37	1,071	$25.00	$12.77	$76.14
Aug-99		240	240	1.52	$365.29	0.0938	$34.26		$34.26	1,041	$25.00	$11.06	$70.32
Sep-99		290	290	1.07	$310.53	0.0938	$29.13		$29.13	1,010	$25.00	$9.11	$63.24
Oct-99		156	156	1.42	$222.24	0.0938	$20.85		$20.85	980	$25.00	$6.31	$52.16
Nov-99		462	462	1.60	$741.26	0.0938	$69.53		$69.53	949	$25.00	$20.34	$114.87
Dec-99		656	656	1.08	$711.67	0.0938	$66.75		$66.75	918	$25.00	$18.85	$110.60
Jan-00		703	703	1.09	$763.37	0.0938	$71.60		$71.60	889	$25.00	$19.54	$116.14
Feb-00		381	381	1.29	$490.96	0.0938	$46.05		$46.05	858	$25.00	$12.10	$83.15
Mar-00		360	360	1.17	$421.27	0.0938	$39.52		$39.52	828	$25.00	$9.99	$74.51
Apr-00		578	578	1.30	$751.43	0.0938	$70.48		$70.48	797	$25.00	$17.10	$112.58
May-00		639	639	1.28	$819.92	0.0938	$76.91		$76.91	767	$25.00	$17.90	$119.81
Jun-00		795	795	1.53	$1,212.94	0.0938	$113.77		$113.77	736	$25.00	$25.32	$164.09
Jul-00		752	752	1.54	$1,159.37	0.0938	$108.75		$108.75	705	$25.00	$23.10	$156.85
Aug-00		676	676	1.21	$820.05	0.0938	$76.92		$76.92	675	$25.00	$15.58	$117.50
Sep-00		209	209	3.57	$746.13	0.0938	$69.99		$69.99	644	$25.00	$13.46	$108.45
Oct-00	627	165	792	3.57	$2,827.44	0.0938	$265.21		$265.21	614	$26.52	$48.39	$340.12
Nov-00	801	211	1,012	3.57	$3,612.84	0.0938	$338.88		$338.88	583	$33.89	$58.38	$431.15
Dec-00	791	136	927	3.57	$3,309.39	0.0938	$310.42		$310.42	552	$31.04	$50.31	$391.77
Jan-01	746	129	875	6.95	$6,081.25	0.0938	$570.42		$570.42	524	$57.04	$87.20	$714.66
Feb-01	361	62	423	6.95	$2,939.85	0.0938	$275.76		$275.76	493	$27.58	$39.35	$342.69
Mar-01	751	130	881	6.95	$6,122.95	0.0938	$574.33		$574.33	463	$57.43	$76.28	$708.04
Apr-01	675	116	791	6.95	$5,497.45	0.0938	$515.66		$515.66	432	$51.57	$63.24	$630.47

PENN VIRGINIA OIL & GAS CORPORATION
STATE LEASE: M-097729
LEASE NAME: HOTSHOT & LEWELLING STATE
FIELD: MATHEWS (LOWER CHERRY CANYON)
REEVES COUNTY
RRC OIL WELL #08-30917 & 31537
STATE'S ROYALTY DECIMAL: .0938

ATTACHMENT II-C

Penalty Date
8/21/02

AE: LWR
Filename: PENN
Date: 7/26/02

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Month	RRC Production (mcf) W#30917 (A)	RRC Production (mcf) W#31537 (A)	Total RRC Production (2) + (3)	Price (B)	Gross Value (4) X (5)	Royalty Decimal	Royalty Due (6)X(7)	Royalty Paid	Difference (8)-(9)	Number of Days Late	Penalty (C)	Interest (C)	Additional Royalty Due (10)+(12)+(13)
May-01	543	94	637	6.95	$4,427.15	0.0938	$415.27		$415.27	402	$41.53	$46.83	$503.63
Jun-01	578	193	771	6.95	$5,358.45	0.0938	$502.62		$502.62	371	$50.26	$51.56	$604.44
Jul-01	526	175	701	3.21	$2,252.81	0.0938	$211.31		$211.31	340	$25.00	$19.52	$255.83
Aug-01	85	29	114	3.13	$357.09	0.0938	$33.50		$33.50	310	$25.00	$2.76	$61.26
Sep-01	424	142	566	2.34	$1,324.21	0.0938	$124.21		$124.21	279	$25.00	$8.98	$158.19
Oct-01	520	174	694	1.37	$949.75	0.0938	$89.09		$89.09	249	$25.00	$5.57	$119.66
Nov-01	560	187	747	2.82	$2,108.75	0.0938	$197.80		$197.80	218	$25.00	$10.34	$233.14
Dec-01	556	185	741	2.35	$1,742.91	0.0938	$163.48		$163.48	187	$25.00	$6.88	$195.36
Jan-02	480	160	640	2.42	$1,548.39	0.0938	$145.24		$145.24	159	$25.00	$4.78	$175.02
Feb-02	444	148	592	1.82	$1,076.69	0.0938	$100.99		$100.99	128	$25.00	$2.29	$128.28
Mar-02	665	222	887	2.35	$2,086.31	0.0938	$195.70		$195.70	98	$25.00	$2.51	$223.21
Total	10,133	12,645	22,778		$66,075.73		$6,197.88	$0.00	$6,197.88		$1,126.86	$903.31	$8,228.05

NOTE:

(A) - RRC VOLUME- REPRESENTS THE CASINGHEAD GAS PRODUCTION REPORTED TO THE RRC FOR WELL ID#08-30917, 31537.

(B) - PRICE - REPRESENTS THE PRICES REPORTED TO THE GLO ON GLO-2 REPORTS FOR M-088364 FOR THE MONTHS OF JANUARY 1999 THROUGH JANUARY 2000. THE PRICES FOR THE MONTHS OF FEBRUARY 2000 THROUGH AUGUST 2000 WERE REPORTED TO THE GLO ON GLO-2 REPORTS FOR M-088676. FOR THE MONTHS OF SEPTEMBER 2000 THROUGH JUNE 2001 THE PRICES WERE TAKEN FROM THE COUNTY AVERAGE GAS SALES PRICES COMPILED BY THE GAS PRODUCERS MONTHLY TAX REPORTS AND PROVIDED BY COMPTROLLER'S OF PUBLIC ACCOUNTS. FOR THE MONTHS OF JULY 2001 THROUGH MARCH 2002 THE PRICES WERE REPORTED TO THE GLO ON GLO-2 REPORTS FOR M-101511.

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

PENN VIRGINIA OIL & GAS CORPORATION
STATE LEASE: M-097729
LEASE NAME: HOTSHOT
FIELD: MATHEWS (LOWER CHERRY CANYON)
REEVES COUNTY
RRC OIL WELL #08-30917
STATE'S ROYALTY DECIMAL: .0938

ATTACHMENT II-D

Penalty Date
8/21/02

AE: LWR
Filename: PENN
Date: 7/26/02

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Month	RRC Production (bbls) W#30917 (A)	Price (B)	Gross Value [(2)+(3)] X (4)	Royalty Decimal	Royalty Due (5)X(6)	Royalty Paid	Difference (7)-(8)	Number of Days Late	Penalty (C)	Interest (C)	Additional Royalty Due (9)+(11)+(12)
Nov-00	243	31.45	$7,642.35	0.0938	$716.85		$716.85	583	$71.69	$123.49	$912.03
Dec-00	330	25.39	$8,378.70	0.0938	$785.92		$785.92	552	$78.59	$127.38	$991.89
Jan-01	322	26.40	$8,500.80	0.0938	$797.38		$797.38	524	$79.74	$121.90	$999.02
Feb-01	53	26.71	$1,415.63	0.0938	$132.79		$132.79	493	$25.00	$18.95	$176.74
Mar-01	95	24.22	$2,300.90	0.0938	$215.82		$215.82	463	$25.00	$28.67	$269.49
Apr-01	103	24.43	$2,516.29	0.0938	$236.03		$236.03	432	$25.00	$28.94	$289.97
May-01		25.52	$0.00	0.0938	$0.00		$0.00	402	$0.00	$0.00	$0.00
Jun-01	361	24.38	$8,801.18	0.0938	$825.55		$825.55	371	$82.56	$84.68	$992.79
Jul-01		23.32	$0.00	0.0938	$0.00		$0.00	340	$0.00	$0.00	$0.00
Aug-01	146	26.71	$3,899.66	0.0938	$365.79		$365.79	310	$36.58	$30.19	$432.56
Sep-01	149	26.03	$3,878.47	0.0938	$363.80		$363.80	279	$36.38	$26.31	$426.49
Oct-01		21.18	$0.00	0.0938	$0.00		$0.00	249	$0.00	$0.00	$0.00
Nov-01	152	18.22	$2,769.44	0.0938	$259.77		$259.77	218	$25.98	$13.58	$299.33
Dec-01	152	18.17	$2,761.84	0.0938	$259.06		$259.06	187	$25.91	$10.90	$295.87
Jan-02	153	18.40	$2,815.41	0.0938	$264.09		$264.09	159	$26.41	$8.68	$299.18
Feb-02	155	19.48	$3,019.34	0.0938	$283.21		$283.21	128	$28.32	$6.42	$317.95
Total	2,414		$58,700.01		$5,506.06	$0.00	$5,506.06		$567.16	$630.09	$6,703.31

NOTE:

(A) - RRC VOLUME- REPRESENTS THE OIL PRODUCTION REPORTED TO THE RRC FOR WELL ID#08-30917.

(B) - PRICE - REPRESENTS WEST TEXAS INTERMEDIATE CRUDE OIL PRICE TAKEN FROM SUNOCO, INC. (PURCHASER) WEBSITE FOR THE MONTHS OF NOVEMBER 2000 THROUGH JULY 2001. FOR THE MONTHS OF AUGUST 2001 THROUGH MARCH 2002 THE PRICES WERE REPORTED TO THE GLO ON GLO-1 REPORTS FOR M-101511.

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

PENN VIRGINIA OIL & GAS CORPORATION
STATE LEASE: M-101511
LEASE NAME: LASELL STATE & LOWE STATE
FIELD: MATHEWS (LOWER CHERRY CANYON)
REEVES COUNTY
RRC OIL WELL #08-36522 & 36555
STATE'S ROYALTY DECIMAL: .0938

ATTACHMENT II-E

Penalty Date
8/21/02

AE: LWR
Filename: PENN
Date: 7/26/02

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Month	RRC Production (mcf) W#36552 (A)	RRC Production (mcf) W#36555 (A)	Total RRC Production (2) + (3)	Price (B)	Gross Value (4) X (5)	Royalty Decimal	Royalty Due (6)X(7)	Royalty Paid	Difference (8)-(9)	Number of Days Late	Penalty (C)	Interest (C)	Additional Royalty Due (10)+(12)+(13)
Mar-01	1,797	1,793	3,590	$6.95	$24,950.50	0.1000	$2,495.05		$2,495.05	463	$249.51	$331.40	$3,075.96
Apr-01	1,476	1,490	2,966	$6.95	$20,613.70	0.1000	$2,061.37		$2,061.37	432	$206.14	$252.79	$2,520.30
May-01	1,810	1,882	3,692	$6.95	$25,659.40	0.1000	$2,565.94		$2,565.94	402	$256.59	$289.35	$3,111.88
Jun-01	1,349	1,784	3,133	$6.95	$21,774.35	0.1000	$2,177.44		$2,177.44	371	$217.74	$223.35	$2,618.53
Jul-01	1,618	1,564	3,182	$3.21	$10,220.58	0.1000	$1,022.06		$1,022.06	340	$102.21	$94.42	$1,218.69
Aug-01	174		174	$3.13	$544.97	0.1000	$54.50		$54.50	310	$25.00	$4.50	$84.00
Sep-01	965	1,136	2,101	$2.34	$4,910.04	0.1000	$491.00		$491.00	279	$49.10	$35.51	$575.61
Oct-01	1,657	1,657	3,314	$1.37	$4,533.55	0.1000	$453.36		$453.36	249	$45.34	$28.32	$527.02
Nov-01	1,593	1,623	3,216	$2.82	$9,081.98	0.1000	$908.20		$908.20	218	$90.82	$47.48	$1,046.50
Dec-01	1,830	1,896	3,726	$2.35	$8,763.93	0.1000	$876.39		$876.39	187	$87.64	$36.88	$1,000.91
Jan-02	1,540	1,351	2,891	$2.42	$6,994.36	0.1000	$699.44		$699.44	159	$69.94	$23.00	$792.38
Feb-02	1,616	1,394	3,010	$1.82	$5,474.39	0.1000	$547.44		$547.44	128	$54.74	$12.42	$614.60
Mar-02	1,931	1,583	3,514	$2.35	$8,265.28	0.1000	$826.53		$826.53	98	$82.65	$10.60	$919.78
Total	19,356	19,153	38,509		$151,787.03		$15,178.72		$15,178.72		$1,537.42	$1,390.02	$18,106.16

NOTE:

(A) - RRC VOLUME- REPRESENTS THE CASINGHEAD GAS PRODUCTION REPORTED TO THE RRC FOR WELL ID#08-36552 & 36555.

(B) - PRICE - REPRESENTS THE PRICE TAKEN FROM THE COUNTY AVERAGE GAS SALES PRICES COMPILED BY THE GAS PRODUCERS MONTHLY TAX REPORTS AND PROVIDED BY THE TEXAS COMPTROLLER OF PUBLIC ACCOUNTS. FOR THE MONTHS OF JULY 2001 THROUGH MARCH 2002 THE PRICES WERE REPORTED TO THE GLO ON GLO-2 REPORTS.

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

PENN VIRGINIA OIL & GAS CORPORATION
STATE LEASE: M-101511
LEASE NAME: LASELL STATE & LOWE STATE
FIELD: MATHEWS (LOWER CHERRY CANYON)
REEVES COUNTY
RRC OIL WELL #08-36522 & 36555
STATE'S ROYALTY DECIMAL: .0938

ATTACHMENT II-F

Penalty Date
8/21/02

AE: LWR
Filename: PENN
Date: 7/25/02

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Month	RRC Production (bbls) W#36552 (A)	RRC Production (bbls) W#36555 (A)	Total RRC Production (2) + (3)	Price (B)	Gross Value (4) X (5)	Royalty Decimal	Royalty Due (6)X(7)	Royalty Paid	Difference (8)-(9)	Number of Days Late	Penalty (C)	Interest (C)	Additional Royalty Due (10)+(12)+(13)
Feb-01	726	732	1,458	26.71	$38,943.18	0.1000	$3,894.32		$3,894.32	493	$389.43	$555.66	$4,839.41
Mar-01	736	920	1,656	24.22	$40,108.32	0.1000	$4,010.83		$4,010.83	463	$401.08	$532.73	$4,944.64
Apr-01	740	917	1,657	24.43	$40,480.51	0.1000	$4,048.05		$4,048.05	432	$404.81	$496.41	$4,949.27
May-01	770	765	1,535	25.52	$39,173.20	0.1000	$3,917.32		$3,917.32	402	$391.73	$441.74	$4,750.79
Jun-01	585	756	1,341	24.38	$32,693.58	0.1000	$3,269.36		$3,269.36	371	$326.94	$335.36	$3,931.66
Jul-01	379	375	754	23.32	$17,583.28	0.1000	$1,758.33		$1,758.33	340	$175.83	$162.44	$2,096.60
Aug-01	761	747	1,508	26.71	$40,278.68	0.1000	$4,027.87		$4,027.87	310	$402.79	$332.38	$4,763.04
Sep-01	348	364	712	26.03	$18,533.36	0.1000	$1,853.34		$1,853.34	279	$185.33	$134.05	$2,172.72
Oct-01	592	585	1,177	21.18	$24,928.86	0.1000	$2,492.89		$2,492.89	249	$249.29	$155.72	$2,897.90
Nov-01	588	599	1,187	18.22	$21,627.14	0.1000	$2,162.71		$2,162.71	218	$216.27	$113.05	$2,492.03
Dec-01	396	596	992	18.17	$18,024.64	0.1000	$1,802.46		$1,802.46	187	$180.25	$75.85	$2,058.56
Jan-02	585	394	979	18.40	$18,014.97	0.1000	$1,801.50		$1,801.50	159	$180.15	$59.23	$2,040.88
Feb-02	396	389	785	19.48	$15,291.49	0.1000	$1,529.15		$1,529.15	128	$152.92	$34.69	$1,716.76
Mar-02	584	585	1,169	23.19	$27,112.50	0.1000	$2,711.25		$2,711.25	98	$271.13	$34.76	$3,017.14
Total	8,186	8,724	16,910		$392,793.71		$39,279.38		$39,279.38		$3,927.95	$3,464.07	$46,671.40

NOTE:
(A) - RRC VOLUME- REPRESENTS THE OIL PRODUCTION REPORTED TO THE RRC FOR WELL ID#08-36552, 36555.

(B) - PRICE - REPRESENTS WEST TEXAS INTERMEDIATE CRUDE OIL PRICE TAKEN FROM SUNOCO, INC. (PURCHASER) WEBSITE FOR THE MONTHS OF FEBRUARY 2001 THROUGH JULY 2001. FOR THE MONTHS OF AUGUST 2001 THROUGH MARCH 2002 THE PRICES WERE REPORTED TO THE GLO ON GLO-1 REPORTS FOR M-101511.

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

M-88676 (123)
Billing to Penn
from Energy Resources/KRAM
7-26/02

TEXAS GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

June 22, 2007

CERTIFIED MAIL 70060810000017602169

REEF EXPLORATION INC
1901 N CENTRAL EXPY STE 300
RICHARDSON, TX 75080-3609

RE: Notice of non-payment on State Lease(s) 088676

Dear Ms. Urbanczyk:

The Royalty Audit Division of the Texas General Land Office has completed a lease reconciliation of the above-referenced lease operated by REEF EXPLORATION INC. Through this review, it was determined that $7,408.84 has been underpaid to the State for the reporting period 4/2003 through 7/2005. This amount is comprised of $4,891.34 in additional royalty, $785.08 in penalty, and $1,732.42 in interest, computed through 7/23/2007, 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 30 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.

If you have any questions, please call Metha Kester at (512) 475-2317.
Sincerely,

Joe A King
Team Leader-Royalty Reporting
Royalty Management
Energy Resources

ATTACHMENT I

REVIEW SUMMARY

State Lease: 088676, , ,

AS A RESULT OF THIS REVIEW IT WAS FOUND THAT VENTED AND FLARED GAS HAD NOT BEEN PAID UNDER THE GAS. ALSO, ON THE CONDENSATE SIDE THE MONTH OF JANUARY 2004 HAD BEEN UNDER PAID.

We have concluded that additional royalty is due in the following amount.

Oil Summary

Royalty	Penalty	Interest	Total
$1,053.18	$105.32	$407.19	$1,565.69

Gas Summary

Royalty	Penalty	Interest	Total
$3,838.16	$679.76	$1,325.23	$5,843.15

Oil & Gas Summary

Royalty	Penalty	Interest	Total
$4,891.34	$785.08	$1,732.42	$7,408.84

REEF EXPLORATION, L.P.
STATE LEASE M-088676
MATTHEWS (LOWER CHERRY CANYON) FIELD
NORTHSHOT LEASE
REEVES COUNTY, TEXAS
RRC WELLS ID 08 - 32490
ROYALTY DECIMAL: .105319

AUDITOR: M KESTER
FILE NAME: MF088676
DATE: 6/22/2007

PENALTY/
INTEREST DATE: 07/23/07

	(1)		(3)	(4)			(6)	(7)	(8)
MONTH/ YEAR	RRC VENTED GAS (A)	GLO2 VEMTED GAS	PRICE (B)	BTU (B)	GROSS VALUE (1) X (2) X (3)	ROYALTY DUE (4) x (.105319)	NUMBER OF DAYS LATE	PENALTY DUE (C)	INTEREST DUE (C)	TOTAL DUE (5)+(6)+(7)
Apr-03	63		4.56906	1.151	331.43	34.91	1499	25.00	16.53	$76.44
May-03	335		4.73083	1.152	1826.36	192.35	1469	25.00	89.17	$306.52
Jun-03	28		5.42000	1.170	177.62	18.71	1438	25.00	8.48	$52.19
Jul-03	388		5.11999	1.165	2314.25	243.73	1407	25.00	108.02	$376.75
Aug-03	324		4.44126	1.165	1676.57	176.57	1377	25.00	76.51	$278.08
Sep-03	117		4.74072	1.165	646.13	68.05	1346	25.00	28.79	$121.84
Oct-03	321		4.10908	1.174	1548.27	163.06	1316	25.00	67.39	$255.45
Nov-03	392		4.03865	1.174	1858.94	195.78	1285	25.00	78.91	$299.69
Dec-03	689		3.49260	1.174	2826.11	297.64	1254	29.76	116.94	$444.34
Jan-04	37		5.36905	1.187	235.78	24.83	1225	25.00	9.52	$59.35
Feb-04	149		5.09949	1.187	901.82	94.98	1194	25.00	35	$155.42
Mar-04	370		4.49692	1.187	1974.79	207.98	1164	25.00		$308.54
Apr-04	295		4.44149	1.161	1521.52	160.24	1133	25.00		$241.82
May-04	207		5.30162	1.161	1274.32	134.21	1103	25.00		$205.28
Jun-04	324		6.17337	1.161	2322.04	244.55	1072			$351.00
Jul-04		259	5.62477	1.169	1703.36	179.40	1041			$262.32
Aug-04		301	5.36421	1.169	1888.21	198.86	1011			$286.10
Sep-04		154	4.40876	1.169	793.99	83.62				133.94
Oct-04		169	4.27244	1.169	844.30	88.92				9.97
Nov-04		232	6.51234	1.160	1752.87	184.61	91			81
Dec-04		131	5.77190	1.160	877.37	92.40	888			142.58
Jan-05		138	5.21642	1.157	832.86	87.72	860			$135.82
Feb-05		368	5.16554	1.157	2199.56	231.66	829			$315.30
Mar-05		370	5.17284	1.157	2215.33	233.32	799		9.76	$315.08
Apr-05		67	5.93513	1.153	458.31	48.27	768		11.25	$84.52
Jun-05		64	5.30920	1.153	391.71	41.25	707		8.79	$75.04
Jul-05		145	6.29531	1.150	1049.30	110.52	676	00	22.42	$157.94
						$3,838.16		$679.76	$1,325.23	$5,843.15

OK Joe

COMMENTS:

(A) RRC VOLUME - REPRESENTS VENTED AND FLARED VOLUME TAKEN FROM 08-32490
GLO2 VOLUME - REPRESENTS VENTED AND FLARED VOLUME REPORTED ON THE GLO2 REPORT.

(B) PRICE/BTU - REPRESENTS SALES PRICES TAKEN FROM THE GLO2 REPORT WHICH WAS FILED.

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

REEF EXPLORATION, L.P.
STATE LEASE M-088676
MATTHEWS (LOWER CHERRY CANYON) FIELD
NORTHSHOT LEASE
REEVES COUNTY, TEXAS
RRC WELLS ID 08 - 32490
ROYALTY DECIMAL: .105319

ATTACHMENT II

AUDITOR: M KESTER
FILE NAME: MF088676
DATE: 06/22/07

PENALTY/
INTEREST DATE:
07/23/07

(1)	(2)	(3)	(4)	(5)	(6)	(7)

MONTH/ YEAR	RRC 08-32490 (A)	PRICE (B)	BTU (B)	GROSS VALUE	ROYALTY DUE	ROYALTY PAID (C)	ADDIT. ROYALTY DUE	NUMBER OF DAYS LATE	PENALTY DUE (C)	INTEREST DUE (C)	TOTAL DUE (4)+(5)+(6)
Jan-04	890	44.61002	0.1053	39,702.92	$4,181.47	$3,128.29	$1,053.18	1235	105.32	407.19	$1,565.69

COMMENTS

(A) RRC VOLUME - REPRESENTS VOLUME FILED TO THE RRC ON 08-32490

(B) PRICE - REPRESENT PRICE TAKEN FROM THE GLO1 REPORT.

(D) SEE ATTACHMENT III, "SUMMARY OF PENALTY/INTEREST ASSESSMENT RULES", FOR EXPLANATION OF PENALT

OK
JAK

File No. 88676 (124)

Date Filed: 7/9/07

Jerry E. Patterson, Commissioner

By _____

Texas General Land Office
Reconciliation Billing

Jerry Patterson, Commissioner

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

REEF EXPLORATION, L.P.
1901 N CENTRAL STE 300
RICHARDSON, TX 75080 3609

Billing Date: 12/9/2011
Billing Due Date: 1/8/2012
Customer Number: C000045572

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
12I00263	MF088676	$3,436.21	$0.00	$359.54	$109.81	$3,905.56
Total Due		$3,436.21	$0.00	$359.54	$109.81	**$3,905.56**

Penalty and interest have been calculated thru 12/31/2011. Payment remitted after 12/31/2011 will result in additional penalty and interest charges.

Contact Info: Lynn Buentgen (512) 475-1457 or lynn.buentgen@glo.state.tx.us

NOTICE

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

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

Detach and return with payment

Reconciliation Billing

REEF EXPLORATION, L.P.

Billing Date: 12/9/2011

Billing Due Date: 1/8/2012

Customer Number: C000045572

Remit Payment To:

Texas General Land Office

PO Box 12873

Austin, TX 78711-2873

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
12I00263	MF088676	$3,436.21	$0.00	$359.54	$109.81	$3,905.56
Total Due		$3,436.21	$0.00	$359.54	$109.81	**$3,905.56**
Amt. Paid						

Customer ID:	C000045572													
Invoice Number:						**Auditor/AE:**	LBUENTGE							
GLO Lease:	MF088676					**Billing Date:**	12/1/2011							
GLO Review:	REEF EXPLORATION, L.P.					**P&I Calculation Date:**	12/31/2011							
Review Period:	JAN. 2010 - JUNE 2011					**Royalty Rate:**	10.5319%							
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	
Month / Year	**RRC Number**	**Gas Volume** (A)	**Tract Participation Rate**	**Price**	**BTU**	**Gross Value** (1)x(2)x(3)x(4)	**Royalty Due** (5) * Royalty Rate	**Royalty Paid**	**Additional Royalty Due**	**Number of Days Late**	**Interest Rate For Additional Royalty**	**Penalty From Additional Royalty**	**Interest From Additional Royalty**	**Revenue Due** (8)+(11)+(12)
Apr-10	08-37499	1152	1	$4.210000	1.175000	$5,698.66	$600.18	$0.00	$600.18	564	4.250000%	$60.02	$35.29	$695.49
Oct-10	08-37499	770	1	$3.860000	1.000000	$2,972.20	$313.03	$0.00	$313.03	381	4.250000%	$31.30	$11.74	$356.07
Nov-10	08-37499	864	1	$3.250000	1.000000	$2,808.00	$295.74	$0.00	$295.74	350	4.250000%	$29.57	$10.02	$335.33
Dec-10	08-37499	1099	1	$4.220000	1.000000	$4,637.78	$488.45	$0.00	$488.45	319	4.250000%	$48.85	$14.79	$552.09
Jan-11	08-37499	1360	1	$4.100000	1.000000	$5,576.00	$587.26	$0.00	$587.26	291	4.250000%	$58.73	$15.86	$661.85
Feb-11	08-37499	792	1	$4.300000	1.000000	$3,405.60	$358.67	$0.00	$358.67	260	4.250000%	$35.87	$8.39	$402.93
Mar-11	08-37499	1044	1	$3.770000	1.000000	$3,935.88	$414.52	$519.44	($104.92)	230	4.250000%	$0.00	$0.00	($104.92)
Apr-11	08-37499	971	1	$4.270000	1.000000	$4,146.17	$436.67	$0.00	$436.67	199	4.250000%	$43.67	$7.12	$487.46
May-11	08-37499	1130	1	$4.330000	1.000000	$4,892.90	$515.32	$0.00	$515.32	169	4.250000%	$51.53	$6.60	$573.45
Jun-11	08-37499	860	1	$4.280000	1.000000	$3,680.80	$387.66	$441.85	($54.19)	138	4.250000%	$0.00	$0.00	($54.19)
TOTALS		10042				$41,753.99	$4,397.50	$961.29	$3,436.21			$359.54	$109.81	$3,905.56

COMMENTS:

SALES VOLUMES REPORTED TO RRC WERE COMPARED TO SALES VOLUME REPORTED TO GLO. AS A RESULT OF THIS COMPARISON, IT HAS BEEN DETERMINED THAT THE SALES VOLUME DURING OCT. 2010 - JUNE 2011 WERE UNDER REPORTED TO GLO.

ACCORDING TO OUR RECORDS, REEF EXPLORATION, L. P. IS STILL THE CURRENT LESSEE AND IS RESPONSIBLE FOR PRIOR OBLIGATIONS IN ACCORDANCE WITH SECTION 52.026 OF THE TEXAS NATURAL RESOURCES CODE. AS THE CURRENT OPERATOR, WE ARE ADDRESSING THIS UNDERPAYMENT TO YOUR OFFICE FOR NECESSRY ACTION.

(A) VOLUME- REPRESENTS GAS PRODUCTION VOLUME REPORTED TO THE RAILROAD COMMISSION FOR WELL #08-38499

(B) PRICE- TAKEN FROM GLO PRODUCTION ROYALTY REPORT (GLO-2E) SUBMITTED TO GLO.

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

CERTIFIED MAIL NUMBER: 7011 1150 0001 2418 8666

ATTENTION: **Melissa Tannock**

125

File No. MF-088676

Reconciliation Ltr

Date Filed: 12/9/11

Jerry E. Patterson, Commissioner

By

Texas General Land Office
Reconciliation Billing

Jerry Patterson, Commissioner

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

COPY

REEF EXPLORATION, L.P.
1901 N CENTRAL STE 300
RICHARDSON, TX 75080 3609

Billing Date: 9/10/2012
Billing Due Date: 10/10/2012
Customer Number: C000045572

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
12I00263	MF088676	$810.99	$0.00	$156.07	$69.76	$1,036.82
Total Due		$810.99	$0.00	$156.07	$69.76	**$1,036.82**

Penalty and interest have been calculated thru 9/30/2012. Payment remitted after 9/30/2012 will result in additional penalty and interest charges.

Contact Info: Lynn Buentgen (512) 475-1457 or lynn.buentgen@glo.texas.gov

NOTICE

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

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

Detach and return with payment

Reconciliation Billing

REEF EXPLORATION, L.P.
Billing Date: 9/10/2012
Billing Due Date: 10/10/2012
Customer Number: C000045572

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

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
12I00263	MF088676	$810.99	$0.00	$156.07	$69.76	$1,036.82
Total Due		$810.99	$0.00	$156.07	$69.76	**$1,036.82**
Amt. Paid						

Energy Financial Management
SMAR Activity / Invoicing Approval

Auditor/Account Examiner: Lynn Buentgen
Company Name: REFF EXPLORATION L.P.
Customer Number: C000045572
Mineral File #: MF088676
Transaction Type: VOLUME RECONILIATION
Other / Invoice #: 12I00263
Date: 8/31/2012

Previous Amount	Current Amount	Date	AE / Reviewer's Notes	Reviewer's Signature	AR Notes
$3,905.56	$1,036.82	8/31/2012	More GLO-3E reports applied to the royalty dues, which reduced the outstanding balance. New billing interest is calculated by 9/30/2012.	9/4/12	Void Invoice #12I00263

All original invoices must be approved.
All reduction in billing of more than $1000 must be approved.

Customer ID:	C000045572					**Auditor/AE:**	LBUENTGE							
Invoice Number:						**Billing Date:**	9/1/2012							
GLO Lease:	MF088676					**P&I Calculation Date:**	9/30/2012							
GLO Review:	REEF EXPLORATION, L.P.					**Royalty Rate:**	10.5319%							
Review Period:	JAN. 2010 - JUNE 2011													
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	
Month / Year	**RRC Number**	**Gas Volume** (A)	**Tract Participation Rate**	**Price**	**BTU**	**Gross Value** (1)x(2)x(3)x(4)	**Royalty Due** (5) * Royalty Rate	**Royalty Paid**	**Additional Royalty Due**	**Number of Days Late**	**Interest Rate For Additional Royalty**	**Penalty om Additior Royalty**	**Interest rom Additional Royalty**	**Revenue Due** (8)+(11)+(12)
Apr-10	08-38499	1152	1	$ 4.2066	1.175000	$5,694.07	$599.69	$535.40	$64.29	838	4.250000%	$25.00	$5.83	$95.12
Oct-10	08-38499	770	1	$ 3.8600	1.000000	$2,972.20	$313.03	$347.13	($34.10)	655	4.250000%	$0.00	$0.00	($34.10)
Nov-10	08-38499	864	1	$ 3.2500	1.000000	$2,808.00	$295.74	$414.45	($118.71)	624	4.250000%	$0.00	$0.00	($118.71)
Dec-10	08-38499	1099	1	$ 4.2200	1.000000	$4,637.78	$488.45	$583.13	($94.68)	593	4.250000%	$0.00	$0.00	($94.68)
Jan-11	08-38499	1360	1	$ 4.1000	1.000000	$5,576.00	$587.26	$744.62	($157.36)	565	4.250000%	$0.00	$0.00	($157.36)
Feb-11	08-38499	792	1	$ 4.3000	1.000000	$3,405.60	$358.67	$0.00	$358.67	534	4.250000%	$35.87	$19.84	$414.38
Mar-11	08-38499	1044	1	$ 3.7700	1.000000	$3,935.88	$414.52	$519.44	($104.92)	504	4.250000%	$0.00	$0.00	($104.92)
Apr-11	08-38499	971	1	$ 4.2700	1.000000	$4,146.17	$436.67	$0.00	$436.67	473	4.250000%	$43.67	$21.05	$501.39
May-11	08-38499	1130	1	$ 4.3300	1.000000	$4,892.90	$515.32	$0.00	$515.32	443	4.250000%	$51.53	$23.04	$589.89
Jun-11	08-38499	860	1	$ 4.2800	1.000000	$3,680.80	$387.66	$441.85	($54.19)	412	4.250000%	$0.00	$0.00	($54.19)
TOTALS		10042				$41,749.40	$4,397.01	$3,586.02	$810.99			$156.07	$69.76	**$1,036.82**

COMMENTS:

SALES VOLUMES REPORTED TO RRC WERE COMPARED TO SALES VOLUME REPORTED TO GLO. AS A RESULT OF THIS COMPARISON, IT HAS BEEN DETERMINED THAT THE SALES VOLUME DURING APRIL. 2010 - JUNE 2011 WERE UNDER REPORTED TO GLO.

ACCORDING TO OUR RECORDS, REEF EXPLORATION, L. P. IS STILL THE CURRENT LESSEE AND IS RESPONSIBLE FOR PRIOR OBLIGATIONS IN ACCORDANCE WITH SECTION 52.026 OF THE TEXAS NATURAL RESOURCES CODE. AS THE CURRENT OPERATOR, WE ARE ADDRESSING THIS UNDERPAYMENT TO YOUR OFFICE FOR NECESSRY ACTION.

(A) VOLUME- REPRESENTS GAS PRODUCTION VOLUME REPORTED TO THE RAILROAD COMMISSION FOR WELL #08-38499

(B) PRICE- TAKEN FROM GLO PRODUCTION ROYALTY REPORT (GLO-2E) SUBMITTED TO GLO.

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

CERTIFIED MAIL NUMBER: 7011 1150 0001 2419 2359

ATTENTION: **Melissa Tannock**

mtannock@reefogc.com

Texas General Land Office
Reconciliation Billing

Jerry Patterson, Commissioner

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

REEF EXPLORATION, L.P.
1901 N CENTRAL STE 300
RICHARDSON, TX 75080 3609

Billing Date: 12/9/2011
Billing Due Date: 1/8/2012
Customer Number: C000045572

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
12I00263	MF088676	$3,436.21	$0.00	$359.54	$109.81	$3,905.56
Total Due		$3,436.21	$0.00	$359.54	$109.81	**$3,905.56**

Penalty and interest have been calculated thru 12/31/2011. Payment remitted after 12/31/2011 will result in additional penalty and interest charges.

Contact Info: Lynn Buentgen (512) 475-1457 or lynn.buentgen@glo.state.tx.us

NOTICE

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

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Detach and return with payment

Reconciliation Billing
REEF EXPLORATION, L.P.
Billing Date: 12/9/2011
Billing Due Date: 1/8/2012
Customer Number: C000045572

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

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
12I00263	MF088676	$3,436.21	$0.00	$359.54	$109.81	$3,905.56
Total Due		$3,436.21	$0.00	$359.54	$109.81	**$3,905.56**
Amt. Paid						

Customer ID:	C000045572					Auditor/AE:	LBUENTGE								
Invoice Number:						Billing Date:	12/1/2011								
GLO Lease:	MF088676					P&I Calculation Date:	12/31/2011								
GLO Review:	REEF EXPLORATION, L.P.					Royalty Rate:	10.5319%								
Review Period:	JAN. 2010 - JUNE 2011														
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)		
Month / Year	RRC Number	Gas Volume (A)	Tract Participation Rate	Price	BTU	Gross Value (1)x(2)x(3)x(4)	Royalty Due (5) * Royalty Rate	Royalty Paid	Additional Royalty Due	Number of Days Late	Interest Rate For Additional Royalty	Penalty From Additional Royalty	Interest From Additional Royalty	Revenue Due (6)+(11)+(12)	
Apr-10	08-37499	1152	1	$4.210000	1.175000	$5,698.66	$600.18	$0.00	$600.18	564	4.250000%	$60.02	$35.29	$695.49	
Oct-10	08-37499	770	1	$3.860000	1.000000	$2,972.20	$313.03	$0.00	$313.03	381	4.250000%	$31.30	$11.74	$356.07	
Nov-10	08-37499	864	1	$3.250000	1.000000	$2,808.00	$295.74	$0.00	$295.74	350	4.250000%	$29.57	$10.02	$335.33	
Dec-10	08-37499	1099	1	$4.220000	1.000000	$4,637.78	$488.45	$0.00	$488.45	319	4.250000%	$48.85	$14.79	$552.09	
Jan-11	08-37499	1360	1	$4.100000	1.000000	$5,576.00	$587.26	$0.00	$587.26	291	4.250000%	$58.73	$15.86	$661.85	
Feb-11	08-37499	792	1	$4.300000	1.000000	$3,405.60	$358.67	$0.00	$358.67	260	4.250000%	$35.87	$8.39	$402.93	
Mar-11	08-37499	1044	1	$3.770000	1.000000	$3,935.88	$414.52	$519.44	($104.92)	230	4.250000%	$0.00	$0.00	($104.92)	
Apr-11	08-37499	971	1	$4.270000	1.000000	$4,146.17	$436.67	$0.00	$436.67	199	4.250000%	$43.67	$7.12	$487.46	
May-11	08-37499	1130	1	$4.330000	1.000000	$4,892.90	$515.32	$0.00	$515.32	169	4.250000%	$51.53	$6.60	$573.45	
Jun-11	08-37499	860	1	$4.280000	1.000000	$3,680.80	$387.66	$441.85	($54.19)	138	4.250000%	$0.00	$0.00	($54.19)	
TOTALS		10042				$41,753.99	$4,397.50	$961.29	$3,436.21			$359.54	$109.81	$3,905.56	

COMMENTS:

SALES VOLUMES REPORTED TO RRC WERE COMPARED TO SALES VOLUME REPORTED TO GLO. AS A RESULT OF THIS COMPARISON, IT HAS BEEN DETERMINED THAT THE SALES VOLUME DURING OCT. 2010 - JUNE 2011 WERE UNDER REPORTED TO GLO.

ACCORDING TO OUR RECORDS, REEF EXPLORATION, L. P. IS STILL THE CURRENT LESSEE AND IS RESPONSIBLE FOR PRIOR OBLIGATIONS IN ACCORDANCE WITH SECTION 52.026 OF THE TEXAS NATURAL RESOURCES CODE. AS THE CURRENT OPERATOR, WE ARE ADDRESSING THIS UNDERPAYMENT TO YOUR OFFICE FOR NECESSRY ACTION.

(A) VOLUME- REPRESENTS GAS PRODUCTION VOLUME REPORTED TO THE RAILROAD COMMISSION FOR WELL #08-38499

(B) PRICE- TAKEN FROM GLO PRODUCTION ROYALTY REPORT (GLO-2E) SUBMITTED TO GLO.

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

CERTIFIED MAIL NUMBER: 7011 1150 0001 2418 8666

ATTENTION: Melissa Tannock

Energy Financial Management
SMAR Activity Approval

Auditor/Account Examiner: Lynn Buentgen
Company Name: Reef Exploration L.P.
Customer Number:C000045572
Mineral File #:MF088676
Transaction Type: Volume Recon (Gas)
Other:

Previous Amount	Current Amount	Date	Reviewer's Notes	Reviewer's Signature	AR Notes
	$3,905.56	12/07/2011	Company underpaid gas royalties to the GLO.	Jeff A. Sharp 12/8/2011	

All original invoices must be approved.
All reduction in billing of more than $1000 must be approved.

(126)

File No. MF-088676

Reconciliation 4r

Date Filed: 9/10/12

Jerry E. Patterson, Commissioner

By

TEXAS GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

June 20, 2014

Natalie Holeman
Exploration Land Services, LLC
P.O. Box 52105
Lafayette, Louisiana 70505

RE: GLO Assignment ID # 8900, MF088676

Dear Ms. Holeman,

The General Land Office received the following instrument(s) and has filed them in the appropriate files.

> Assignment of Oil and Gas Lease, effective July 18, 2013 from Blake Oil and Gas Corporation, as assignor, to BHP Billiton Petroleum Properties (N.A.), LP, as assignee. As filed for record in Reeves Counties, in document file number 13-07870.

Please see attached "Exhibit A" for reference. Filing fees of $175.00 were received in connection with the above assignment. Please feel free to contact me if you have any questions.

Best Regards,

Alberto Amesquita
Mineral Leasing
Energy Resources

Exhibit "A"

GLO ID	*County*	*Lease*
8900	*Reeves*	MF088676

EXPLORATION LAND SERVICES, LLC
P O Box 52105 • Lafayette, Louisiana 70505-2105 • Phone: 337.234.3500 • Fax: 337.234.3525 • Email: contact@explorationland.com

October 28, 2013

Via FedEx

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

Re: Oil, Gas and Mineral Leases
Reeves County, Texas

Dear Drew:

Enclosed herewith, please find certified copies of two (2) Oil and Gas Leases and one (1) Assignment taken in the name of the State of Texas, in favor of BHP Billiton Petroleum Properties (N.A.), LP, listed as follows:

Lease No.	Date	Lessor
ELS-0123A	07/18/2013	Blake Oil & Gas Corporation
ELS-0162C	09/18/2013	Gordon & Gordon Partnership
HK-0103	07/18/2013	Blake Oil & Gas Corporation (**MF-088676)**

Also enclosed, please find a check in the amount of $175.00. This amount covers the filing fees for the two leases and one assignment taken in the name of the State of Texas @ $25/per lease. It also covers the filing fees for the tract listed under ELS-0162C @ $100/tract. Be advised that the fees for the tracts listed under ELS-0123A were previously paid by check number 4547, issued July 15, 2013. This should cover all required fees associated with the above listed leases.

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

Sincerely yours,

Natalie Holeman

encl.

IBERIABANK 4824

14702981 84-7041/2652

EXPLORATION LAND SERVICES LLC
P.O. BOX 52105
LAFAYETTE, LA 70505

10/28/2013

PAY TO THE ORDER OF Texas General Land Office $ **175.00

One Hundred Seventy-Five and 00/100********** DOLLARS

Texas General Land Office
1700 Congress Avenue
Stephen F. Austin Building RM847
Austin, TX 78701

MEMO Filing-3 Leases;Processing-1 Tract

AUTHORIZED SIGNATURE

Details on Back. Security Features Included

⑈004824⑈ [redacted]

EXPLORATION LAND SERVICES LLC 4824

Texas General Land Office 10/28/2013

Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
10/28/2013	Bill	Filing&ProcessingFee	175.00	175.00		175.00
					Check Amount	175.00

14702981

121

Iberia Bank Filing-3 Leases;Processing-1 Tract X 175.00

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

HK-103
MF-088676

ASSIGNMENT OF OIL AND GAS LEASES

13-07870
FILED FOR RECORD
REEVES COUNTY, TEXAS
Oct 24, 2013 at 02:16:00 PM

STATE OF TEXAS }
}
COUNTY OF REEVES }

KNOW ALL MEN BY THESE PRESENTS:

THIS ASSIGNMENT ("Assignment") is effective as of July 18, 2013, at 7:00 a.m. CDT ("Effective Time"), by and between **BLAKE OIL AND GAS CORPORATION**, (hereinafter "Assignor"), whose address is 400 North Main Street, Midland, Texas 79701, and **BHP BILLITON PETROLEUM PROPERTIES (N.A.), LP**, f/k/a Petrohawk Properties, LP ("Assignee"), whose address is Post Office Box 22719, Houston, Texas 77027-9998.

W I T N E S S E T H:

FOR Ten Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor hereby grants, conveys and assigns to Assignee, subject to the reservations herein, the following:

(a) All of Assignor's leasehold interests in and to the oil & gas leases described in Exhibit "A" attached hereto and made a part hereof by reference, and all of the following rights and interests attributable to those interests;

(b) All rights, privileges, benefits and powers with respect thereto and use and occupancy of the surface and subsurface depths under the surface covered thereby which are necessary or incidental to the possession and enjoyment thereof or any interest therein under the terms of the leases applicable thereto; and

(c) All agreements, contracts and rights of Assignor insofar as the same relate to the lands described on Exhibit "A". All properties and rights (contractual and otherwise) described in (a) through (c) above and conveyed hereby, are sometimes referred to hereinafter as the "Properties".

ASSIGNOR HEREBY EXPRESSLY EXCEPTS, RESERVES AND RETAINS, unto itself its successors and assigns, an overriding royalty (referred to hereinafter as "Assignor's Overriding Royalty") on all oil and gas and other minerals produced from or allocated to the Properties as to each of the leases described on Exhibit "A", equal to the positive difference, if any, between Twenty-Five (25.0%) and existing burdens (including the royalty reserved to the owners of the minerals covered by oil and gas leases under the terms of such leases), of;

(a) All oil, distillate, condensate and other liquid or liquefiable hydrocarbons produced and saved, which shall be delivered free of all cost and expense, except taxes on production, at the well or wells or, at Assignor's option, to the credit of Assignor into the pipeline to which said well or wells may be connected; and

(b) The market value at the well of all gas and casinghead gas produced and saved, which shall be paid to Assignor free of all costs and expenses, except taxes on production; and

(c) All other minerals produced and saved, free of all costs and expenses, except taxes on production.

With respect to Assignor's Overriding Royalty, Assignor and Assignee agree as follows:

(a) "Existing Burdens" shall mean all royalties, overriding royalties, production payments, net profits obligations, carried working interests, and all other payments out of production with which the Properties are burdened as of the Effective Time.

(b) In the event a lease hereby assigned covers less than all of the oil and gas and mineral rights in the entire oil and gas mineral estate in the land described therein (whether or not such lease purports to cover a whole or fractional interest), or, in the event the leasehold interest hereby assigned in a lease is less than the whole leasehold interest in such lease, the Assignor's Overriding Royalty with respect to such lease shall be proportionately reduced in accordance with the extent of the oil and gas mineral rights covered by such lease, or the portion of the leasehold interest in such lease which is hereby assigned, whichever is applicable, and further;

(c) If Assignee exercises any pooling rights contained in any of the leases compromising the Properties, Assignor's overriding royalty insofar as it covers such leases shall be unitized and paid on a unitized basis.

TO HAVE AND TO HOLD the Properties, subject to the following terms and conditions:

True and Correct
copy of
original filed in
Reeves County
Clerks Office

1. Term of Assignment. This Assignment shall be for a term of Three (3) years from the effective date ("assignment term") and for so long thereafter as oil and/or gas are produced in paying quantities from the properties or from lands validly pooled therewith or for so long as the Assignment is otherwise maintained in effect pursuant to the provisions hereof.

2. Extension by Drilling or Reworking.

(a) If at the expiration of the Assignment Term, oil and/or gas are not being produced from the Properties or lands validly pooled herewith, but Assignee is then engaged in drilling or reworking operations thereon, this Assignment shall remain in force so long as drilling or reworking operations are prosecuted (whether on the same well or different wells), with no cessation of more than ninety (90) consecutive days, and, if they result in production, for so long thereafter as oil and/or gas are produced in paying quantities from the Properties or lands validly pooled therewith. If oil and/or gas on the Properties or lands validly pooled therewith should cease producing in paying quantities from any cause, this Assignment nevertheless shall continue in force and effect as long as additional drilling operations or reworking operations are conducted on the Properties or on lands validly pooled therewith, with no cessation of more than ninety (90) consecutive days and, if production in paying quantities is obtained, this Assignment shall continue as long thereafter as oil and/or gas is produced in paying quantities from the Properties or lands validly pooled therewith.

3. Continuous Development and Shut-in Well.

In the event this assignment is perpetuated beyond the Assignment term by production or drilling or reworking operations, this assignment shall remain in full force and effect as to all of the lands covered by the leases assigned herein if on or before One Hundred Eighty (180) days after the Assignment term, Assignee commences a continuous development drilling program on the lands covered by the leases assigned herein or lands pooled therewith in accordance with the following, and thereafter diligently continues and prosecutes such continuous drilling operations on the lands covered by the leases assigned herein or lands pooled therewithwith no cessation of more than One Hundred Eighty (180) days between the completion of any one well and the commencement of the actual drilling of the next succeeding oil and/or gas well. At and after the expiration of the Assignment term, failure to timely commence or prosecute the continuous development program provided hereinabove shall terminate this assignment as to all of the lands covered by the leases assigned herein or lands pooled therewith, SAVE and EXCEPT each "production unit" as hereinafter defined. A production unit for a vertical well shall be (i) the maximum number of acres required by the Railroad Commission of Texas for a proration unit under then existing special field rules or (ii) if there are no special field rules 40 acres around each vertical oil well and 160 acres around each vertical gas well then producing or capable of producing oil and/or gas in paying quantities. In the event of a horizontal well, Assignee may allocate acreage to each production unit that amount of acreage as allowed by Rule 86 of the Railroad Commission of Texas. Notwithstanding the foregoing, the production unit for a vertical oil or gas well shall not exceed 160 acres, and for a horizontal oil or gas well shall not exceed 320 acres. Each production unit retained by Assignee shall be limited to those depths from the base of the Brushy Canyon Formation to 100' below the deepest perforations from which production of oil or gas in paying quantities is being maintained (or, in the case of a shut-in gas well, can be maintained) in the well on such production unit and all other deeper depths shall be released.

Assignee's time between wells shall be cumulative in the sense that if the second development well is commenced 90 days after completion of the first development well, Assignee shall have 270 days within which to commence the third development well, but in no event shall more than 300 days elapse between the completion of one well and the commencement of the next. The first such development well shall be commenced on or before 180 days after the expiration of the Assignment term of this assignment; provided, however, that if there is a well being drilled on the lands covered by the leases assigned herein or lands pooled therewithat the expiration of the Assignment term hereof, the first such development well shall be commenced on or before 180 days from the date of completion of said well. The term "completion," as used herein, shall mean the earlier of the date of completion shown on the Railroad Commission Initial Potential Form W-2 or 60 days from the date of release of the drilling rig. Upon termination of this assignment as to any portion of the lands covered by the leases assigned herein or lands pooled therewith, Assignee shall deliver to Assignor a plat showing the designated production units around each well and a partial release complying with the requirements of this paragraph, suitable for recording.

4. Indemnities and Assumption of Obligations and Condition of the Properties.

(a) Assignee shall fully protect, indemnify and defend Assignor, its officers, agents and/or employees and hold them harmless from any and all claims, losses, damages, demands, suits, causes of action, and liabilities relating to injury or death of any person or persons whomsoever, and/or damage to or loss of property, except as specifically set out in paragraph 4(c) below, arising out of or connected with the ownership or operation of the Properties, or any part thereof, by Assignee.

(b) Assignor shall fully protect, indemnify and defend Assignee, its officers, agents and/or employees and hold them harmless from any and all claims, relating to injury or death of any person or persons whomsoever, and/or damage to or loss of property, except as specifically set out in paragraph 4(c) below, arising out of or in connection with Assignor's ownership or operation of the Properties, or any part thereof, accruing before the Effective Time.

True and Correct copy of Original filed in Reeves County Clerks Office

ET-02-01

(c) Assignee shall timely perform and discharge all duties and obligations of the owner of the Properties, including but not limited to: restoration of the surface, environmental and pollution clean up, plugging and abandonment of any and all existing and future wells; and Assignor shall incur no liability for Assignee's failure to properly perform and discharge such duties and obligations. Assignee shall fully protect, indemnify, defend and hold Assignor, its officers, agents and/or employees harmless against any and all claims for pollution and/or environmental damage of any kind, any fines or penalties assessed on account of such damage, caused by or arising out of ownership or operations conducted on the Properties during the term of this Assignment.

5. Extension Beyond Assignment Term. Assignor hereby grants Assignee the option to extend the Assignment Term as to all or any portion of the subject property covered by the leases being assigned herein for an additional two (2) years from the expiration of the original Assignment Term hereof. This option may be exercised by Assignee or its successors or assigns, at any time prior to the expiration of the original Assignment Term by paying to Assignor an amount equal to 100% of the original bonus payment per net mineral acre for each acre so extended. Such payment shall be based upon the number of net mineral acres neither previously released nor being maintained by other provisions hereof. This payment may be made by the check or draft of Assignee mailed or delivered to Assignor during the Assignment Term hereof.

6. Reassignment. Within thirty (30) days after complete termination of this Agreement under provisions of Paragraphs 1, 2 or 3 hereof, Assignee shall execute and deliver to Assignor a reassignment of all acreage required to be reassigned.

7. Assignor does not warrant title to the rights, powers and interests assigned through this Term Assignment, except that the Assignor warrants title to every person claiming by, through or under Assignor, but not otherwise.

EXECUTED AS OF THE 19th DAY OF July ,2013, but to be effective as of the Effective Time.

Assignor:

BLAKE OIL AND GAS CORPORATION

Jack E. Blake

JACK E. BLAKE, President

Assignee:

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

John W. Walsh
Attorney-in-Fact

True and Correct Copy of Original filed in Reeves County Clerks Office

21.62.01

Acknowledgments

STATE OF TEXAS

COUNTY OF MIDLAND

The foregoing instrument was acknowledged before me this 19th day of July, 2013, by JACK E. BLAKE, as PRESIDENT of BLAKE OIL AND GAS CORPORATION, a Texas corporation, on behalf of said corporation.

JAN R. DAVIS
Notary Public
STATE OF TEXAS
My Comm. Exp. Sep. 16, 2016

Jan R. Davis
Notary Public in and for the State of Texas
My commission expires: 9-16-16

STATE OF TEXAS

COUNTY OF HARRIS

The foregoing instrument was acknowledged before me this 15th day of OCT., 2013, by John W. Walsh, Attorney-in-Fact, of BHP Billiton Petroleum Properties (GP), LLC, general partner of BHP Billiton Petroleum Properties (N.A.), LP, a Texas limited partnership, on behalf of said limited partnership.

LYNN LATIOLAIS
Notary Public, State of Texas
My Commission Expires
October 10, 2017

Lynn Latiolais
Notary Public in and for the State of Texas
My commission expires: 10/10/2017

True and Correct copy of Original filed in Reeves County Clerks Office

21.62.07

Exhibit "A"

Attached to and made a part of that certain Assignment of Oil and Gas Leases, effective July 18, 2013, at 7:00 a.m. CDT, from BLAKE OIL AND GAS CORPORATION, as Assignor, in favor of BHP BILLITON PETROLEUM PROPERTIES (N.A.), LP, as Assignee.

All Lessors listed below acting as Agent for the State of Texas. (Mineral File No. 088676)

LESSOR	LESSEE	DATED	RECORDATION	
Robert A. Schuler, et al	Blake Oil and Gas Corporation	December 8, 1986	Vol. 474	Pg. 168
Violet Schuler	Blake Oil and Gas Corporation	October 10, 1987	Vol. 481	Pg. 303
Evelyn Schuler	Blake Oil and Gas Corporation	October 10, 1987	Vol. 481	Pg. 311
Altha M. Farwell	Blake Oil and Gas Corporation	September 30,1988	Vol. 489	Pg. 362
Mary C. Gehle	Blake Oil and Gas Corporation	September 30,1988	Vol. 489	Pg. 372
Richard Kiel	Blake Oil and Gas Corporation	September 30,1988	Vol. 489	Pg. 382
Donald H. Kiel	Blake Oil and Gas Corporation	October 10, 1988	Vol. 489	Pg. 392
Lois Oestrich and Clint Oestrich	Blake Oil and Gas Corporation	September 30,1988	Vol. 489	Pg. 402
Lorna Jean Rybacheck	Blake Oil and Gas Corporation	October 10, 1988	Vol. 489	Pg. 412
Mildred Max	Blake Oil and Gas Corporation	September 30,1988	Vol. 489	Pg. 422
Algo A. Novallo	Blake Oil and Gas Corporation	September 30,1988	Vol. 490	Pg. 23
Shirley E. Campbell	Blake Oil and Gas Corporation	October 17, 1988	Vol. 490	Pg. 33
Richard Gehle	Blake Oil and Gas Corporation	September 30,1988	Vol. 490	Pg. 43
Carol Wagner and Arthur Wagner	Blake Oil and Gas Corporation	September 30,1988	Vol. 491	Pg. 448
Esther I. Wurm	Blake Oil and Gas Corporation	September 30,1988	Vol. 491	Pg. 459

INSOFAR AND ONLY INSOFAR as the above mentioned leases cover the Southeast portion of the Northern 440 acres of Section 12, Block 57, Township 2, A-4924, T&P RR Co. Survey, Reeves County, Texas, containing 80.00 acres, more or less, being more fully described in that certain Warranty Deed from Emma Sabastian Ulrich, et al, to Betty Jane Yowell, filed in Book 349, at Page 810, under File No. 2555 of the Deed Records of Reeves County, Texas, **LESS AND EXCEPT** all depths from the surface of the earth down to the base of the Brushy Canyon Formation.

It is the intention of Assignor and Assignee that all rights and depths below the base of the Brushy Canyon Formation be assigned herein.

Inst No. 13-07870
DIANNE O. FLOREZ
COUNTY CLERK
2013 Oct 24 @ 02:16 PM
REEVES COUNTY, TEXAS
By: Vg DEPUTY

True and Correct copy of Original filed in Reeves County Clerks Office

27.52.01

127.

File No. MF 088676
Assignment from Blake to BHP

Date Filed: 10-29-13
Jerry E. Patterson, Commissioner
By JK

THE STATE OF TEXAS
COUNTY OF REEVES

I, Dianne O. Florez, Clerk of the County Court in and for said County and State, do hereby certify that the foregoing is a true and correct copy of Assignment of Oil & Gas Lease dated 4th day of October, 2013, filed for record in my office this 24th day of October, 2013 at 2:16 P. M, under Clerk's File No. 088676, and recorded in the Official Public Records of Reeves County, Texas.

TO CERTIFY WHICH, Witness my hand and official seal at Pecos, Texas this 24th day of October, 2013.

By: Dianne O. Florez, Deputy.

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS

MF088676

EXHIBIT A

Date: 4/5/2018

BHP
Land Administration
P.O. Box 22719
Houston, TX 77227-9927
T (877) 311-1443
F (888) 484-3189
PetroleumOwnerRelations
Request@bhpbilliton.com

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

Special Clauses/Comments:

Issue Date: 4/5/2018
Property Name: STATE LRP 57-T2-12 W103H
Property #: P1M794/00501
Production: ALL PRODUCTS 389-36140
Operator: BHP BILLITON PETROLEUM (TXLA OPERATING)
Legal Description: T&P RR CO ABST/ID# 4786 Grantee H. LASELL Twsp T2 Blk 57 Sec 12 REEVES COUNTY/PARISH, TEXAS (642.860 ACRES); T&P RR CO ABST/ID# 4883 Grantee V. REICHARD Twsp T2 Blk 57 Sec 12 REEVES COUNTY/PARISH, TEXAS (642.860 ACRES); T&P RR CO ABST/ID# 5701 Grantee P. THOMAS Twsp T2 Blk 57 Sec 12 REEVES COUNTY/PARISH, TEXAS (642.860 ACRES); T&P RR CO ABST/ID# 4829 Grantee M. PETERSON Twsp T2 Blk 57 Sec 12 REEVES COUNTY/PARISH, TEXAS (642.860 ACRES); T&P RR CO ABST/ID# 4924 Grantee F.H. SCHULER Twsp T2 Blk 57 Sec 12 REEVES COUNTY/PARISH, TEXAS (642.860 ACRES)

Decimal	Type	Status	Reason	Start Date
0.00006471	RI	PAY		3/1/2018
0.00019413	RI	PAY		3/1/2018
0.00012942	RI	PAY		3/1/2018
0.00086279	RI	PAY		3/1/2018
0.00004314	RI	PAY		3/1/2018
0.00258837	RI	PAY		3/1/2018
0.07835687	RI	PAY		3/1/2018
0.00781274	RI	PAY		3/1/2018
0.00194128	RI	PAY		3/1/2018
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0.00004314	RI	PAY		3/1/2018
0.00012942	RI	PAY		3/1/2018
0.00019413	RI	PAY		3/1/2018
0.00086279	RI	PAY		3/1/2018
0.00039060	RI	PAY		3/1/2018
0.00078121	RI	PAY		3/1/2018
0.00019413	RI	PAY		3/1/2018
0.01952116	RU	PAY		3/1/2018
0.00012942	RI	PAY		3/1/2018
0.00086279	RI	PAY		3/1/2018
0.02109266	RI	PAY		3/1/2018
0.00019413	RI	PAY		3/1/2018
0.00078121	RI	PAY		3/1/2018
0.00039060	RI	PAY		3/1/2018

0.00004314	RI	PAY	3/1/2018
0.00006471	RI	PAY	3/1/2018
0.00327860	RI	PAY	3/1/2018

EXHIBIT A

Date: 4/20/2018

BHP
Land Administration
P.O. Box 22719
Houston, TX 77227-9927
T (877) 311-1443
F (888) 484-3189
PetroleumOwnerRelations
Request@bhpbilliton.com

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

Special Clauses/Comments:

Issue Date: 4/20/2018
Property Name: STATE LRP 57-T2-12 W104H
Property #: P1M793/00501
Production: ALL PRODUCTS 389-36151
Operator: BHP BILLITON PETROLEUM (TXLA OPERATING)
Legal Description: T&P RR CO ABST/ID# 4786 Grantee H. LASELL Twsp T2 Blk 57 Sec 12 REEVES COUNTY/PARISH, TEXAS (642.860 ACRES); T&P RR CO ABST/ID# 4883 Grantee V. REICHARD Twsp T2 Blk 57 Sec 12 REEVES COUNTY/PARISH, TEXAS (642.860 ACRES); T&P RR CO ABST/ID# 5701 Grantee P. THOMAS Twsp T2 Blk 57 Sec 12 REEVES COUNTY/PARISH, TEXAS (642.860 ACRES); T&P RR CO ABST/ID# 4829 Grantee M. PETERSON Twsp T2 Blk 57 Sec 12 REEVES COUNTY/PARISH, TEXAS (642.860 ACRES); T&P RR CO ABST/ID# 4924 Grantee F.H. SCHULER Twsp T2 Blk 57 Sec 12 REEVES COUNTY/PARISH, TEXAS (642.860 ACRES)

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0.00086279	RI	PAY		3/1/2018
0.00012942	RI	PAY		3/1/2018
0.00019413	RI	PAY		3/1/2018
0.00006471	RI	PAY		3/1/2018
0.00781274	RI	PAY		3/1/2018
0.07835687	RI	PAY		3/1/2018
0.00258837	RI	PAY		3/1/2018
0.00004314	RI	PAY		3/1/2018
0.00078121	RI	PAY		3/1/2018
0.00039060	RI	PAY		3/1/2018
0.00086279	RI	PAY		3/1/2018
0.00019413	RI	PAY		3/1/2018
0.00012942	RI	PAY		3/1/2018
0.00004314	RI	PAY		3/1/2018
0.00194128	RI	PAY		3/1/2018
0.00194128	RI	PAY		3/1/2018
0.00019413	RI	PAY		3/1/2018
0.01952116	RU	PAY		3/1/2018
0.00012942	RI	PAY		3/1/2018
0.02109266	RI	PAY		3/1/2018
0.00086279	RI	PAY		3/1/2018
0.00039060	RI	PAY		3/1/2018
0.00078121	RI	PAY		3/1/2018
0.00019413	RI	PAY		3/1/2018

0.00327860	RI	PAY	3/1/2018
0.00006471	RI	PAY	3/1/2018
0.00004314	RI	PAY	3/1/2018

EXHIBIT A

Date: 4/20/2018

BHP
Land Administration
P.O. Box 22719
Houston, TX 77227-9927
T (877) 311-1443
F (888) 484-3189
PetroleumOwnerRelations
Request@bhpbilliton.com

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

Special Clauses/Comments:

Issue Date: 4/20/2018
Property Name: STATE LRP 57-T2-12 W105H
Property #: P1M846/00501
Production: ALL PRODUCTS 389-361411
Operator: BHP BILLITON PETROLEUM (TXLA OPERATING)
Legal Description: T&P RR CO ABST/ID# 4786 Grantee H. LASELL Twsp T2 Blk 57 Sec 12 REEVES COUNTY/PARISH, TEXAS (642.860 ACRES); T&P RR CO ABST/ID# 4883 Grantee V. REICHARD Twsp T2 Blk 57 Sec 12 REEVES COUNTY/PARISH, TEXAS (642.860 ACRES); T&P RR CO ABST/ID# 5701 Grantee P. THOMAS Twsp T2 Blk 57 Sec 12 REEVES COUNTY/PARISH, TEXAS (642.860 ACRES); T&P RR CO ABST/ID# 4829 Grantee M. PETERSON Twsp T2 Blk 57 Sec 12 REEVES COUNTY/PARISH, TEXAS (642.860 ACRES); T&P RR CO ABST/ID# 4924 Grantee F.H. SCHULER Twsp T2 Blk 57 Sec 12 REEVES COUNTY/PARISH, TEXAS (642.860 ACRES)

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0.00012942	RI	PAY		3/1/2018
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0.00004314	RI	PAY		3/1/2018
0.00258837	RI	PAY		3/1/2018
0.07835687	RI	PAY		3/1/2018
0.00781274	RI	PAY		3/1/2018
0.00194128	RI	PAY		3/1/2018
0.00194128	RI	PAY		3/1/2018
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0.00039060	RI	PAY		3/1/2018

0.00004314	RI	PAY	3/1/2018
0.00006471	RI	PAY	3/1/2018
0.00327860	RI	PAY	3/1/2018

TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

July 6, 2018

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

Re: State Lease Nos. MF088364, MF088676, MF101575, MF115425, MF115426 and MF115586 State LRP 57-T2-12 W103H, W104H and W105H

Dear Mr. Brown:

The Texas General Land Office (GLO) has received your Division Orders for the referenced units. These Division Orders have been filed in the appropriate mineral files.

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

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

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

Thank you,

Vivian Hernandez

Vivian Hernandez
Landman, Energy Resources
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File No. MF 088676

Reeves County

Division Order

Date Filed: 7-9-18

George P. Bush, Commissioner

By V.H.

TEXAS GENERAL LAND OFFICE
COMMISSIONER DAWN BUCKINGHAM, M.D.

May 30. 2023

File

John McCright
McCright and Associates, LLLC
306 W. Wall, Ste 1000
Midland, TX 79701

Re: Assignment ID # 11322 – MF088676, MF099207, MF111325, MF111343, MF111362, MF111858, MF112098, MF112484, MF112764, MF112986, MF115425, MF115426, MF115565, MF115586, MF115668, MF115669, MF115843, MF115947, MF115968, MF115985, MF116326, MF116482 and MF117746
Loving & Reeves Counties

Dear Mr. McCright:

The General Land Office received the following instrument and filed it in the appropriate files.

> Assignment and Conveyance, effective November 1, 2022, from BPX Operating Company, Assignor to Permian Delaware Exploration Holdings, LLC, Assignee. Filed of record under Doc# 2023-0014 & Doc# 2023-2023000048 respectively.

Filing fees in the amount of $3,675.00 were received on the referenced assignment.

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

Best Regards,

✓

Carl Bonn, CPL
Mineral Leasing-Energy Resources

McCRIGHT AND ASSOCIATES, L. L. C.

306 W. WALL, SUITE. 1000
MIDLAND, TEXAS 79701
432.203.7366
JCMCCRIGHT@SBCGLOBAL.NET

March 8, 2023

Texas General Land Office
1700 North Congress Avenue
Austin, Texas 78701

Attn: Mr. Carl Bonn

RE: Assignment of GLO Leases
Loving and Reeves Counties, Texas

Dear Mr. Bonn:

On behalf of our client, Permian Delaware Enterprises Holdings LLC, enclosed herewith please find two (2) certified copies of an Assignment and Conveyance effective December 22, 2022, between BPX Operating Company, as Assignor, and Permian Delaware Enterprises Holdings LLC, as Assignee, covering thirty (3) GLO leases which are fully described in the attachment hereto. One certified copy is the assignment recorded as Instrument No. 2023-0014, Official Public Records of Loving County, Texas, and the other certified copy is the assignment recorded as Instrument Number 2023000048, Official Records of Reeves County, Texas.

Per your conversation with Sarah Midkiff, you advised that it is not necessary to submit an Assignment Summary form with these certified copies.

A check in the amount of $750.00 is enclosed as payment of the filing fee for the thirty (30) GLO leases listed on the attachment hereto.

Should you require anything further in this regard, please do not hesitate to contact me at 432.203.7366 or via mail at jcmccright@sbcglobal.net.

Very truly yours,

John McCright

:jws
Enclosures

23705161

STATE LEASE NUMBER	LESSOR	LESSEE	LEASE DATE	VOL	PAGE	INSTRUMENT NO.	SECTION	BLOCK	TOWNSHIP	COUNTY	STATE
MF112098	CHRISTINE JENKINS	PETROHAWK PROPERTIES, LP	1/13/2011	871	340	1601	Section 22 All of	57	T3S	REEVES	TX
MF112098	WILLIAM STEWART HOOTON	PETROHAWK PROPERTIES, LP	1/13/2011	871	152	1557	Section 22 All of	57	T3S	REEVES	TX
MF112098	BOBBY HOOTON	PETROHAWK PROPERTIES LP	1/13/2011	871	159	1558	Section 22 All of	57	T3S	REEVES	TX
MF112098	MARGIE MCKENZIE HOOTON	PETROHAWK PROPERTIES, LP	1/17/2011	871	166	1559	Section 22 All of	57	T3S	REEVES	TX
MF112098	ERMENTRU JENKINS	PETROHAWK PROPERTIES, LP	1/14/2011	871	173	1560	Section 22 All of	57	T3S	REEVES	TX
MF112098	SARA KEASLER BARNETT	PETROHAWK PROPERTIES, LP	1/13/2011	871	180	1561	Section 22 All of	57	T3S	REEVES	TX
MF112098	KAY KEASLER CASPER	PETROHAWK PROPERTIES, LP	1/17/2011	871	347	1602	Section 22 All of	57	T3S	REEVES	TX
MF112098	MARGARET ANN KEASLER HOGAN	PETROHAWK PROPERTIES, LP	1/17/2011	871	361	1604	Section 22 All of	57	T3S	REEVES	TX
MF112098	KATHERINE HOOTON STANDING	PETROHAWK PROPERTIES, LP	1/13/2011	871	375	1606	Section 22 All of	57	T3S	REEVES	TX
MF112098	WILLIAM D HOOTON	PETROHAWK PROPERTIES, LP	1/14/2011	871	801	1696	Section 22 All of	57	T3S	REEVES	TX
MF112098	GAIL HOOTON	PETROHAWK PROPERTIES, LP	1/13/2011	871	808	1697	Section 22 All of	57	T3S	REEVES	TX
MF112098	MOZELLE KEASLER BICKNELL	PETROHAWK PROPERTIES LP	1/14/2011	871	822	1699	Section 22 All of	57	T3S	REEVES	TX
MF112098	MARY HOOTON HARDIN	PETROHAWK PROPERTIES, LP	1/14/2011	872	1	1700	Section 22 All of	57	T3S	REEVES	TX
MF112098	ELNA JANE WOOD	PETROHAWK PROPERTIES, LP	1/17/2011	872	8	1701	Section 22 All of	57	T3S	REEVES	TX
MF112098	VIRGINIA PAT KEASLER TAYLOR	PETROHAWK PROPERTIES, LP	1/14/2011	872	15	1702	Section 22 All of	57	T3S	REEVES	TX
MF112098	PHILIP JENKINS	PETROHAWK PROPERTIES, LP	1/17/2011	872	767	1875	Section 22 All of	57	T3S	REEVES	TX
MF112098	PHILIP LEAHY HOOTON	PETROHAWK PROPERTIES, LP	1/17/2011	872	775	1876	Section 22 All of	57	T3S	REEVES	TX

MF112098	GREGORY JENKINS	PETROHAWK PROPERTIES, LP	1/14/2011	872	782	1877	Section 22 All of	57	T3S	REEVES	TX
MF112098	JOSEPH ROBERT KEASLER	PETROHAWK PROPERTIES, LP	1/17/2011	872	789	1878	Section 22 All of	57	T3S	REEVES	TX
MF112098	JESSE DAVID CROUCH	PETROHAWK PROPERTIES, LP	1/17/2011	871	815	1698	Section 22 All of	57	T3S	REEVES	TX
MF112098	JAMES WILLIAM HOOTON	PETROHAWK PROPERTIES, LP	1/13/2011	871	354	1603	Section 22 All of	57	T3S	REEVES	TX
MF112098	DEBORAH HOOTON HARTSOCK	PETROHAWK PROPERTIES, LP	1/13/2011	871	368	1605	Section 22 All of	57	T3S	REEVES	TX
MF112098	GENE HOOTON	PETROHAWK PROPERTIES, LP	1/13/2011	871	382	1607	Section 22 All of	57	T3S	REEVES	TX
MF112098	TERRELL JENKINS KING	PETROHAWK PROPERTIES, LP	1/13/2011	878	709	2928	Section 22 All of	57	T3S	REEVES	TX
MF112098	LUCY CAROLYN KING PEREZ	PETROHAWK PROPERTIES, LP	1/17/2011	878	716	2929	Section 22 All of	57	T3S	REEVES	TX
MF112098	JEFFREY LYNN CROUCH	PETROHAWK PROPERTIES, LP	1/17/2011	878	723	2930	Section 22 All of	57	T3S	REEVES	TX
MF115968	DISCOVERY EXPLORATION	BRACERO OIL COMPANY	12/2/2013	103 9	631	13-08865	N/2 Section 24	56	T3S	REEVES	TX
MF115968	JACQUELINE C HEDBLOM ET AL	BRACERO OIL COMPANY	9/24/2013	102 7	89	13-07101	N/2 Section 24	56	T3S	REEVES	TX
MF115968	BLAKE OIL & GAS CORPORATION	BHP BILLITON PETROLEUM PROPERTIES NA LP	2/15/2016	125 4	276	16-03768	N/2 Section 24	56	T3S	REEVES	TX
MF117746	SAMUEL L MAYALL	BHP BILLITON PETROLEUM PROPERTIES NA LP	8/26/2015	119 6	643	15-08470	Section 34 All of	56	T3S	REEVES	TX
MF117746	VIRGINIA N SIBLEY PERRYMAN	BHP BILLITON PETROLEUM PROPERTIES NA LP	9/18/2015	120 1	705	15-09149	Section 34 All of	56	T3S	REEVES	TX
MF117746	ELIZABETH WENDY ROBERTS SIBLEY HARPER ET	BHP BILLITON PETROLEUM PROPERTIES NA LP	9/18/2015	120 1	713	15-09150	Section 34 All of	56	T3S	REEVES	TX

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MF117746 - A	JULIA NORFLEET HEARNE	BHP BILLITON PETROLEUM PROPERTIES NA LP	9/18/2015	120 1	698	15-09148	Section 34 All of	56	T3S	REEVES	TX
MF117746	BLAKE OIL & GAS CORPORATION	BHP BILLITON PETROLEUM PROPERTIES NA LP	2/15/2016	125 4	265	16-03767	Section 34 All of	56	T3S	REEVES	TX
MF117746	VICTORIA SMITH BURROWS	BHP BILLITON PETROLEUM PROPERTIES NA LP	4/7/2017	144 7	341	17-12252	Section 34 All of	56	T3S	REEVES	TX
MF117746	LOWRY SMITH JR	BHP BILLITON PETROLEUM PROPERTIES NA LP	3/30/2017	144 7	327	17-12251	Section 34 All of	56	T3S	REEVES	TX
MF117746	DONNA NELMS	BHP BILLITON PETROLEUM PROPERTIES NA LP	7/10/2017	146 3	587	17-14408	Section 34 All of	56	T3S	REEVES	TX
MF117746	MELANIE COFFMAN	BHP BILLITON PETROLEUM PROPERTIES NA LP	7/31/2017	147 5	732	17-15836	Section 34 All of	56	T3S	REEVES	TX
MF117746	ROBERT HENRY STOWELL	BHP BILLITON PETROLEUM PROPERTIES NA LP	12/15/2017	153 8	778	18-01989	Section 34 All of	56	T3S	REEVES	TX
MF117746	WILLIAM C MAYALL	BHP BILLITON PETROLEUM PROPERTIES NA LP	3/1/2018	156 8	448	18-05425	Section 34 All of	56	T3S	REEVES	TX
MF117746	NANCY L SAMPSON	BHP BILLITON PETROLEUM PROPERTIES NA LP	3/1/2018	156 8	420	18-05423	Section 34 All of	56	T3S	REEVES	TX
MF117746	JOHN S MAYALL	BHP BILLITON PETROLEUM PROPERTIES NA LP	3/1/2018	156 8	462	18-05426	Section 34 All of	56	T3S	REEVES	TX

MF117746	ELIZABETH PAPE	BHP BILLITON PETROLEUM PROPERTIES NA LP	3/1/2018	1568	434	18-05424	Section 34 All of	56	T3S	REEVES	TX
MF117746	WALLACE EUGENE FAGERSTEDT	BHP BILLITON PETROLEUM PROPERTIES NA LP	5/1/2018	1597	179	18-08854	Section 34 All of	56	T3S	REEVES	TX
MF117746	LANCE MARTIN FAGERSTEDT	BHP BILLITON PETROLEUM PROPERTIES NA LP	5/1/2018	1610	59	18-10293	Section 34 All of	56	T3S	REEVES	TX
MF112484	STATE OF TEXAS M-112484	ANGELLE & DONOHUE OIL & GAS PROPERTIES,	4/5/2011	879	416	3035	All of Section 38	57	T3S	REEVES	TX
MF111343	THE GEORGE R BROWN PARTNERSHIP LP	LEGEND NATURAL GAS IV LP	6/29/2010	848	164	2422	ALL OF SECTION 44	56	T2S	REEVES	TX
MF111362	SHARON M DARCY	LEGEND NATURAL GAS IV LP	6/10/2010	850	204	2795	All of Section 22	56	T3S	REEVES	TX
MF111325	M D ABEL CO	TRANSCENDENT OIL & GAS PROPERTIES LLC	5/27/2010	94	711	10-785	N/2 OF SECTION 2	55	T2S	LOVING	TX
MF111858	ELSIE ANN GAYER TRUST	BOLD ENERGY II LLC	9/1/2010	96	478	10-1094	SECTION 2 S/2 OF	55	T2S	LOVING	TX
MF111859	FLOYD C DODSON JR GRANTOR TRUST ET AL	BOLD ENERGY II LLC	9/1/2010	96	469	10-1093	SECTION 2 S/2 OF	55	T2S	LOVING	TX
MF112764	BRENNAND LAZY H RANCH LTD	PETROHAWK PROPERTIES LP	2/15/2012	932	557	12-02282	Section 36 All of	57	T2S	REEVES	TX
MF112764	NANCY ADELE SAUSTAD TRUST	PETROHAWK PROPERTIES LP	6/5/2012	948	116	12-04814	Section 36 All of	57	T2S	REEVES	TX
MF112764	LOYD W POWELL JR CHILDRENS TRUST	PETROHAWK PROPERTIES LP	5/1/2012	943	31	12-04044	Section 36 All of	57	T2S	REEVES	TX

MF112764	PURSUIT ENERGY CORPORATION	PETROHAWK PROPERTIES LP	5/1/2012	943	45	12-04046	Section 36 All of	57	T2S	REEVES	TX
MF112764	ANDREWS ROYALTY LP	PETROHAWK PROPERTIES LP	5/1/2012	943	38	12-04045	Section 36 All of	57	T2S	REEVES	TX
MF112764	PATTI JO WOOD	PETROHAWK PROPERTIES LP	6/21/2012	956	10	12-05800	Section 36 All of	57	T2S	REEVES	TX
MF112764	ROBERTA REGAN TESTAMENTAR Y TRUST	PETROHAWK PROPERTIES LP	6/1/2012	945	494	12-04364	Section 36 All of	57	T2S	REEVES	TX
MF112764	HOWELL SMITH WYNNE	PETROHAWK PROPERTIES LP	5/1/2012	944	290	12-04239	Section 36 All of	57	T2S	REEVES	TX
MF112764	WILLIAM BARTON WAKEFIELD TESTAMENTAR Y TR	PETROHAWK PROPERTIES LP	6/21/2012	951	316	12-05288	Section 36 All of	57	T2S	REEVES	TX
MF112764	WESTWAY RANCHES LLC	BHP BILLITON PETROLEUM PROPERTIES NA LP	9/9/2013	102 6	301	13-06997	Section 36 All of	57	T2S	REEVES	TX
MF112764	NANCY SMITH CHANDLER	BHP BILLITON PETROLEUM PROPERTIES NA LP	10/1/2013	103 5	430	13-08266	Section 36 All of	57	T2S	REEVES	TX
MF112764	ARBGT LMB O&G TX LP	BHP BILLITON PETROLEUM PROPERTIES NA LP	11/1/2013	104 7	432	14-00181	Section 36 All of	57	T2S	REEVES	TX
MF112764	EPB O&G TX LP	BHP BILLITON PETROLEUM PROPERTIES NA LP	11/1/2013	104 7	418	14-00179	Section 36 All of	57	T2S	REEVES	TX
MF112764	ARBGT RMB O&G TX LP	BHP BILLITON PETROLEUM PROPERTIES NA LP	11/1/2013	104 7	439	14-00182	Section 36 All of	57	T2S	REEVES	TX
MF112764	SID W RICHARDSON FOUNDATION	BHP BILLITON PETROLEUM PROPERTIES NA LP	11/1/2013	104 7	425	14-00180	Section 36 All of	57	T2S	REEVES	TX

MF112764	ARBGT SRB O&G TX LP	BHP BILLITON PETROLEUM PROPERTIES NA LP	11/1/2013	104 7	446	14-00183	Section 36 All of	57	T2S	REEVES	TX
MF112764	PATTI JO WOOD TRUST UWO JOSIE FAY PECK	BHP BILLITON PETROLEUM PROPERTIES NA LP	1/13/2014	105 6	741	14-01538	Section 36 All of	57	T2S	REEVES	TX
MF115426	WILLIAM EDWARD LASELL ET AL	PETROHAWK PROPERTIES LP	3/25/2013	100 1	320	13-03311	E/2NW/4 OF SECTION 12	57	T2S	REEVES	TX
MF115425	LOWE ROYALTY PARTNERS LP	PETROHAWK PROPERTIES LP	1/28/2013	100 1	297	13-03308	E/2NW/4 AND W/2NE/4 OF SECTION 12	57	T2S	REEVES	TX
MF115425	JULIA LUCINDA C RAMAN	PETROHAWK PROPERTIES LP	5/24/2013	100 7	741	13-04427	E/2NW/4 AND W/2NE/4 OF SECTION 12	57	T2S	REEVES	TX
MF115425	WALTER C CREMIN III	PETROHAWK PROPERTIES LP	5/24/2013	101 0	361	13-04843	E/2NW/4 AND W/2NE/4 OF SECTION 12	57	T2S	REEVES	TX
MF115425	MARIANNE C TAYLOR	PETROHAWK PROPERTIES LP	5/24/2013	101 4	521	13-05322	E/2NW/4 AND W/2NE/4 OF SECTION 12	57	T2S	REEVES	TX
MF115425	ESTATE OF ANN CREMIN FIALA	PETROHAWK PROPERTIES LP	6/12/2013	101 4	528	13-05323	E/2NW/4 AND W/2NE/4 OF SECTION 12	57	T2S	REEVES	TX
MF115586	STANLEY N STAPLES	PETROHAWK PROPERTIES LP	5/24/2013	101 0	368	13-04844	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX

MF115586	LAUREN LEAVELL PINKSTON	BHP BILLITON PETROLEUM PROPERTIES NA LP	7/18/2013	102 5	436	13-06863	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
MF115586	WILLIAM WYATT LEAVELL III	BHP BILLITON PETROLEUM PROPERTIES NA LP	7/18/2013	102 5	426	13-06862	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
MF115586	JENNIFER BLAKE BROMBERG	BHP BILLITON PETROLEUM PROPERTIES NA LP	7/18/2013	102 5	446	13-06864	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
MF115586	BLAKE OIL & GAS CORPORATION	BHP BILLITON PETROLEUM PROPERTIES NA LP	7/18/2013	103 2	196	13-07868	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
MF088676	ROBERT A SCHULER ET AL	BLAKE OIL & GAS CORPORATION	12/8/1986	474	168	344	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
MF088676	VIOLET SCHULER	BLAKE OIL & GAS CORPORATION	10/10/1987	481	303	3062	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX

MF088676	ALTHA M FARWELL	BLAKE OIL & GAS CORPORATION	9/30/1988	489	362	2781	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
MF088676	MARY C GEHLE	BLAKE OIL & GAS CORPORATION	9/30/1988	489	372	2782	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
MF088676	RICHARD KIEL	BLAKE OIL & GAS CORPORATION	9/30/1988	489	382	2783	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
MF088676	DONALD H KIEL	BLAKE OIL & GAS CORPORATION	10/8/1986	489	392	2784	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
MF088676	LOIS OESTRICH ET VIR	BLAKE OIL & GAS CORPORATION	9/30/1988	489	402	2785	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
MF088676	LORNA JEAN RYBACHECK	BLAKE OIL & GAS CORPORATION	10/10/1988	489	412	2786	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX

MF088676	MILDRED MAX	BLAKE OIL & GAS CORPORATION	9/30/1988	489	422	2787	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
MF088676	ALGO A NOVALLO	BLAKE OIL & GAS CORPORATION	9/30/1988	490	23	2939	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
MF088676	SHIRLEY E CAMPBELL & FOR ST OF TX	BLAKE OIL & GAS CORPORATION	10/17/1988	490	33	2940	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
MF088676	RICHARD GEHLE	BLAKE OIL & GAS CORPORATION	9/30/1988	490	43	2941	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
MF088676	CAROL WAGNER ET VIR	BLAKE OIL & GAS CORPORATION	9/30/1988	491	448	208	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
MF088676	ESTHER I WURM	BLAKE OIL & GAS CORPORATION	9/30/1988	491	459	209	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX

MF099207	AGNES C BECKHAM ET AL	RICHARD C SLACK	5/25/1987	477	496	1621	40 ACRES AROUND THE GUY CALDWELL #3 WELL IN THE S/2 OF SECTION 24	57	T2S	REEVES	TX
MF115565	ROY E KIMSEY JR	PETROHAWK PROPERTIES LP	6/18/2013	100 8	54	13-04457	SECTION 46 W/2 OF	56	T2S	REEVES	TX
MF115565	TOM E JOHNSON LP	PETROHAWK PROPERTIES LP	6/18/2013	100 9	738	13-04789	SECTION 46 W/2 OF	56	T2S	REEVES	TX
MF115565	GEORGE A THOMAS	PETROHAWK PROPERTIES LP	6/18/2013	100 8	47	13-04456	SECTION 46 W/2 OF	56	T2S	REEVES	TX
MF115565	ROBERT M DAVENPORT	BHP BILLITON PETROLEUM PROPERTIES NA LP	10/8/2013	103 7	176	13-08529	SECTION 46 W/2 OF	56	T2S	REEVES	TX
MF115843	CLIFFORD G GLASGOW	BHP BILLITON PETROLEUM PROPERTIES NA LP	9/10/2013	102 6	322	13-07000	Section 42 All of	57	T2S	REEVES	TX
MF115843	SHARON U TERJESEN	BHP BILLITON PETROLEUM PROPERTIES NA LP	9/10/2013	102 6	315	13-06999	Section 42 All of	57	T2S	REEVES	TX
MF115843	JAMES STEPHEN GLASGOW	BHP BILLITON PETROLEUM PROPERTIES NA LP	9/10/2013	102 6	329	13-07001	Section 42 All of	57	T2S	REEVES	TX
MF115843	ARLISS GLASGOW TRAVIS	BHP BILLITON PETROLEUM PROPERTIES NA LP	9/10/2013	102 6	308	13-06998	Section 42 All of	57	T2S	REEVES	TX
MF115843	JAMES H ZINCK	BHP BILLITON PETROLEUM PROPERTIES NA LP	8/19/2013	102 5	344	13-06846	Section 42 All of	57	T2S	REEVES	TX
MF115843	TAS ROYALTY COMPANY ET AL	BHP BILLITON PETROLEUM PROPERTIES NA LP	8/12/2013	102 2	340	13-06444	Section 42 All of	57	T2S	REEVES	TX

MF115843	SCOTT C STEVENSON	BHP BILLITON PETROLEUM PROPERTIES NA LP	8/20/2013	102 5	470	13-06867	Section 42 All of	57	T2S	REEVES	TX
MF115843	WALKER COUNTY HOSPITAL CORPORATION	BHP BILLITON PETROLEUM PROPERTIES NA LP	8/12/2013	102 5	386	13-06852	Section 42 All of	57	T2S	REEVES	TX
MF115843	STANLEY T BROUSSARD	BHP BILLITON PETROLEUM PROPERTIES NA LP	8/20/2013	102 5	463	13-06866	Section 42 All of	57	T2S	REEVES	TX
MF115843	LAWRENCE F A STEVENSON JR	BHP BILLITON PETROLEUM PROPERTIES NA LP	8/20/2013	102 5	372	13-06850	Section 42 All of	57	T2S	REEVES	TX
MF115843	RANDOLPH & CO	BHP BILLITON PETROLEUM PROPERTIES NA LP	8/12/2013	102 2	347	13-06445	Section 42 All of	57	T2S	REEVES	TX
MF115843	WAYNE CHARLES TOMASEK	BHP BILLITON PETROLEUM PROPERTIES NA LP	8/12/2013	102 5	379	13-06851	Section 42 All of	57	T2S	REEVES	TX
MF115843	STEPHEN H REGNIER	BHP BILLITON PETROLEUM PROPERTIES NA LP	8/12/2013	102 5	365	13-06849	Section 42 All of	57	T2S	REEVES	TX
MF115843	PIERCE MINERAL LLLP	BHP BILLITON PETROLEUM PROPERTIES NA LP	8/12/2013	102 2	354	13-06446	Section 42 All of	57	T2S	REEVES	TX
MF115843	PAUL P REGNIER JR	BHP BILLITON PETROLEUM PROPERTIES NA LP	8/12/2013	102 5	358	13-06848	Section 42 All of	57	T2S	REEVES	TX
MF115843	CUSSETA BALL BOULON	BHP BILLITON PETROLEUM PROPERTIES NA LP	8/20/2013	102 5	351	13-06847	Section 42 All of	57	T2S	REEVES	TX

MF115843	BARTEL LIVING TRUST	BHP BILLITON PETROLEUM PROPERTIES NA LP	9/10/2013	102 7	777	13-07248	Section 42 All of	57	T2S	REEVES	TX
MF115843	LOUISE GLASGOW CHEATHAM	BHP BILLITON PETROLEUM PROPERTIES NA LP	9/10/2013	102 6	617	13-07053	Section 42 All of	57	T2S	REEVES	TX
MF115843	SANDRA A TOMASEK IRREV DECEDENTS B TRUST	BHP BILLITON PETROLEUM PROPERTIES NA LP	8/20/2013	102 5	456	13-06865	Section 42 All of	57	T2S	REEVES	TX
MF115843	HELEN VIRGINIA BELEW BRYANT ET VIR	BHP BILLITON PETROLEUM PROPERTIES NA LP	9/10/2013	102 6	624	13-07054	Section 42 All of	57	T2S	REEVES	TX
MF115843	THOMAS H BALL III	BHP BILLITON PETROLEUM PROPERTIES NA LP	10/2/2013	102 9	504	13-07475	Section 42 All of	57	T2S	REEVES	TX
MF115843	METHODIST CHILDRENS HOME	BHP BILLITON PETROLEUM PROPERTIES NA LP	11/2/2013	103 9	794	13-08905	Section 42 All of	57	T2S	REEVES	TX
MF115843	GERALD B BROUSSARD	BHP BILLITON PETROLEUM PROPERTIES NA LP	12/4/2013	104 7	467	14-00186	Section 42 All of	57	T2S	REEVES	TX
MF115947	CMC/SC BECKHAM HOLDINGS LP ET AL	PETROHAWK PROPERTIES LP	6/27/2013	102 5	124	13-06805	S/2 SECTION 24 LESS 40 ACRE TRACT	57	T2S	REEVES	TX
MF115985	JOHN D CAMP	BHP BILLITON PETROLEUM PROPERTIES NA LP	8/21/2013	102 6	519	13-07038	SECTION 46 E/2 OF	56	T2S	REEVES	TX

MF115668	THE GRETCHEN C NORTHRUP FOUNDATION	STEPHEN C COLE	8/14/2013	102 3	763	13-06622	ALL OF SECTION 34 SAVE AND EXCEPT THE NE/4NE/4	56	T2S	REEVES	TX
MF115668	TRINITY UNIVERSITY	STEPHEN C COLE	8/14/2013	102 3	751	13-06621	ALL OF SECTION 34 SAVE AND EXCEPT THE NE/4NE/4	56	T2S	REEVES	TX
MF115668	SUNSHINE COTTAGE SCHOOL FOR DEAF CHILDREN	STEPHEN C COLE	8/14/2013	102 3	775	13-06623	ALL OF SECTION 34 SAVE AND EXCEPT THE NE/4NE/4	56	T2S	REEVES	TX
MF116326	METT OIL AND GAS LP	BHP BILLITON PETROLEUM PROPERTIES NA LP	1/23/2014	105 6	756	14-01540	Section 44 SW/4	57	T2S	REEVES	TX
MF116326	PLACER LTD	BHP BILLITON PETROLEUM PROPERTIES NA LP	1/23/2014	105 6	749	14-01539	Section 44 SW/4	57	T2S	REEVES	TX
MF116482	BRENNAND LAZY H RANCH LTD	BHP BILLITON PETROLEUM PROPERTIES NA LP	3/1/2014	881	141	14-03025	E/2 Section 44	57	T2S	REEVES	TX
MF116482	REDLANDS ROYALTY COMPANY LLC	BHP BILLITON PETROLEUM PROPERTIES NA LP	3/17/2014	107 3	581	14-03976	E/2 Section 44	57	T2S	REEVES	TX
MF116482	SELF CHILDRENS MANAGEMENT TRUST	BHP BILLITON PETROLEUM PROPERTIES NA LP	6/11/2014	109 2	314	14-06696	E/2 Section 44	57	T2S	REEVES	TX
MF116482	HENKE PETROLEUM CORPORATION	BHP BILLITON PETROLEUM PROPERTIES NA LP	6/11/2014	115 1	443	14-07907	E/2 Section 44	57	T2S	REEVES	TX

MF116482	THE FITZGERALD FIRST RESTATED TRUST UTA	BHP BILLITON PETROLEUM PROPERTIES NA LP	3/27/2015	116 1	299	15-03771	E/2 Section 44	57	T2S	REEVES	TX
MF116482	MARGARET S SHOCKLEY TRUST	BHP BILLITON PETROLEUM PROPERTIES NA LP	4/27/2016	128 4	398	16-07847	E/2 Section 44	57	T2S	REEVES	TX
MF116482	JO ANN SHAW BARBER TRUST	BHP BILLITON PETROLEUM PROPERTIES NA LP	8/5/2016	133 3	414	16-14490	E/2 Section 44	57	T2S	REEVES	TX
MF112986	THE STATE OF TEXAS M-112986	T VERNE DWYER	7/19/2011	901	385	6712	NW/4 Section 44	57	T2S	REEVES	TX
MF101575	TUNSTILL OIL & LAND TRUST	MTBB ACQUISITION COMPANY LLC	3/10/1999	604	595	1070	E/2NE/4, W/2NW/4 AND WEST 40 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
MF116837	MCGARY FAMILY TRUST - KELLY SEPARATE	MARSHALL ENERGY LLC	7/30/2014	109 4	483	14-06998	SECTION 34 ALL OF	56	T2S	REEVES	TX
MF116837	MCGARY LIVING TRUST - SPH	MARSHALL ENERGY LLC	7/30/2014	109 4	494	14-06999	SECTION 34 ALL OF	56	T2S	REEVES	TX
MF116837	MARY JANE MCGARY	MARSHALL ENERGY LLC	7/30/2014	109 4	472	14-06997	SECTION 34 ALL OF	56	T2S	REEVES	TX
MF088364	THE STATE OF TEXAS NO 88364	PREWIT MINERALS	10/5/1982	427	331	4510	SOUTH 200 ACRES OF SECTION 12	57	T2S	REEVES	TX
MF117031	TRINITY UNIVERSITY ATTN: BUSINESS OFFICE	MARSHALL ENERGY LLC	9/4/2014	111 1	207	14-09417	NE/4NE/4 OF SECTION 34	56	T2S	REEVES	TX

MF117031	GRETCHEN C NORTHRUP FOUNDATION	MARSHALL ENERGY LLC	9/4/2014	111 1	221	14-09418	NE/4NE/4 OF SECTION 34	56	T2S	REEVES	TX
MF117031	SUNSHINE COTTAGE SCHOOL FOR DEAF CHILDREN	BHP BILLITON PETROLEUM PROPERTIES NA LP	9/2/2015	121 8	663	15-11639	NE/4NE/4 OF SECTION 34	56	T2S	REEVES	TX
MF065359	GUY CALDWELL ET UX	PHILLIPS PETROLEUM COMPANY	10/15/1970	301	110	556	N/2 OF SECTION 24	57	T2S	REEVES	TX
MF117614	CHEVRON MIDCONTINEN T LP	BHP BILLITON PETROLEUM PROPERTIES NA LP	7/1/2015	118 3	484	15-06542	S/2 Section 24	56	T3S	REEVES	TX
MF118253	WILLIAM L WILKINSON	BHP BILLITON PETROLEUM PROPERTIES NA LP	9/9/2016	133 3	428	16-14491	S/2 SECTION 24 LESS 40 ACRE TRACT	57	T2S	REEVES	TX

McCRIGHT AND ASSOCIATES, L. L. C.

306 W. WALL, SUITE. 1000
MIDLAND, TEXAS 79701
432.203.7366
JCMCCRIGHT@SBCGLOBAL.NET

ID 113222

MF 088676 etal

May 8, 2023

Texas General Land Office
1700 North Congress Avenue
Austin, Texas 78701

750
+2925
$3675

Attn: Mr. Carl Bonn

RE: Assignment of GLO Leases
Loving and Reeves Counties, Texas

Dear Carl:

Pursuant to your email of May 2, 2023 (copy attached) to me and Sarah Midkiff with ConocoPhillips, enclosed please find a copy of Exhibit "A-1" to the Assignment and Conveyance with the MF# now shown beside each lease listed on the exhibit.

Also enclosed is McCright & Associates, LLC's check number 4824 in the amount of $2,925.00 for the balance of the filing fee.

Should you require anything further in this regard, please do not hesitate to contact me at 432.203.7366 or via mail at jcmccright@sbcglobal.net.

Very truly yours,

John McCright

:jws
Enclosures

CASH ONLY IF ALL *CheckLock™* SECURITY FEATURES LISTED ON BACK INDICATE NO TAMPERING OR COPYING

McCright & Associates, LLC
306 W. Wall Street, Suite 1000
Midland, TX 79701
432-203-7366

JPMORGAN CHASE BANK, NA
500 West Wall Street
Midland, TX 79701
32-61/1110

4712

03/08/2023

PAY TO THE ORDER OF Texas General Land Office

$ **750.00

Seven hundred fifty and 00/100********** DOLLARS

PROTECTED AGAINST FRAUD

Texas General Land Office
1700 Congress Avenue
Austin, TX 78701

23705161

MEMO Filing Fees for Assignment

MP

124 ⑈004712⑈ [redacted] [redacted]

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CASH ONLY IF ALL *CheckLock*™ SECURITY FEATURES LISTED ON BACK INDICATE NO TAMPERING OR COPYING

McCright & Associates, LLC
306 W. Wall Street, Suite 1000
Midland, TX 79701
432-203-7366

JPMORGAN CHASE BANK, NA
500 West Wall Street
Midland, TX 79701
32-61/1110

4824

23707016

05/08/2023

PAY TO THE ORDER OF Texas General Land Office

$ **2,925.00

Two thousand nine hundred twenty-five and 00/100********** DOLLARS

PROTECTED AGAINST FRAUD

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

23707016

MEMO Balance of Filing Fee for Assignment

⑈004824⑈ [redacted]

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23-64-S

Judy Shephard

From: jcmccright@sbcglobal.net
Sent: Tuesday, May 2, 2023 11:12 AM
To: 'Carl Bonn'; Sarah.H.Midkiff@conocophillips.com
Cc: 'Judy Shephard'
Subject: RE: [EXTERNAL]FW: Assign from BP to ConocoPhillips - Loving & Reeves MF117746 A et al Loving & Reeves County.

Thanks Carl! We'll get that amended and back to you as quickly as possible.

Thanks
John

From: Carl Bonn <Carl.Bonn@GLO.TEXAS.GOV>
Sent: Tuesday, May 2, 2023 11:08 AM
To: Sarah.H.Midkiff@conocophillips.com; jcmccright@sbcglobal.net
Subject: FW: [EXTERNAL]FW: Assign from BP to ConocoPhillips - Loving & Reeves MF117746 A et al Loving & Reeves County.

Good morning Sarah & John,
Yes we rec'd both certified copies with John's exhibit attached to the Assignment summary sheet and check for $750.
Please add our MF# next to each lease on a copy of the exhibit of the assignment. For example at the bottom of page 14 of 35 MF117746-A covers Julia Norfleet Hearne, Lessor to BHP, Lessee.
https://s3.glo.texas.gov/glo/history/archives/land-grants/index.cfm
Please open the above link and enter only the number in the file number field to view a pdf of the entire file which will help you locate the alpha suffix for each lease to place on the exhibit.
Based on 147 leases in the exhibit, the balance of the filing fee due is $2,925.00.
Give me a call if you have any questions or need assistance with locating our MF#'s.
Best regards,
Carl Bonn, CPL
Energy Resources
Texas General Land Office
1700 N. Congress, Rm 846E
Austin, TX 78701
Cell Phone (512) 590-9600

From: Carl Bonn
Sent: Monday, May 1, 2023 8:55 AM
To: Midkiff, Sarah H <Sarah.H.Midkiff@conocophillips.com>
Subject: RE: [EXTERNAL]FW: Assign from BP to ConocoPhillips - Loving & Reeves

Good morning Sarah,
I'm working from home today and will be in the office tomorrow to double check your filing. I think everything is in order and you are next up for processing.
Best regards,
Carl Bonn, CPL
Energy Resources
Texas General Land Office
1700 N. Congress, Rm 846E
Austin, TX 78701

Exhibit A-1

Leases and Lands

	LESSOR	LESSEE	LEASE DATE	VOL	PAGE	INSTRUMENT NO.	SECTION	BLOCK	TOWNSHIP	COUNTY	STATE
MF112098P	CHRISTINE JENKINS	PETROHAWK PROPERTIES, LP	01/13/2011	871	340	1601	All of Section 22	57	T3S	REEVES	TX
MF112098R	WILLIAM STEWART HOOTON	PETROHAWK PROPERTIES, LP	01/13/2011	871	152	1557	All of Section 22	57	T3S	REEVES	TX
MF112098V	BOBBY HOOTON	PETROHAWK PROPERTIES LP	01/13/2011	871	159	1558	All of Section 22	57	T3S	REEVES	TX
MF112098M	MARGIE MCKENZIE HOOTON	PETROHAWK PROPERTIES, LP	01/17/2011	871	166	1559	All of Section 22	57	T3S	REEVES	TX
MF112098C	ERMENTRU JENKINS	PETROHAWK PROPERTIES, LP	01/14/2011	871	173	1560	All of Section 22	57	T3S	REEVES	TX
MF112098A	SARA KEASLER BARNETT	PETROHAWK PROPERTIES, LP	01/13/2011	871	180	1561	All of Section 22	57	T3S	REEVES	TX
MF112098L	KAY KEASLER CASPER	PETROHAWK PROPERTIES, LP	01/17/2011	871	347	1602	All of Section 22	57	T3S	REEVES	TX
MF112098K	MARGARET ANN KEASLER HOGAN	PETROHAWK PROPERTIES, LP	01/17/2011	871	361	1604	All of Section 22	57	T3S	REEVES	TX
MF112098S	KATHERINE HOOTON STANDING	PETROHAWK PROPERTIES, LP	01/13/2011	871	375	1606	All of Section 22	57	T3S	REEVES	TX
MF112098Y	WILLIAM D HOOTON	PETROHAWK PROPERTIES, LP	01/14/2011	871	801	1696	All of Section 22	57	T3S	REEVES	TX
MF112098Z	GAIL HOOTON	PETROHAWK PROPERTIES, LP	01/13/2011	871	808	1697	All of Section 22	57	T3S	REEVES	TX
MF112098J	MOZELLE KEASLER BICKNELL	PETROHAWK PROPERTIES LP	01/14/2011	871	822	1699	All of Section 22	57	T3S	REEVES	TX
MF112098Q	MARY HOOTON HARDIN	PETROHAWK PROPERTIES, LP	01/14/2011	872	1	1700	All of Section 22	57	T3S	REEVES	TX
MF112098I	ELNA JANE WOOD	PETROHAWK PROPERTIES, LP	01/17/2011	872	8	1701	All of Section 22	57	T3S	REEVES	TX
MF112098X	VIRGINIA PAT KEASLER TAYLOR	PETROHAWK PROPERTIES, LP	01/14/2011	872	15	1702	All of Section 22	57	T3S	REEVES	TX
MF112098N	PHILIP JENKINS	PETROHAWK PROPERTIES, LP	01/17/2011	872	767	1875	All of Section 22	57	T3S	REEVES	TX

	LESSOR	LESSEE	LEASE DATE	VOL	PAGE	INSTRUMENT NO.	SECTION	BLOCK	TOWNSHIP	COUNTY	STATE
MF112098T	PHILIP LEAHY HOOTON	PETROHAWK PROPERTIES, LP	01/17/2011	872	775	1876	All of Section 22	57	T3S	REEVES	TX
MF112098O	GREGORY JENKINS	PETROHAWK PROPERTIES, LP	01/14/2011	872	782	1877	All of Section 22	57	T3S	REEVES	TX
MF112098G	JOSEPH ROBERT KEASLER	PETROHAWK PROPERTIES, LP	01/17/2011	872	789	1878	All of Section 22	57	T3S	REEVES	TX
MF112098B	JESSE DAVID CROUCH	PETROHAWK PROPERTIES, LP	01/17/2011	871	815	1698	All of Section 22	57	T3S	REEVES	TX
MF112098U	JAMES WILLIAM HOOTON	PETROHAWK PROPERTIES, LP	01/13/2011	871	354	1603	All of Section 22	57	T3S	REEVES	TX
MF112098W	DEBORAH HOOTON HARTSOCK	PETROHAWK PROPERTIES, LP	01/13/2011	871	368	1605	All of Section 22	57	T3S	REEVES	TX
MF112098X	GENE HOOTON	PETROHAWK PROPERTIES, LP	01/13/2011	871	382	1607	All of Section 22	57	T3S	REEVES	TX
MF112098D	TERRELL JENKINS KING	PETROHAWK PROPERTIES, LP	01/13/2011	878	709	2928	All of Section 22	57	T3S	REEVES	TX
MF112098E	LUCY CAROLYN KING PEREZ	PETROHAWK PROPERTIES, LP	01/17/2011	878	716	2929	All of Section 22	57	T3S	REEVES	TX
MF112098F	JEFFREY LYNN CROUCH	PETROHAWK PROPERTIES, LP	01/17/2011	878	723	2930	All of Section 22	57	T3S	REEVES	TX
MF115968B	DISCOVERY EXPLORATION	BRACERO OIL COMPANY	12/02/2013	1039	631	13-08865	N/2 Section 24	56	T3S	REEVES	TX
MF115968A	JACQUELINE C HEDBLOM ET AL	BRACERO OIL COMPANY	09/24/2013	1027	89	13-07101	N/2 Section 24	56	T3S	REEVES	TX
MF115968C	BLAKE OIL & GAS CORPORATION	BHP BILLITON PETROLEUM PROPERTIES NA LP	02/15/2016	1254	276	16-03768	N/2 Section 24	56	T3S	REEVES	TX
MF117746E	SAMUEL L MAYALL	BHP BILLITON PETROLEUM PROPERTIES NA LP	08/26/2015	1196	643	15-08470	All of Section 34	56	T3S	REEVES	TX
MF117746D	VIRGINIA N SIBLEY PERRYMAN	BHP BILLITON PETROLEUM PROPERTIES NA LP	09/18/2015	1201	705	15-09149	All of Section 34	56	T3S	REEVES	TX
MF117746C	ELIZABETH WENDY ROBERTS SIBLEY HARPER ET	BHP BILLITON PETROLEUM PROPERTIES NA LP	09/18/2015	1201	713	15-09150	All of Section 34	56	T3S	REEVES	TX
MF117746A	JULIA NORFLEET HEARNE	BHP BILLITON PETROLEUM PROPERTIES NA LP	09/18/2015	1201	698	15-09148	All of Section 34	56	T3S	REEVES	TX

	LESSOR	LESSEE	LEASE DATE	VOL	PAGE	INSTRUMENT NO.	SECTION	BLOCK	TOWNSHIP	COUNTY	STATE
MF117746F	BLAKE OIL & GAS CORPORATION	BHP BILLITON PETROLEUM PROPERTIES NA LP	02/15/2016	1254	265	16-03767	All of Section 34	56	T3S	REEVES	TX
MF117746J	VICTORIA SMITH BURROWS	BHP BILLITON PETROLEUM PROPERTIES NA LP	04/07/2017	1447	341	17-12252	All of Section 34	56	T3S	REEVES	TX
MF117746I	LOWRY SMITH JR	BHP BILLITON PETROLEUM PROPERTIES NA LP	03/30/2017	1447	327	17-12251	All of Section 34	56	T3S	REEVES	TX
MF117746K	DONNA NELMS	BHP BILLITON PETROLEUM PROPERTIES NA LP	07/10/2017	1463	587	17-14408	All of Section 34	56	T3S	REEVES	TX
MF117746L	MELANIE COFFMAN	BHP BILLITON PETROLEUM PROPERTIES NA LP	07/31/2017	1475	732	17-15836	All of Section 34	56	T3S	REEVES	TX
MF117746M	ROBERT HENRY STOWELL	BHP BILLITON PETROLEUM PROPERTIES NA LP	12/15/2017	1538	778	18-01989	All of Section 34	56	T3S	REEVES	TX
MF117746N	WILLIAM C MAYALL	BHP BILLITON PETROLEUM PROPERTIES NA LP	03/01/2018	1568	448	18-05425	All of Section 34	56	T3S	REEVES	TX
MF117746O	NANCY L SAMPSON	BHP BILLITON PETROLEUM PROPERTIES NA LP	03/01/2018	1568	420	18-05423	All of Section 34	56	T3S	REEVES	TX
MF117746P	JOHN S MAYALL	BHP BILLITON PETROLEUM PROPERTIES NA LP	03/01/2018	1568	462	18-05426	All of Section 34	56	T3S	REEVES	TX
MF117746Q	ELIZABETH PAPE	BHP BILLITON PETROLEUM PROPERTIES NA LP	03/01/2018	1568	434	18-05424	All of Section 34	56	T3S	REEVES	TX
MF117746R	WALLACE EUGENE FAGERSTEDT	BHP BILLITON PETROLEUM PROPERTIES NA LP	05/01/2018	1597	179	18-08854	All of Section 34	56	T3S	REEVES	TX
MF117746S	LANCE MARTIN FAGERSTEDT	BHP BILLITON PETROLEUM PROPERTIES NA LP	05/01/2018	1610	59	18-10293	All of Section 34	56	T3S	REEVES	TX
MF112484	STATE OF TEXAS M-112484	ANGELLE & DONOHUE OIL & GAS PROPERTIES,	04/05/2011	879	416	3035	All of Section 38	57	T3S	REEVES	TX
MF111343	THE GEORGE R BROWN PARTNERSHIP LP	LEGEND NATURAL GAS IV LP	06/29/2010	848	164	2422	ALL OF SECTION 44	56	T2S	REEVES	TX

	LESSOR	LESSEE	LEASE DATE	VOL	PAGE	INSTRUMENT NO.	SECTION	BLOCK	TOWNSHIP	COUNTY	STATE
MF111362	SHARON M DARCY	LEGEND NATURAL GAS IV LP	06/10/2010	850	204	2795	All of Section 22	56	T3S	REEVES	TX
MF111325	M D ABEL CO	TRANSCENDENT OIL & GAS PROPERTIES LLC	05/27/2010	94	711	10-785	N/2 OF SECTION 2	55	T2S	LOVING	TX
MF111858B	ELSIE ANN GAYER TRUST	BOLD ENERGY II LLC	09/01/2010	96	478	10-1094	S/2 OF SECTION 2	55	T2S	LOVING	TX
MF111858A	FLOYD C DODSON JR GRANTOR TRUST ET AL	BOLD ENERGY II LLC	09/01/2010	96	469	10-1093	S/2 OF SECTION 2	55	T2S	LOVING	TX
MF112764D	BRENNAND LAZY H RANCH LTD	PETROHAWK PROPERTIES LP	02/15/2012	932	557	12-02282	All of Section 36	57	T2S	REEVES	TX
MF112764J	NANCY ADELE SAUSTAD TRUST	PETROHAWK PROPERTIES LP	06/05/2012	948	116	12-04814	All of Section 36	57	T2S	REEVES	TX
MF112764G	LOYD W POWELL JR CHILDRENS TRUST	PETROHAWK PROPERTIES LP	05/01/2012	943	31	12-04044	All of Section 36	57	T2S	REEVES	TX
MF112764F	PURSUIT ENERGY CORPORATION	PETROHAWK PROPERTIES LP	05/01/2012	943	45	12-04046	All of Section 36	57	T2S	REEVES	TX
MF112764E	ANDREWS ROYALTY LP	PETROHAWK PROPERTIES LP	05/01/2012	943	38	12-04045	All of Section 36	57	T2S	REEVES	TX
MF112764L	PATTI JO WOOD	PETROHAWK PROPERTIES LP	06/21/2012	956	10	12-05800	All of Section 36	57	T2S	REEVES	TX
MF112764I	ROBERTA REGAN TESTAMENTARY TRUST	PETROHAWK PROPERTIES LP	06/01/2012	945	494	12-04364	All of Section 36	57	T2S	REEVES	TX
MF112764H	HOWELL SMITH WYNNE	PETROHAWK PROPERTIES LP	05/01/2012	944	290	12-04239	All of Section 36	57	T2S	REEVES	TX
MF112764K	WILLIAM BARTON WAKEFIELD TESTAMENTARY TR	PETROHAWK PROPERTIES LP	06/21/2012	951	316	12-05288	All of Section 36	57	T2S	REEVES	TX
MF112764M	WESTWAY RANCHES LLC	BHP BILLITON PETROLEUM PROPERTIES NA LP	09/09/2013	1026	301	13-06997	All of Section 36	57	T2S	REEVES	TX
MF112764A	NANCY SMITH CHANDLER	BHP BILLITON PETROLEUM PROPERTIES NA LP	10/01/2013	1035	430	13-08266	All of Section 36	57	T2S	REEVES	TX
MF112764P	ARBGT LMB O&G TX LP	BHP BILLITON PETROLEUM PROPERTIES NA LP	11/01/2013	1047	432	14-00181	All of Section 36	57	T2S	REEVES	TX
MF112764O	EPB O&G TX LP	BHP BILLITON PETROLEUM PROPERTIES NA LP	11/01/2013	1047	418	14-00179	All of Section 36	57	T2S	REEVES	TX

[*Exhibit A-1*]

	LESSOR	LESSEE	LEASE DATE	VOL	PAGE	INSTRUMENT NO.	SECTION	BLOCK	TOWNSHIP	COUNTY	STATE
MF112764Q	ARBGT RMB O&G TX LP	BHP BILLITON PETROLEUM PROPERTIES NA LP	11/01/2013	1047	439	14-00182	All of Section 36	57	T2S	REEVES	TX
MF112764S	SID W RICHARDSON FOUNDATION	BHP BILLITON PETROLEUM PROPERTIES NA LP	11/01/2013	1047	425	14-00180	All of Section 36	57	T2S	REEVES	TX
MF112764R	ARBGT SRB O&G TX LP	BHP BILLITON PETROLEUM PROPERTIES NA LP	11/01/2013	1047	446	14-00183	All of Section 36	57	T2S	REEVES	TX
MF112764T	PATTI JO WOOD TRUST UWO JOSIE FAY PECK	BHP BILLITON PETROLEUM PROPERTIES NA LP	01/13/2014	1056	741	14-01538	All of Section 36	57	T2S	REEVES	TX
MF115426	WILLIAM EDWARD LASELL ET AL	PETROHAWK PROPERTIES LP	03/25/2013	1001	320	13-03311	E/2NW/4 OF SECTION 12	57	T2S	REEVES	TX
MF115425A	LOWE ROYALTY PARTNERS LP	PETROHAWK PROPERTIES LP	01/28/2013	1001	297	13-03308	E/2NW/4 AND W/2NE/4 OF SECTION 12	57	T2S	REEVES	TX
MF115425B	JULIA LUCINDA C RAMAN	PETROHAWK PROPERTIES LP	05/24/2013	1007	741	13-04427	E/2NW/4 AND W/2NE/4 OF SECTION 12	57	T2S	REEVES	TX
MF115425D	WALTER C CREMIN III	PETROHAWK PROPERTIES LP	05/24/2013	1010	361	13-04843	E/2NW/4 AND W/2NE/4 OF SECTION 12	57	T2S	REEVES	TX
MF115425E	MARIANNE C TAYLOR	PETROHAWK PROPERTIES LP	05/24/2013	1014	521	13-05322	E/2NW/4 AND W/2NE/4 OF SECTION 12	57	T2S	REEVES	TX
MF115425C	ESTATE OF ANN CREMIN FIALA	PETROHAWK PROPERTIES LP	06/12/2013	1014	528	13-05323	E/2NW/4 AND W/2NE/4 OF SECTION 12	57	T2S	REEVES	TX
MF115586A	STANLEY N STAPLES	PETROHAWK PROPERTIES LP	05/24/2013	1010	368	13-04844	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
MF115586E	LAUREN LEAVELL PINKSTON	BHP BILLITON PETROLEUM PROPERTIES NA LP	07/18/2013	1025	436	13-06863	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX

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MF115586C	WILLIAM WYATT LEAVELL III	BHP BILLITON PETROLEUM PROPERTIES NA LP	07/18/2013	1025	426	13-06862	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
MF115586D	JENNIFER BLAKE BROMBERG	BHP BILLITON PETROLEUM PROPERTIES NA LP	07/18/2013	1025	446	13-06864	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
MF115586B	BLAKE OIL & GAS CORPORATION	BHP BILLITON PETROLEUM PROPERTIES NA LP	07/18/2013	1032	196	13-07868	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
MF088676 - C	ROBERT A SCHULER ET AL	BLAKE OIL & GAS CORPORATION	12/08/1986	474	168	344	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
MF088676 - I	VIOLET SCHULER	BLAKE OIL & GAS CORPORATION	10/10/1987	481	303	3062	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
MF088676 - E	ALTHA M FARWELL	BLAKE OIL & GAS CORPORATION	09/30/1988	489	362	2781	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
MF088676 - P	MARY C GEHLE	BLAKE OIL & GAS CORPORATION	09/30/1988	489	372	2782	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
MF088676 - L	RICHARD KIEL	BLAKE OIL & GAS CORPORATION	09/30/1988	489	382	2783	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
MF088676 - M	DONALD H KIEL	BLAKE OIL & GAS CORPORATION	10/08/1986	489	392	2784	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX

	LESSOR	LESSEE	LEASE DATE	VOL	PAGE	INSTRUMENT NO.	SECTION	BLOCK	TOWNSHIP	COUNTY	STATE
MF088676 -J	LOIS OESTRICH ET VIR	BLAKE OIL & GAS CORPORATION	09/30/1988	489	402	2785	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
MF088676 F	LORNA JEAN RYBACHECK	BLAKE OIL & GAS CORPORATION	10/10/1988	489	412	2786	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
MF088676 -K	MILDRED MAX	BLAKE OIL & GAS CORPORATION	09/30/1988	489	422	2787	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
MF088676 -N	ALGO A NOVALLO	BLAKE OIL & GAS CORPORATION	09/30/1988	490	23	2939	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
MF088676 G	SHIRLEY E CAMPBELL & FOR ST OF TX	BLAKE OIL & GAS CORPORATION	10/17/1988	490	33	2940	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
MF088676 -O	RICHARD GEHLE	BLAKE OIL & GAS CORPORATION	09/30/1988	490	43	2941	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
MF088676 -R	CAROL WAGNER ET VIR	BLAKE OIL & GAS CORPORATION	09/30/1988	491	448	208	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
MF088676 -Q	ESTHER I WURM	BLAKE OIL & GAS CORPORATION	09/30/1988	491	459	209	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
MF099207	AGNES C BECKHAM ET AL	RICHARD C SLACK	05/25/1987	477	496	1621	40 ACRES AROUND THE GUY CALDWELL #3 WELL IN THE S/2 OF SECTION 24	57	T2S	REEVES	TX

[*Exhibit A-1*]

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	LESSOR	LESSEE	LEASE DATE	VOL	PAGE	INSTRUMENT NO.	SECTION	BLOCK	TOWNSHIP	COUNTY	STATE
MF115565B	ROY E KIMSEY JR	PETROHAWK PROPERTIES LP	06/18/2013	1008	54	13-04457	W/2 OF SECTION 46	56	T2S	REEVES	TX
MF115565C	TOM E JOHNSON LP	PETROHAWK PROPERTIES LP	06/18/2013	1009	738	13-04789	W/2 OF SECTION 46	56	T2S	REEVES	TX
MF115565A	GEORGE A THOMAS	PETROHAWK PROPERTIES LP	06/18/2013	1008	47	13-04456	W/2 OF SECTION 46	56	T2S	REEVES	TX
MF115565D	ROBERT M DAVENPORT	BHP BILLITON PETROLEUM PROPERTIES NA LP	10/08/2013	1037	176	13-08529	W/2 OF SECTION 46	56	T2S	REEVES	TX
MF115843N	CLIFFORD G GLASGOW	BHP BILLITON PETROLEUM PROPERTIES NA LP	09/10/2013	1026	322	13-07000	All of Section 42	57	T2S	REEVES	TX
MF115843T	SHARON U TERJESEN	BHP BILLITON PETROLEUM PROPERTIES NA LP	09/10/2013	1026	315	13-06999	All of Section 42	57	T2S	REEVES	TX
MF115843S	JAMES STEPHEN GLASGOW	BHP BILLITON PETROLEUM PROPERTIES NA LP	09/10/2013	1026	329	13-07001	All of Section 42	57	T2S	REEVES	TX
MF115843M	ARLISS GLASGOW TRAVIS	BHP BILLITON PETROLEUM PROPERTIES NA LP	09/10/2013	1026	308	13-06998	All of Section 42	57	T2S	REEVES	TX
MF115843E	JAMES H ZINCK	BHP BILLITON PETROLEUM PROPERTIES NA LP	08/19/2013	1025	344	13-06846	All of Section 42	57	T2S	REEVES	TX
MF115843A	TAS ROYALTY COMPANY ET AL	BHP BILLITON PETROLEUM PROPERTIES NA LP	08/12/2013	1022	340	13-06444	All of Section 42	57	T2S	REEVES	TX
MF115843K	SCOTT C STEVENSON	BHP BILLITON PETROLEUM PROPERTIES NA LP	08/20/2013	1025	470	13-06867	All of Section 42	57	T2S	REEVES	TX
MF115843D	WALKER COUNTY HOSPITAL CORPORATION	BHP BILLITON PETROLEUM PROPERTIES NA LP	08/12/2013	1025	386	13-06852	All of Section 42	57	T2S	REEVES	TX
MF115843F	STANLEY T BROUSSARD	BHP BILLITON PETROLEUM PROPERTIES NA LP	08/20/2013	1025	463	13-06866	All of Section 42	57	T2S	REEVES	TX
MF115843L	LAWRENCE F A STEVENSON JR	BHP BILLITON PETROLEUM PROPERTIES NA LP	08/20/2013	1025	372	13-06850	All of Section 42	57	T2S	REEVES	TX
MF115843C	RANDOLPH & CO	BHP BILLITON PETROLEUM PROPERTIES NA LP	08/12/2013	1022	347	13-06445	All of Section 42	57	T2S	REEVES	TX

	LESSOR	LESSEE	LEASE DATE	VOL	PAGE	INSTRUMENT NO.	SECTION	BLOCK	TOWNSHIP	COUNTY	STATE
MF115843U	WAYNE CHARLES TOMASEK	BHP BILLITON PETROLEUM PROPERTIES NA LP	08/12/2013	1025	379	13-06851	All of Section 42	57	T2S	REEVES	TX
MF115843H	STEPHEN H REGNIER	BHP BILLITON PETROLEUM PROPERTIES NA LP	08/12/2013	1025	365	13-06849	All of Section 42	57	T2S	REEVES	TX
MF115843B	PIERCE MINERAL LLLP	BHP BILLITON PETROLEUM PROPERTIES NA LP	08/12/2013	1022	354	13-06446	All of Section 42	57	T2S	REEVES	TX
MF115843I	PAUL P REGNIER JR	BHP BILLITON PETROLEUM PROPERTIES NA LP	08/12/2013	1025	358	13-06848	All of Section 42	57	T2S	REEVES	TX
MF115843G	CUSSETA BALL BOULON	BHP BILLITON PETROLEUM PROPERTIES NA LP	08/20/2013	1025	351	13-06847	All of Section 42	57	T2S	REEVES	TX
MF115843Q	BARTEL LIVING TRUST	BHP BILLITON PETROLEUM PROPERTIES NA LP	09/10/2013	1027	777	13-07248	All of Section 42	57	T2S	REEVES	TX
MF115843O	LOUISE GLASGOW CHEATHAM	BHP BILLITON PETROLEUM PROPERTIES NA LP	09/10/2013	1026	617	13-07053	All of Section 42	57	T2S	REEVES	TX
MF115843R	SANDRA A TOMASEK IRREV DECEDENTS B TRUST	BHP BILLITON PETROLEUM PROPERTIES NA LP	08/20/2013	1025	456	13-06865	All of Section 42	57	T2S	REEVES	TX
MF115843P	HELEN VIRGINIA BELEW BRYANT ET VIR	BHP BILLITON PETROLEUM PROPERTIES NA LP	09/10/2013	1026	624	13-07054	All of Section 42	57	T2S	REEVES	TX
MF115843J	THOMAS H BALL III	BHP BILLITON PETROLEUM PROPERTIES NA LP	10/02/2013	1029	504	13-07475	All of Section 42	57	T2S	REEVES	TX
MF115843V	METHODIST CHILDRENS HOME	BHP BILLITON PETROLEUM PROPERTIES NA LP	11/02/2013	1039	794	13-08905	All of Section 42	57	T2S	REEVES	TX
MF115843W	GERALD B BROUSSARD	BHP BILLITON PETROLEUM PROPERTIES NA LP	12/04/2013	1047	467	14-00186	All of Section 42	57	T2S	REEVES	TX
MF115947	CMC/SC BECKHAM HOLDINGS LP ET AL	PETROHAWK PROPERTIES LP	06/27/2013	1025	124	13-06805	S/2 SECTION 24 LESS 40 ACRE TRACT	57	T2S	REEVES	TX
MF115985	JOHN D CAMP	BHP BILLITON PETROLEUM PROPERTIES NA LP	08/21/2013	1026	519	13-07038	E/2 OF SECTION 46	56	T2S	REEVES	TX

[*Exhibit A-1*]

	LESSOR	LESSEE	LEASE DATE	VOL	PAGE	INSTRUMENT NO.	SECTION	BLOCK	TOWNSHIP	COUNTY	STATE
MF115668A	THE GRETCHEN C NORTHRUP FOUNDATION	STEPHEN C COLE	08/14/2013	1023	763	13-06622	ALL OF SECTION 34 SAVE AND EXCEPT THE NE/4NE/4	56	T2S	REEVES	TX
MF115668B	TRINITY UNIVERSITY	STEPHEN C COLE	08/14/2013	1023	751	13-06621	ALL OF SECTION 34 SAVE AND EXCEPT THE NE/4NE/4	56	T2S	REEVES	TX
MF115669	SUNSHINE COTTAGE SCHOOL FOR DEAF CHILDREN	STEPHEN C COLE	08/14/2013	1023	775	13-06623	ALL OF SECTION 34 SAVE AND EXCEPT THE NE/4NE/4	56	T2S	REEVES	TX
MF116326A	METT OIL AND GAS LP	BHP BILLITON PETROLEUM PROPERTIES NA LP	01/23/2014	1056	756	14-01540	SW/4 Section 44	57	T2S	REEVES	TX
MF116326B	PLACER LTD	BHP BILLITON PETROLEUM PROPERTIES NA LP	01/23/2014	1056	749	14-01539	SW/4 Section 44	57	T2S	REEVES	TX
MF116482A	BRENNAND LAZY H RANCH LTD	BHP BILLITON PETROLEUM PROPERTIES NA LP	03/01/2014	881	141	14-03025	E/2 Section 44	57	T2S	REEVES	TX
MF116482B	REDLANDS ROYALTY COMPANY LLC	BHP BILLITON PETROLEUM PROPERTIES NA LP	03/17/2014	1073	581	14-03976	E/2 Section 44	57	T2S	REEVES	TX
MF116482C	SELF CHILDRENS MANAGEMENT TRUST	BHP BILLITON PETROLEUM PROPERTIES NA LP	06/11/2014	1092	314	14-06696	E/2 Section 44	57	T2S	REEVES	TX
MF116482D	HENKE PETROLEUM CORPORATION	BHP BILLITON PETROLEUM PROPERTIES NA LP	06/11/2014	1151	443	14-07907	E/2 Section 44	57	T2S	REEVES	TX
MF116482E	THE FITZGERALD FIRST RESTATED TRUST UTA	BHP BILLITON PETROLEUM PROPERTIES NA LP	03/27/2015	1161	299	15-03771	E/2 Section 44	57	T2S	REEVES	TX
MF116482F	MARGARET S SHOCKLEY TRUST	BHP BILLITON PETROLEUM PROPERTIES NA LP	04/27/2016	1284	398	16-07847	E/2 Section 44	57	T2S	REEVES	TX
MF116482G	JO ANN SHAW BARBER TRUST	BHP BILLITON PETROLEUM PROPERTIES NA LP	08/05/2016	1333	414	16-14490	E/2 Section 44	57	T2S	REEVES	TX
MF112986	THE STATE OF TEXAS M-112986	T VERNE DWYER	07/19/2011	901	385	6712	NW/4 Section 44	57	T2S	REEVES	TX

	LESSOR	LESSEE	LEASE DATE	VOL	PAGE	INSTRUMENT NO.	SECTION	BLOCK	TOWNSHIP	COUNTY	STATE
MF101575	TUNSTILL OIL & LAND TRUST	MTBB ACQUISITION COMPANY LLC	03/10/1999	604	595	1070	E/2NE/4, W/2NW/4 AND WEST 40 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
MF116837A	MCGARY FAMILY TRUST - KELLY SEPARATE	MARSHALL ENERGY LLC	07/30/2014	1094	483	14-06998	ALL OF SECTION 34	56	T2S	REEVES	TX
MF116837B	MCGARY LIVING TRUST - SPH	MARSHALL ENERGY LLC	07/30/2014	1094	494	14-06999	ALL OF SECTION 34	56	T2S	REEVES	TX
MF116837C	MARY JANE MCGARY	MARSHALL ENERGY LLC	07/30/2014	1094	472	14-06997	ALL OF SECTION 34	56	T2S	REEVES	TX
MF088364	THE STATE OF TEXAS NO 88364	PREWIT MINERALS	10/05/1982	427	331	4510	SOUTH 200 ACRES OF SECTION 12	57	T2S	REEVES	TX
MF117031B	TRINITY UNIVERSITY ATTN: BUSINESS OFFICE	MARSHALL ENERGY LLC	09/04/2014	1111	207	14-09417	NE/4NE/4 OF SECTION 34	56	T2S	REEVES	TX
MF117031A	GRETCHEN C NORTHRUP FOUNDATION	MARSHALL ENERGY LLC	09/04/2014	1111	221	14-09418	NE/4NE/4 OF SECTION 34	56	T2S	REEVES	TX
MF117031C	SUNSHINE COTTAGE SCHOOL FOR DEAF CHILDREN	BHP BILLITON PETROLEUM PROPERTIES NA LP	09/02/2015	1218	663	15-11639	NE/4NE/4 OF SECTION 34	56	T2S	REEVES	TX
	GEORGE C FRASER ET AL	CONTINENTAL OIL COMPANY	07/28/1950	8	576	620	NW/4 SECTION 11	55	T2S	LOVING	TX
MF065359	GUY CALDWELL ET UX	PHILLIPS PETROLEUM COMPANY	10/15/1970	301	110	556	N/2 OF SECTION 24	57	T2S	REEVES	TX
MF117614	CHEVRON MIDCONTINENT LP	BHP BILLITON PETROLEUM PROPERTIES NA LP	07/01/2015	1183	484	15-06542	S/2 Section 24	56	T3S	REEVES	TX
MF118253	WILLIAM L WILKINSON	BHP BILLITON PETROLEUM PROPERTIES NA LP	09/09/2016	1333	428	16-14491	S/2 SECTION 24 LESS 40 ACRE TRACT	57	T2S	REEVES	TX

FILED AND RECORDED ELECTRONIC RECORD
2023-0014
ASSIGNMENT
Recorded: 01/04/2023 at 11:01 AM, Pages: 35
Loving, Mozelle Carr District & County Clerk

Execution Version

ASSIGNMENT AND CONVEYANCE

ID 11322
M1-088674
eff 11/1/22

STATE OF TEXAS	§
	§
COUNTIES OF REEVES AND	§
LOVING	§

This Assignment and Conveyance (this "**Assignment**") is made this 22nd day of December, 2022, but effective as of the Effective Time (as defined below), by and between, **BPX Operating Company**, a Texas corporation ("**Assignor**"), whose address is 1700 Platte Street, Suite 150, Denver, Colorado 80202 and **Permian Delaware Enterprises Holdings LLC**, a Texas limited liability company ("**Assignee**"), whose address is 600 W. Illinois Avenue, Midland, Texas 79701. Assignee and Assignor are collectively referred to herein as the "**Parties**" and sometimes individually referred to herein as a "**Party**." This Assignment shall be effective as of 12:01 a.m. Central Time on November 1, 2022 (the "**Effective Time**").

WITNESSETH:

WHEREAS, Assignor, Assignee and Anadarko E&P Onshore LLC are parties to that certain Lease Exchange Agreement, effective as of the Effective Time (together with the exhibits attached thereto, the "**Exchange Agreement**", with all capitalized terms used but not defined in this Assignment having the meanings given to such terms in the Exchange Agreement) pursuant to which Assignor has agreed to assign, sell and convey to Assignee the Subject Interests (as defined below); and

WHEREAS, pursuant to the Exchange Agreement, Assignor and Assignee have agreed to execute and deliver this Assignment.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor does hereby assign, transfer, convey, and deliver unto Assignee, effective as of the Effective Time, an undivided 57.9128% of Assignor's right, title, interest and estate, real or personal, recorded or unrecorded, movable or immovable, tangible or intangible, direct or indirect, in, to, and under the following, less and except the Excluded Property (as hereinafter defined):

Section 1.1:

(a) the oil, gas and/or mineral leases described on Exhibit A-1 (Leases and Lands) attached hereto and made a part hereof for all purposes, to the extent covering lands described on Exhibit A-1 (Leases and Lands), save and except with respect to the Retained Lease Interests, in each case, located in Reeves and/or Loving Counties, Texas, together with all extensions, ratifications, or amendments thereof, and any leasehold estates and operating rights to the oil and gas in place covered by such leases (the "**Leases**", and the lands described on Exhibit A-1 (Leases and Lands) collectively, the "**Lands**"), and all tenements, hereditaments and appurtenances to the foregoing and all rights that arise by operation of law or that benefit or accrue

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Mozelle Carr, County Clerk
Marcela Renteria
Clerk/Deputy

THE STATE OF TEXAS LOVING COUNTY

to the owner or lessee of the foregoing with respect to the exploration, development or use of, or production from the foregoing;

(b) the oil, gas, casinghead gas, coal bed methane, condensate and other gaseous and liquid hydrocarbons or any combination thereof, sulfur extracted from hydrocarbons and all other lease substances ("**Hydrocarbons**") under the Leases and that may be produced under or otherwise be allocated or attributed to the Leases, or the Lands;

(c) the joint operating agreements described on Exhibit A-2 (Joint Operating Agreements) attached hereto and made a part hereof for all purposes;

(d) the unitization, pooling and communitization agreements, declarations, orders, and the units and rights derived therefrom or created thereby, pertaining to or covering the Leases or the Lands (the "**Units**" and, together with the Leases and the Lands, the "**Properties**"); and

(e) copies, or electronic versions (if available), of the books, records, files, reports and similar documents and materials, including title files, title opinions, abstracts of title, ownership maps, contracts files, leases and lease records, title curative materials, in each case to the extent pertaining to the properties and interests described in subsections 1.1(a) through (d) and that are in the possession and control of, or maintained by, Assignor or its Affiliates (the "**Records**").

All of Assignor's right, title and interest in and to the above described properties, interests, and rights specified in the foregoing subsections 1.1(a) through (e) are hereinafter collectively referred to as the "**Subject Interests**". However, the Subject Interests shall not include Assignor's right, title, and interest in and to the Excluded Property, as defined below.

EXCEPTING AND RESERVING to Assignor, the right, title, interest and estate, real or personal, recorded or unrecorded, movable or immovable, tangible or intangible, direct or indirect, in, to, and under the following (collectively, the "**Excluded Property**"):

Section 1.2:

(a) all oil, gas, water or injection wells located on the Properties as of the Effective Time, whether producing, shut-in or temporarily abandoned, including those described on Exhibit B-1 attached hereto and made a part hereof for all purposes (the "**Retained Wells**") and including all of the tangible personal property, equipment, installations, fixtures, improvements and other appurtenances used or held for use in connection therewith, including, without limitation, all machinery, facilities, flow lines, gathering lines, gas lines, water lines, pipelines, electrical infrastructure, power lines, tubing, well pads, well heads, pumps, casing, caissons, motors, platforms, tank batteries, separators, treaters, rods, tanks, improvements, towers, SCADA equipment, radios, meters, computers, automation equipment, spare parts, compressors, pipe, vehicles, vessels, processing and compression equipment and facilities, and all manifolds, pads, structures, buildings, real property, materials and similar items so long as all such items are used in the operation thereof;

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Clerk/Deputy
THE STATE OF TEXAS LOVING COUNTY

(b) the Leases *insofar and only insofar* as they give rise to Assignor's ownership interests, right to operate, produce, save, store, transport and market Hydrocarbons from the currently producing depths and intervals in the Retained Wells, including the right to conduct refracturing or other reservoir stimulation operations, workovers, and ordinary maintenance operations in the currently producing depths and intervals in such Retained Wells, and including any carried working interests associated therewith;

(c) the Hydrocarbons produced from the Retained Wells, together with all trade credits, accounts, receivables and all other proceeds, income or revenues from the sale of Hydrocarbons to the extent produced from or accrued to the Retained Wells or to the extent attributable to the other Excluded Property;

(d) the rights in proration units assigned to each Retained Well by Assignor, and approved by the Railroad Commission of Texas (the "**RRC**") pursuant to Chapter 3 of Part 1 of Title 16 of the Texas Administrative Code (the "**RRC Rules**") to permit Assignor to produce its maximum daily allowable from each Retained Well (such proration units as further described on Exhibit B-2 (Proration Units) referred to herein as the "**Proration Units**" and collectively with the Retained Wells and the Retained Lease Interests, the "**Retained Wells Interests**"), as such proration units may be amended or modified pursuant to Section 6.2(c) of the Exchange Agreement;

(e) (i) as calculated before taking into effect the Reserved BSF Override, an overriding royalty interest in and to the Leases as to all depths from and after the Effective Time equal to (and no greater than) the positive difference, if any, between (x) twenty-five percent (25%) and (y) the burdens of record in the appropriate county land records as of the Effective Time measured by or payable out of production of Hydrocarbons from or otherwise allocable or attributable to the Leases as of the Effective Time, subject to the provisions of Section 2 of this Assignment (the "**General Reserved Override**"), and (ii) an undivided one percent (1%) overriding royalty interest in and to those Leases described on Exhibit B-3 (BSF Override Leases) (the "**BSF Override Leases**"; and collectively with those Leases subject to the General Reserved Override, the "**Override Leases**"), as further described and subject to the provisions of Section 2 of this Assignment, insofar and only insofar as such BSF Override Leases cover the Bone Spring Formation (the "**Reserved BSF Override**" and collectively with the General Reserved Override, the "**Reserved Overrides**");

(f) all surface leases, surface use agreements, water well agreements, water rights agreements, permits, franchises, consents, approvals, rights-of-way, servitudes, licenses, easements and other similar rights or agreements;

(g) all fee mineral interests and fee surface interests with respect to all or any portion of the Lands;

(h) all transportation, processing, treatment, marketing, production, storage, sale, disposal, handling, or gathering agreements that relate to the properties and interests described in subsections 1.2(a) through (d) of this definition of "Excluded Property";

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(i) all information technology assets, including desktop computers, laptop computers, servers, networking equipment, and any associated peripherals and other computer hardware, all radio and telephone equipment, smartphones, tablets and other mobility devices, well communication devices, and any other information technology system;

(j) all rights of ingress and egress through and across such Lands in order to produce Hydrocarbons or conduct operations in connection with the Retained Wells;

(k) except for the joint operating agreements described on Exhibit A-2, all existing contracts, agreements and instruments of Assignor, including effective sales, purchase contracts, operating agreements, area of mutual interest agreements, joint venture agreements, exploration agreements, development agreements, exchange agreements, balancing agreements, farmin and farmout agreements, drilling agreements, service agreements, equipment leases, midstream agreements, and other contracts, agreements and instruments, in each case, to the extent such contracts, agreements and instruments directly relate to the properties and interests described in subsections 1.2(a) through (j) of this definition of "Excluded Property";

(l) originals or copies, and electronic versions (if available), of Assignor's Records, together with all other files and records pertaining to the properties and interests described in subsections 1.1(a) through (d) of the definition of "Subject Interests", that are not included in the definition of Records;

(m) any indebtedness for borrowed money (including guarantees, letters of credit and similar instruments) or hedging instruments and related liabilities; and

(n) (i) all corporate minute books, Tax and financial records and other business records that relate to Assignor's business generally; (ii) any contracts, books, records, files, maps, information, data and licenses (including radio licenses), or copies thereof, in each case, whose change in ownership or transfer is prohibited or subjected to payment of a fee or other consideration by an agreement with a third party, or by applicable law, and for which no consent to transfer has been received; (iii) all legal records and files of Assignor constituting work product of, and attorney-client communications with, Assignor's legal counsel (but excluding executed agreements and instruments, title opinions, and similar documents, in each case, constituting the Records); (iv) any records or information relating to the offer, negotiation or sale of the Subject Interests, including bids received from and records of negotiations with third parties, and correspondence and agreements (including confidentiality agreements) with such third parties pertaining to sales or similar transactions pertaining to the Subject Interests; (v) any of Assignor's reserve, engineering, economic, or marketing reports, studies, estimates or evaluations, and interpretive maps or correspondence related thereto; (vi) master service contracts and software licenses used for both the Subject Interests and other assets of Assignor; (vii) all geological or geophysical or other seismic or related technical data; (viii) any environmental studies, evaluations, reports or interpretations thereof, which were generated solely for Assignor's internal use; and (ix) proprietary computer software, patents, trade secrets, copyrights, names, trademarks, logos and other similar intellectual property.

As used in this Assignment, the term "**Bone Spring Formation**" means the correlative stratigraphic interval from 6,565 feet (TVD), to 9,633 feet (TVD), as shown on the Gamma Ray

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Log stamped received by the RRC on March 24, 1983, for the Fortune Unit 2R well (API No. 42-389-31270) located 1,000 FNL and 1,350 FEL of Section 3, Block 57, Township 3, T&P RR Co. Survey, Reeves County, Texas.

TO HAVE AND TO HOLD the Subject Interests unto Assignee, its successors and assigns, forever subject to the terms and provisions hereof.

1. Special Warranty of Title. Assignor covenants and agrees that it will WARRANT and DEFEND title to the Subject Interests unto Assignee, its successors and assigns, against all persons claiming or to claim the whole or any part thereof, by, through or under Assignor, but not otherwise, for four (4) years from the Effective Time of this Assignment (the "**Special Warranty**"). Further, this Assignment is made by Assignor with the right of full substitution and subrogation of Assignee in and to all covenants and warranties heretofore given or made by others with respect to the Subject Interests. **EXCEPT AS TO THE FOREGOING SPECIAL WARRANTY, ANY COVENANTS OR WARRANTIES IMPLIED BY STATUTE OR LAW OR BY THE USE OF THE WORD "ASSIGN," "TRANSFER," "CONVEY," "DELIVER," OR OTHER WORDS OF GRANT ARE HEREBY EXPRESSLY WAIVED AND DISCLAIMED BY THE PARTIES.**

2. Reserved Overrides.

(a) The Reserved Overrides shall be non-operating, non-expense-bearing limited overriding royalty interests free of all cost and expense of acquisition, exploration, drilling, deepening, completion, re-completion, equipping for production, development, improvement, production, operation, repair, reworking, sidetracking, plugging back, maintenance, plugging and abandonment, and remediation, including royalties and other burdens on production, related to the applicable Override Lease and calculated based on the gross proceeds received from the first arm's length unaffiliated sale, free of all post-production costs; *provided, however*, that each Reserved Override shall bear proportionately all severance or other similar Taxes attributable to each Reserved Override. In addition, the Reserved Overrides shall be free of (and without deduction therefrom of) any and all royalties and other burdens on production and shall bear no part of the same. The Reserved Overrides may be pooled or unitized in the same manner and under the same terms and conditions as the lessor's royalty may be pooled or unitized under the terms of the applicable Override Lease or as such Override Lease may thereafter be amended, and the owner of the Reserved Overrides shall be deemed to have consented to such pooling or unitization. The Reserved Overrides shall be paid at the same times as the lessor's royalty under the terms of the applicable Override Lease, except in no circumstances shall such Reserved Overrides ever be calculated or paid on a basis in excess of the proceeds of production attributable thereto.

(b) The Parties acknowledge that the Reserved Overrides are reserved directly from the Override Leases. Accordingly, the quantum of interest applicable to each Reserved Override shall be proportionately reduced by the ratio that (i) the interest in and to the mineral estate covered by an Override Lease bears to the full undivided mineral interest in the Hydrocarbons in the lands covered thereby or (ii) the Assignor's undivided interest in and to an Override Lease bears to 100% of the lessee's interest under such Override Lease. The quantum of interest applicable to each Reserved Override shall be further proportionately reduced to reflect

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(A) any failure of the leasehold or mineral title of an Override Lease, and (B) the pooling or unitization of an Override Lease with other lands or leases.

(c) Each Reserved Override shall remain in effect and apply to any renewal or extension of the applicable Override Lease or any new or substitute lease taken or received by Assignee, its Affiliates or its or any of their successors or assigns, covering all or any part of the lands covered by such Override Lease, in each case, within a period of one year after the expiration or termination of the applicable Override Lease, provided that the Override Lease terminates or expires within 21 years of the last living issue of George W. Bush.

(d) No obligations, either express or implied, shall arise by reason of the reservation of the Reserved Overrides by Assignor that would require Assignee to keep and maintain any of such Override Leases in force and effect either by payment of delay rentals, compensatory royalties or other payment, by the drilling of any well upon the lands covered by such Override Leases, or by any other means; it being expressly understood that Assignor is to retain said Reserved Overrides in the Hydrocarbons, if, as and when produced and sold and that such Override Leases may be released without the consent of Assignor, subject to Section 6.1 of the Exchange Agreement and Section 2(c) of this Assignment.

(e) The asset revenue and accounting records of Assignee directly relating to the Override Leases and calculation and payment of the Reserved Overrides shall be open and made available, on a confidential basis, to Assignor and its representatives at all reasonable times for examination, inspection, copying, and audit by Assignor and its representatives, but in no event more than twice annually.

3. Disclaimer of Representations and Warranties.

(a) EXCEPT AS AND TO THE EXTENT EXPRESSLY SET FORTH IN THE EXCHANGE AGREEMENT OR IN THE SPECIAL WARRANTY CONTAINED HEREIN, (I) ASSIGNOR MAKES NO REPRESENTATIONS OR WARRANTIES, EXPRESS, STATUTORY OR IMPLIED, AND (II) ASSIGNOR EXPRESSLY DISCLAIMS ALL LIABILITY AND RESPONSIBILITY FOR, AND ASSIGNEE ACKNOWLEDGES AND AGREES THAT IT HAS NOT RELIED UPON, ANY REPRESENTATION, WARRANTY, STATEMENT OR INFORMATION MADE OR COMMUNICATED (ORALLY OR IN WRITING) TO ASSIGNEE OR ANY OF ASSIGNEE'S REPRESENTATIVES (INCLUDING, WITHOUT LIMITATION, ANY OPINION, INFORMATION, PROJECTION OR ADVICE THAT MAY HAVE BEEN PROVIDED TO ASSIGNEE BY ANY OFFICER, DIRECTOR, EMPLOYEE, AGENT, CONSULTANT, REPRESENTATIVE OR ADVISOR OF ASSIGNOR OR ANY OF ITS AFFILIATES), IN EACH CASE, WITH RESPECT TO THE SUBJECT INTERESTS.

(b) EXCEPT AS AND TO THE EXTENT EXPRESSLY SET FORTH IN THE EXCHANGE AGREEMENT OR IN THE SPECIAL WARRANTY CONTAINED HEREIN, ASSIGNOR EXPRESSLY DISCLAIMS AND NEGATES, AND ASSIGNEE WAIVES AND ACKNOWLEDGES IT HAS NOT RELIED UPON, ANY REPRESENTATION OR WARRANTY, EXPRESS, STATUTORY OR IMPLIED, AS TO (IN EACH CASE WITH RESPECT TO THE SUBJECT INTERESTS) (I) TITLE TO ANY OF THE SUBJECT

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INTERESTS, (II) THE CONTENTS, CHARACTER OR NATURE OF ANY REPORT OF ANY PETROLEUM ENGINEERING CONSULTANT, OR ANY ENGINEERING, GEOLOGICAL OR SEISMIC DATA OR INTERPRETATION, RELATING TO THE SUBJECT INTERESTS, (III) THE QUANTITY, QUALITY OR RECOVERABILITY OF HYDROCARBONS IN OR FROM THE SUBJECT INTERESTS, (IV) ANY ESTIMATES OF THE VALUE OF THE SUBJECT INTERESTS OR FUTURE REVENUES GENERATED BY THE SUBJECT INTERESTS, (V) THE ABILITY TO PRODUCE HYDROCARBONS FROM THE SUBJECT INTERESTS, (VI) THE MAINTENANCE, REPAIR, CONDITION, QUALITY, SUITABILITY, DESIGN OR MARKETABILITY OF THE SUBJECT INTERESTS, (VII) THE CONTENT, CHARACTER OR NATURE OF ANY INFORMATION MEMORANDUM, REPORTS, BROCHURES, CHARTS OR STATEMENTS PREPARED BY ASSIGNOR OR THIRD PARTIES WITH RESPECT TO THE SUBJECT INTERESTS, (VIII) ANY OTHER MATERIALS OR INFORMATION THAT MAY HAVE BEEN MADE AVAILABLE TO ASSIGNEE OR ANY OF ASSIGNEE'S REPRESENTATIVES IN CONNECTION WITH THE TRANSACTION OR ANY DISCUSSION OR PRESENTATION RELATING THERETO, (IX) ANY IMPLIED OR EXPRESS WARRANTY OF FREEDOM FROM PATENT OR TRADEMARK INFRINGEMENT, AND (X) ENVIRONMENTAL LAWS, THE RELEASE OF HAZARDOUS MATERIALS INTO THE ENVIRONMENT OR THE PROTECTION OF HUMAN HEALTH, SAFETY, NATURAL RESOURCES OR THE ENVIRONMENT, OR ANY OTHER ENVIRONMENTAL CONDITION OF THE SUBJECT INTERESTS. EXCEPT AS EXPRESSLY REPRESENTED OTHERWISE IN ARTICLE 4 (REPRESENTATIONS AND WARRANTIES) OF THE EXCHANGE AGREEMENT, ASSIGNOR FURTHER DISCLAIMS ANY REPRESENTATION OR WARRANTY, EXPRESS, STATUTORY OR IMPLIED, OF MERCHANTABILITY, FREEDOM FROM LATENT VICES OR DEFECTS, FITNESS FOR A PARTICULAR PURPOSE OR CONFORMITY TO MODELS OR SAMPLES OF MATERIALS OF THE SUBJECT INTERESTS, RIGHTS OF A PURCHASER UNDER APPROPRIATE STATUTES TO CLAIM DIMINUTION OF CONSIDERATION OR RETURN OF CONSIDERATION, IT BEING EXPRESSLY UNDERSTOOD AND AGREED BY THE PARTIES THAT ASSIGNEE SHALL BE DEEMED TO BE OBTAINING THE APPLICABLE SUBJECT INTERESTS IN ITS PRESENT STATUS, CONDITION AND STATE OF REPAIR, "AS IS" AND "WHERE IS" WITH ALL FAULTS OR DEFECTS (KNOWN OR UNKNOWN, LATENT, DISCOVERABLE OR UNDISCOVERABLE), AND THAT ASSIGNEE HAS MADE OR CAUSED TO BE MADE SUCH INSPECTIONS AS ASSIGNEE DEEMS APPROPRIATE.

(c) ASSIGNEE ACKNOWLEDGES THAT THE SUBJECT INTERESTS HAVE BEEN USED TO EXPLORE FOR, DEVELOP AND PRODUCE HYDROCARBONS, AND THAT SPILLS OF WASTES, CRUDE OIL, PRODUCED WATER, HAZARDOUS MATERIALS AND OTHER MATERIALS MAY HAVE OCCURRED THEREON. ADDITIONALLY, SUCH SUBJECT INTERESTS, INCLUDING PRODUCTION EQUIPMENT, MAY CONTAIN ASBESTOS, HAZARDOUS MATERIALS OR NORM. NORM MAY AFFIX OR ATTACH ITSELF TO THE INSIDE OF WELLS, MATERIALS AND EQUIPMENT AS SCALE OR IN OTHER FORMS. A HEALTH HAZARD MAY EXIST IN CONNECTION WITH THE SUBJECT INTERESTS BY REASON THEREOF. SPECIAL PROCEDURES MAY BE REQUIRED FOR REMEDIATION, REMOVING, TRANSPORTING AND DISPOSING OF ASBESTOS, NORM, HAZARDOUS MATERIALS AND OTHER MATERIALS FROM THE SUBJECT INTERESTS.

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(d) EXCEPT TO THE EXTENT ARISING OUT OF OR RESULTING FROM THE EXCLUDED PROPERTY, ASSIGNEE HEREBY RELEASES AND DISCHARGES ANY AND ALL CLAIMS AND REMEDIES AT LAW OR IN EQUITY, ATTRIBUTABLE TO THE PERIOD AFTER THE CLOSING DATE, AGAINST ASSIGNOR WITH RESPECT TO ANY CONTAMINATION ON THE ASSIGNING PARTY'S LANDS, EVEN IF SUCH CLAIMS OR DAMAGES ARE CAUSED IN WHOLE OR IN PART BY THE NEGLIGENCE (WHETHER JOINT OR CONCURRENT), STRICT LIABILITY OR OTHER LEGAL FAULT (EXCLUDING GROSS NEGLIGENCE AND WILLFUL MISCONDUCT), OF ASSIGNOR.

(e) EXCEPT AS OTHERWISE SET FORTH IN THE EXCHANGE AGREEMENT, EACH PARTY ACKNOWLEDGES THAT THE OTHER PARTY HAS NOT MADE AND WILL NOT MAKE ANY REPRESENTATION OR WARRANTY REGARDING ANY MATTER OR CIRCUMSTANCE RELATING TO ENVIRONMENTAL LAWS, THE RELEASE OF MATERIALS INTO THE ENVIRONMENT OR PROTECTION OF THE ENVIRONMENT OR HEALTH, AND THAT NOTHING IN THE EXCHANGE AGREEMENT OR OTHERWISE SHALL BE CONSTRUED AS SUCH A REPRESENTATION OR WARRANTY. AS USED HEREIN, THE FOLLOWING DEFINITIONS SHALL APPLY:

(i) "**CONTAMINATION**" means the presence, disposal, discharge, migration or release of Hazardous Materials in, on, under, or from Assignor's Lands that is caused by, or is a result of, Assignor's use of the Lands; *provided, however*, in no event shall the term "Contamination" include the presence, disposal, discharge, migration or release of Hazardous Materials in, on, under, from or to the Assignor's Lands which IS NOT a violation of, or does not result in liability or required remedial action under, any Environmental Laws or under the terms of the Exchange Agreement.

(ii) "**HAZARDOUS MATERIALS**" is used in its very broadest sense and means and includes, (a) any and all hazardous or toxic substances, pollutants, contaminants, materials or waste defined by or listed under any Environmental Law, and (b) petroleum, natural gas, natural gas liquids, liquefied natural gas, crude oil and any fraction thereof.

(f) EACH PARTY AGREES THAT, TO THE EXTENT REQUIRED BY APPLICABLE LAW TO BE EFFECTIVE, THE DISCLAIMERS OF CERTAIN REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS SECTION 3 ARE "CONSPICUOUS" DISCLAIMERS FOR THE PURPOSE OF ANY APPLICABLE LAW.

4. Further Assurances. Without additional consideration, Assignor and Assignee agree to take such further actions and execute such further documents as may be reasonably necessary or appropriate for the full and complete enjoyment of the rights herein granted including without limitation all such other additional instruments, notices, division orders, transfer orders and other documents, and to do all such other and further acts and things as may be necessary to more fully and effectively assign, transfer, convey and deliver to Assignee the right, title and interest conveyed hereby or intended to be conveyed.

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5. Governing Law. The validity, enforceability, interpretation and construction of this Assignment shall be governed by the laws of the State of Texas (without regard to conflict of law rules or principles that might refer to the law of another jurisdiction). The applicable provisions of Section 7.10 (Governing Law; Dispute Resolution) of the Exchange Agreement shall apply *mutatis mutandis* to this Assignment.

6. Severability. If a court of competent jurisdiction determines that any clause or provision of this Assignment is void, illegal or unenforceable, such determination shall not affect the validity of this Assignment as a whole, and this Assignment shall remain in full force and effect and the clause and/or provision determined to be void, illegal or unenforceable shall be limited so it remains in effect to the extent permissible by law.

7. No Third-Party Beneficiaries. Any reference herein to contracts, agreement, burdens, encumbrances or other matters shall not be deemed to ratify or create rights in third parties or merge with, modify or limit the rights of Assignor or Assignee as between themselves. It is the intent of Assignor and Assignee that this Assignment shall not be construed as a third-party beneficiary contract.

8. Successors and Assigns. This Assignment shall be binding upon and inure to the benefit of the Parties hereto as well as their respective successors and assigns. The obligations and responsibilities of the Parties under this Assignment will run with the Subject Interests. Notwithstanding the foregoing, nothing in this Assignment shall prohibit a Party, or such Party's successors and assigns, from selling or disposing of an interest in the Subject Interests after the Closing to another Person, subject to the terms of the Exchange Agreement and all applicable agreements, instruments, obligations, covenants and burdens binding on the Subject Interests, *provided*, that such sale or disposition shall not relieve the selling or disposing Party of any condition, covenant or obligation under the Exchange Agreement or any other Transaction Document arising prior to such sale or disposition, and that such sale or disposition by such selling or disposing Party, its successors and permitted assigns shall require the transferee to expressly assume the obligations set forth in the Exchange Agreement with respect to the transferred assets, otherwise such assignment or transfer shall be null and void. The granting of a non-assigning Party's consent to any assignment will be effective only as to the specific assignment then the express subject of such consent, and any subsequent assignment that may be proposed or attempted will be ineffective without such non-assigning Party's prior written consent.

9. Assignment Subject to the Exchange Agreement. This Assignment is expressly subject to the terms, conditions and covenants set forth in the Exchange Agreement, including Sections 6.1, 6.2, 6.3 and 6.4 thereof, which shall be considered covenants running with the land, a burden upon such Assignee's interest in the Subject Interests and shall be binding on the interests of the successors and assignees of Assignee. The omission of certain provisions of the Exchange Agreement from this Assignment does not constitute a conflict or inconsistency between the Exchange Agreement and this Assignment, and will not affect a merger of the omitted provisions. To the fullest extent permitted by law, all provisions of the Exchange Agreement are hereby deemed incorporated into this Assignment by reference.

10. Counterparts. This Assignment may be executed in any number of original counterparts and each such counterpart shall be deemed to be an original instrument, but all such

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counterparts shall constitute but one and the same instrument of conveyance. For recording, counterpart signature and acknowledgment pages may be affixed to the body of one original instrument.

11. Entire Agreement. This Assignment, the Exhibits attached hereto, the Exchange Agreement, and all other documents executed contemporaneously with this Assignment pursuant to the Exchange Agreement, as same may have been amended or extended, embodies the entire agreement and understanding of the Parties with respect to the subject matter contained herein. This Assignment is subject to the Exchange Agreement, and in the event of a conflict, the terms and provisions of the Exchange Agreement shall control; *provided*, *however*, third parties may conclusively rely upon this Assignment as evidence of title in and to the Subject Interests vesting in Assignee. By executing, delivering, and accepting this Assignment, Assignor and Assignee do not intend to cause a merger of the terms of the Exchange Agreement into this Assignment, and all covenants, indemnities, and other terms and provisions set forth in the Exchange Agreement shall remain in full force and effect to the extent set forth in the Exchange Agreement.

[*Remainder intentionally blank, signature and acknowledgment pages follow*]

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IN WITNESS WHEREOF, the Parties have executed this Assignment the day and year set forth in their respective acknowledgements below, to be effective as of the Effective Time.

ASSIGNOR:

By: _____
Name: Mindy Johnson
Title: Attorney-in-Fact

STATE OF COLORADO §
§
COUNTY OF DENVER §

This foregoing instrument was acknowledged before me this 20th day of December, 2022, by, Mindy Johnson, Attorney-in-Fact of BPX Operating Company, a Texas corporation, on behalf of said corporation.

KENNETH L. MAXWELL, III
Notary Public
State of Colorado
Notary ID # 20174050828
My Commission Expires 12-12-2025

_____
Notary Public
Printed Name: Kenneth L. Maxwell, III
My Commission Expires: 12/12/2025

[*Signature Page to PDEH Assignment*]

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ASSIGNEE:

By: _____
Name: Steven R. Ellington
Title: Attorney-in-fact

STATE OF TEXAS §
§
COUNTY OF MIDLAND §

The foregoing instrument was acknowledged before me on this ~~21st~~ 22nd day of December, 2022, by, Steven R. Ellington, Attorney-in-fact of Permian Delaware Enterprises Holdings LLC, a Texas limited liability company, on behalf of said limited liability company.

SARAH H. MIDKIFF
My Notary ID # 131117352
Expires May 14, 2025

Sarah H. Midkiff
Notary Public
Printed Name: Sarah H. Midkiff
My Commission Expires: 5.14.2025

[*Signature Page to PDEH Assignment*]

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Exhibit A-1

Leases and Lands

LESSOR	LESSEE	LEASE DATE	VOL	PAGE	INSTRUMENT NO.	SECTION	BLOCK	TOWNSHIP	COUNTY	STATE
CHRISTINE JENKINS	PETROHAWK PROPERTIES, LP	01/13/2011	871	340	1601	All of Section 22	57	T3S	REEVES	TX
WILLIAM STEWART HOOTON	PETROHAWK PROPERTIES, LP	01/13/2011	871	152	1557	All of Section 22	57	T3S	REEVES	TX
BOBBY HOOTON	PETROHAWK PROPERTIES LP	01/13/2011	871	159	1558	All of Section 22	57	T3S	REEVES	TX
MARGIE MCKENZIE HOOTON	PETROHAWK PROPERTIES, LP	01/17/2011	871	166	1559	All of Section 22	57	T3S	REEVES	TX
ERMENTRU JENKINS	PETROHAWK PROPERTIES, LP	01/14/2011	871	173	1560	All of Section 22	57	T3S	REEVES	TX
SARA KEASLER BARNETT	PETROHAWK PROPERTIES, LP	01/13/2011	871	180	1561	All of Section 22	57	T3S	REEVES	TX
KAY KEASLER CASPER	PETROHAWK PROPERTIES, LP	01/17/2011	871	347	1602	All of Section 22	57	T3S	REEVES	TX
MARGARET ANN KEASLER HOGAN	PETROHAWK PROPERTIES, LP	01/17/2011	871	361	1604	All of Section 22	57	T3S	REEVES	TX
KATHERINE HOOTON STANDING	PETROHAWK PROPERTIES, LP	01/13/2011	871	375	1606	All of Section 22	57	T3S	REEVES	TX
WILLIAM D HOOTON	PETROHAWK PROPERTIES, LP	01/14/2011	871	801	1696	All of Section 22	57	T3S	REEVES	TX
GAIL HOOTON	PETROHAWK PROPERTIES, LP	01/13/2011	871	808	1697	All of Section 22	57	T3S	REEVES	TX
MOZELLE KEASLER BICKNELL	PETROHAWK PROPERTIES LP	01/14/2011	871	822	1699	All of Section 22	57	T3S	REEVES	TX
MARY HOOTON HARDIN	PETROHAWK PROPERTIES, LP	01/14/2011	872	1	1700	All of Section 22	57	T3S	REEVES	TX
ELNA JANE WOOD	PETROHAWK PROPERTIES, LP	01/17/2011	872	8	1701	All of Section 22	57	T3S	REEVES	TX
VIRGINIA PAT KEASLER TAYLOR	PETROHAWK PROPERTIES, LP	01/14/2011	872	15	1702	All of Section 22	57	T3S	REEVES	TX
PHILIP JENKINS	PETROHAWK PROPERTIES, LP	01/17/2011	872	767	1875	All of Section 22	57	T3S	REEVES	TX

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LESSOR	LESSEE	LEASE DATE	VOL	PAGE	INSTRUMENT NO.	SECTION	BLOCK	TOWNSHIP	COUNTY	STATE
PHILIP LEAHY HOOTON	PETROHAWK PROPERTIES, LP	01/17/2011	872	775	1876	All of Section 22	57	T3S	REEVES	TX
GREGORY JENKINS	PETROHAWK PROPERTIES, LP	01/14/2011	872	782	1877	All of Section 22	57	T3S	REEVES	TX
JOSEPH ROBERT KEASLER	PETROHAWK PROPERTIES, LP	01/17/2011	872	789	1878	All of Section 22	57	T3S	REEVES	TX
JESSE DAVID CROUCH	PETROHAWK PROPERTIES, LP	01/17/2011	871	815	1698	All of Section 22	57	T3S	REEVES	TX
JAMES WILLIAM HOOTON	PETROHAWK PROPERTIES, LP	01/13/2011	871	354	1603	All of Section 22	57	T3S	REEVES	TX
DEBORAH HOOTON HARTSOCK	PETROHAWK PROPERTIES, LP	01/13/2011	871	368	1605	All of Section 22	57	T3S	REEVES	TX
GENE HOOTON	PETROHAWK PROPERTIES, LP	01/13/2011	871	382	1607	All of Section 22	57	T3S	REEVES	TX
TERRELL JENKINS KING	PETROHAWK PROPERTIES, LP	01/13/2011	878	709	2928	All of Section 22	57	T3S	REEVES	TX
LUCY CAROLYN KING PEREZ	PETROHAWK PROPERTIES, LP	01/17/2011	878	716	2929	All of Section 22	57	T3S	REEVES	TX
JEFFREY LYNN CROUCH	PETROHAWK PROPERTIES, LP	01/17/2011	878	723	2930	All of Section 22	57	T3S	REEVES	TX
DISCOVERY EXPLORATION	BRACERO OIL COMPANY	12/02/2013	1039	631	13-08865	N/2 Section 24	56	T3S	REEVES	TX
JACQUELINE C HEDBLOM ET AL	BRACERO OIL COMPANY	09/24/2013	1027	89	13-07101	N/2 Section 24	56	T3S	REEVES	TX
BLAKE OIL & GAS CORPORATION	BHP BILLITON PETROLEUM PROPERTIES NA LP	02/15/2016	1254	276	16-03768	N/2 Section 24	56	T3S	REEVES	TX
SAMUEL L MAYALL	BHP BILLITON PETROLEUM PROPERTIES NA LP	08/26/2015	1196	643	15-08470	All of Section 34	56	T3S	REEVES	TX
VIRGINIA N SIBLEY PERRYMAN	BHP BILLITON PETROLEUM PROPERTIES NA LP	09/18/2015	1201	705	15-09149	All of Section 34	56	T3S	REEVES	TX
ELIZABETH WENDY ROBERTS SIBLEY HARPER ET	BHP BILLITON PETROLEUM PROPERTIES NA LP	09/18/2015	1201	713	15-09150	All of Section 34	56	T3S	REEVES	TX
JULIA NORFLEET HEARNE	BHP BILLITON PETROLEUM PROPERTIES NA LP	09/18/2015	1201	698	15-09148	All of Section 34	56	T3S	REEVES	TX

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BLAKE OIL & GAS CORPORATION	BHP BILLITON PETROLEUM PROPERTIES NA LP	02/15/2016	1254	265	16-03767	All of Section 34	56	T3S	REEVES	TX
VICTORIA SMITH BURROWS	BHP BILLITON PETROLEUM PROPERTIES NA LP	04/07/2017	1447	341	17-12252	All of Section 34	56	T3S	REEVES	TX
LOWRY SMITH JR	BHP BILLITON PETROLEUM PROPERTIES NA LP	03/30/2017	1447	327	17-12251	All of Section 34	56	T3S	REEVES	TX
DONNA NELMS	BHP BILLITON PETROLEUM PROPERTIES NA LP	07/10/2017	1463	587	17-14408	All of Section 34	56	T3S	REEVES	TX
MELANIE COFFMAN	BHP BILLITON PETROLEUM PROPERTIES NA LP	07/31/2017	1475	732	17-15836	All of Section 34	56	T3S	REEVES	TX
ROBERT HENRY STOWELL	BHP BILLITON PETROLEUM PROPERTIES NA LP	12/15/2017	1538	778	18-01989	All of Section 34	56	T3S	REEVES	TX
WILLIAM C MAYALL	BHP BILLITON PETROLEUM PROPERTIES NA LP	03/01/2018	1568	448	18-05425	All of Section 34	56	T3S	REEVES	TX
NANCY L SAMPSON	BHP BILLITON PETROLEUM PROPERTIES NA LP	03/01/2018	1568	420	18-05423	All of Section 34	56	T3S	REEVES	TX
JOHN S MAYALL	BHP BILLITON PETROLEUM PROPERTIES NA LP	03/01/2018	1568	462	18-05426	All of Section 34	56	T3S	REEVES	TX
ELIZABETH PAPE	BHP BILLITON PETROLEUM PROPERTIES NA LP	03/01/2018	1568	434	18-05424	All of Section 34	56	T3S	REEVES	TX
WALLACE EUGENE FAGERSTEDT	BHP BILLITON PETROLEUM PROPERTIES NA LP	05/01/2018	1597	179	18-08854	All of Section 34	56	T3S	REEVES	TX
LANCE MARTIN FAGERSTEDT	BHP BILLITON PETROLEUM PROPERTIES NA LP	05/01/2018	1610	59	18-10293	All of Section 34	56	T3S	REEVES	TX
STATE OF TEXAS M-112484	ANGELLE & DONOHUE OIL & GAS PROPERTIES,	04/05/2011	879	416	3035	All of Section 38	57	T3S	REEVES	TX
THE GEORGE R BROWN PARTNERSHIP LP	LEGEND NATURAL GAS IV LP	06/29/2010	848	164	2422	ALL OF SECTION 44	56	T2S	REEVES	TX

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SHARON M DARCY	LEGEND NATURAL GAS IV LP	06/10/2010	850	204	2795	All of Section 22	56	T3S	REEVES	TX
M D ABEL CO	TRANSCENDENT OIL & GAS PROPERTIES LLC	05/27/2010	94	711	10-785	N/2 OF SECTION 2	55	T2S	LOVING	TX
ELSIE ANN GAYER TRUST	BOLD ENERGY II LLC	09/01/2010	96	478	10-1094	S/2 OF SECTION 2	55	T2S	LOVING	TX
FLOYD C DODSON JR GRANTOR TRUST ET AL	BOLD ENERGY II LLC	09/01/2010	96	469	10-1093	S/2 OF SECTION 2	55	T2S	LOVING	TX
BRENNAND LAZY H RANCH LTD	PETROHAWK PROPERTIES LP	02/15/2012	932	557	12-02282	All of Section 36	57	T2S	REEVES	TX
NANCY ADELE SAUSTAD TRUST	PETROHAWK PROPERTIES LP	06/05/2012	948	116	12-04814	All of Section 36	57	T2S	REEVES	TX
LOYD W POWELL JR CHILDRENS TRUST	PETROHAWK PROPERTIES LP	05/01/2012	943	31	12-04044	All of Section 36	57	T2S	REEVES	TX
PURSUIT ENERGY CORPORATION	PETROHAWK PROPERTIES LP	05/01/2012	943	45	12-04046	All of Section 36	57	T2S	REEVES	TX
ANDREWS ROYALTY LP	PETROHAWK PROPERTIES LP	05/01/2012	943	38	12-04045	All of Section 36	57	T2S	REEVES	TX
PATTI JO WOOD	PETROHAWK PROPERTIES LP	06/21/2012	956	10	12-05800	All of Section 36	57	T2S	REEVES	TX
ROBERTA REGAN TESTAMENTARY TRUST	PETROHAWK PROPERTIES LP	06/01/2012	945	494	12-04364	All of Section 36	57	T2S	REEVES	TX
HOWELL SMITH WYNNE	PETROHAWK PROPERTIES LP	05/01/2012	944	290	12-04239	All of Section 36	57	T2S	REEVES	TX
WILLIAM BARTON WAKEFIELD TESTAMENTARY TR	PETROHAWK PROPERTIES LP	06/21/2012	951	316	12-05288	All of Section 36	57	T2S	REEVES	TX
WESTWAY RANCHES LLC	BHP BILLITON PETROLEUM PROPERTIES NA LP	09/09/2013	1026	301	13-06997	All of Section 36	57	T2S	REEVES	TX
NANCY SMITH CHANDLER	BHP BILLITON PETROLEUM PROPERTIES NA LP	10/01/2013	1035	430	13-08266	All of Section 36	57	T2S	REEVES	TX
ARBGT LMB O&G TX LP	BHP BILLITON PETROLEUM PROPERTIES NA LP	11/01/2013	1047	432	14-00181	All of Section 36	57	T2S	REEVES	TX
EPB O&G TX LP	BHP BILLITON PETROLEUM PROPERTIES NA LP	11/01/2013	1047	418	14-00179	All of Section 36	57	T2S	REEVES	TX

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ARBGT RMB O&G TX LP	BHP BILLITON PETROLEUM PROPERTIES NA LP	11/01/2013	1047	439	14-00182	All of Section 36	57	T2S	REEVES	TX
SID W RICHARDSON FOUNDATION	BHP BILLITON PETROLEUM PROPERTIES NA LP	11/01/2013	1047	425	14-00180	All of Section 36	57	T2S	REEVES	TX
ARBGT SRB O&G TX LP	BHP BILLITON PETROLEUM PROPERTIES NA LP	11/01/2013	1047	446	14-00183	All of Section 36	57	T2S	REEVES	TX
PATTI JO WOOD TRUST UWO JOSIE FAY PECK	BHP BILLITON PETROLEUM PROPERTIES NA LP	01/13/2014	1056	741	14-01538	All of Section 36	57	T2S	REEVES	TX
WILLIAM EDWARD LASELL ET AL	PETROHAWK PROPERTIES LP	03/25/2013	1001	320	13-03311	E/2NW/4 OF SECTION 12	57	T2S	REEVES	TX
LOWE ROYALTY PARTNERS LP	PETROHAWK PROPERTIES LP	01/28/2013	1001	297	13-03308	E/2NW/4 AND W/2NE/4 OF SECTION 12	57	T2S	REEVES	TX
JULIA LUCINDA C RAMAN	PETROHAWK PROPERTIES LP	05/24/2013	1007	741	13-04427	E/2NW/4 AND W/2NE/4 OF SECTION 12	57	T2S	REEVES	TX
WALTER C CREMIN III	PETROHAWK PROPERTIES LP	05/24/2013	1010	361	13-04843	E/2NW/4 AND W/2NE/4 OF SECTION 12	57	T2S	REEVES	TX
MARIANNE C TAYLOR	PETROHAWK PROPERTIES LP	05/24/2013	1014	521	13-05322	E/2NW/4 AND W/2NE/4 OF SECTION 12	57	T2S	REEVES	TX
ESTATE OF ANN CREMIN FIALA	PETROHAWK PROPERTIES LP	06/12/2013	1014	528	13-05323	E/2NW/4 AND W/2NE/4 OF SECTION 12	57	T2S	REEVES	TX
STANLEY N STAPLES	PETROHAWK PROPERTIES LP	05/24/2013	1010	368	13-04844	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
LAUREN LEAVELL PINKSTON	BHP BILLITON PETROLEUM PROPERTIES NA LP	07/18/2013	1025	436	13-06863	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX

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WILLIAM WYATT LEAVELL III	BHP BILLITON PETROLEUM PROPERTIES NA LP	07/18/2013	1025	426	13-06862	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
JENNIFER BLAKE BROMBERG	BHP BILLITON PETROLEUM PROPERTIES NA LP	07/18/2013	1025	446	13-06864	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
BLAKE OIL & GAS CORPORATION	BHP BILLITON PETROLEUM PROPERTIES NA LP	07/18/2013	1032	196	13-07868	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
ROBERT A SCHULER ET AL	BLAKE OIL & GAS CORPORATION	12/08/1986	474	168	344	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
VIOLET SCHULER	BLAKE OIL & GAS CORPORATION	10/10/1987	481	303	3062	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
ALTHA M FARWELL	BLAKE OIL & GAS CORPORATION	09/30/1988	489	362	2781	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
MARY C GEHLE	BLAKE OIL & GAS CORPORATION	09/30/1988	489	372	2782	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
RICHARD KIEL	BLAKE OIL & GAS CORPORATION	09/30/1988	489	382	2783	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
DONALD H KIEL	BLAKE OIL & GAS CORPORATION	10/08/1986	489	392	2784	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX

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LOIS OESTRICH ET VIR	BLAKE OIL & GAS CORPORATION	09/30/1988	489	402	2785	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
LORNA JEAN RYBACHECK	BLAKE OIL & GAS CORPORATION	10/10/1988	489	412	2786	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
MILDRED MAX	BLAKE OIL & GAS CORPORATION	09/30/1988	489	422	2787	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
ALGO A NOVALLO	BLAKE OIL & GAS CORPORATION	09/30/1988	490	23	2939	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
SHIRLEY E CAMPBELL & FOR ST OF TX	BLAKE OIL & GAS CORPORATION	10/17/1988	490	33	2940	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
RICHARD GEHLE	BLAKE OIL & GAS CORPORATION	09/30/1988	490	43	2941	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
CAROL WAGNER ET VIR	BLAKE OIL & GAS CORPORATION	09/30/1988	491	448	208	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
ESTHER I WURM	BLAKE OIL & GAS CORPORATION	09/30/1988	491	459	209	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
AGNES C BECKHAM ET AL	RICHARD C SLACK	05/25/1987	477	496	1621	40 ACRES AROUND THE GUY CALDWELL #3 WELL IN THE S/2 OF SECTION 24	57	T2S	REEVES	TX

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ROY E KIMSEY JR	PETROHAWK PROPERTIES LP	06/18/2013	1008	54	13-04457	W/2 OF SECTION 46	56	T2S	REEVES	TX
TOM E JOHNSON LP	PETROHAWK PROPERTIES LP	06/18/2013	1009	738	13-04789	W/2 OF SECTION 46	56	T2S	REEVES	TX
GEORGE A THOMAS	PETROHAWK PROPERTIES LP	06/18/2013	1008	47	13-04456	W/2 OF SECTION 46	56	T2S	REEVES	TX
ROBERT M DAVENPORT	BHP BILLITON PETROLEUM PROPERTIES NA LP	10/08/2013	1037	176	13-08529	W/2 OF SECTION 46	56	T2S	REEVES	TX
CLIFFORD G GLASGOW	BHP BILLITON PETROLEUM PROPERTIES NA LP	09/10/2013	1026	322	13-07000	All of Section 42	57	T2S	REEVES	TX
SHARON U TERJESEN	BHP BILLITON PETROLEUM PROPERTIES NA LP	09/10/2013	1026	315	13-06999	All of Section 42	57	T2S	REEVES	TX
JAMES STEPHEN GLASGOW	BHP BILLITON PETROLEUM PROPERTIES NA LP	09/10/2013	1026	329	13-07001	All of Section 42	57	T2S	REEVES	TX
ARLISS GLASGOW TRAVIS	BHP BILLITON PETROLEUM PROPERTIES NA LP	09/10/2013	1026	308	13-06998	All of Section 42	57	T2S	REEVES	TX
JAMES H ZINCK	BHP BILLITON PETROLEUM PROPERTIES NA LP	08/19/2013	1025	344	13-06846	All of Section 42	57	T2S	REEVES	TX
TAS ROYALTY COMPANY ET AL	BHP BILLITON PETROLEUM PROPERTIES NA LP	08/12/2013	1022	340	13-06444	All of Section 42	57	T2S	REEVES	TX
SCOTT C STEVENSON	BHP BILLITON PETROLEUM PROPERTIES NA LP	08/20/2013	1025	470	13-06867	All of Section 42	57	T2S	REEVES	TX
WALKER COUNTY HOSPITAL CORPORATION	BHP BILLITON PETROLEUM PROPERTIES NA LP	08/12/2013	1025	386	13-06852	All of Section 42	57	T2S	REEVES	TX
STANLEY T BROUSSARD	BHP BILLITON PETROLEUM PROPERTIES NA LP	08/20/2013	1025	463	13-06866	All of Section 42	57	T2S	REEVES	TX
LAWRENCE F A STEVENSON JR	BHP BILLITON PETROLEUM PROPERTIES NA LP	08/20/2013	1025	372	13-06850	All of Section 42	57	T2S	REEVES	TX
RANDOLPH & CO	BHP BILLITON PETROLEUM PROPERTIES NA LP	08/12/2013	1022	347	13-06445	All of Section 42	57	T2S	REEVES	TX

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WAYNE CHARLES TOMASEK	BHP BILLITON PETROLEUM PROPERTIES NA LP	08/12/2013	1025	379	13-06851	All of Section 42	57	T2S	REEVES	TX
STEPHEN H REGNIER	BHP BILLITON PETROLEUM PROPERTIES NA LP	08/12/2013	1025	365	13-06849	All of Section 42	57	T2S	REEVES	TX
PIERCE MINERAL LLLP	BHP BILLITON PETROLEUM PROPERTIES NA LP	08/12/2013	1022	354	13-06446	All of Section 42	57	T2S	REEVES	TX
PAUL P REGNIER JR	BHP BILLITON PETROLEUM PROPERTIES NA LP	08/12/2013	1025	358	13-06848	All of Section 42	57	T2S	REEVES	TX
CUSSETA BALL BOULON	BHP BILLITON PETROLEUM PROPERTIES NA LP	08/20/2013	1025	351	13-06847	All of Section 42	57	T2S	REEVES	TX
BARTEL LIVING TRUST	BHP BILLITON PETROLEUM PROPERTIES NA LP	09/10/2013	1027	777	13-07248	All of Section 42	57	T2S	REEVES	TX
LOUISE GLASGOW CHEATHAM	BHP BILLITON PETROLEUM PROPERTIES NA LP	09/10/2013	1026	617	13-07053	All of Section 42	57	T2S	REEVES	TX
SANDRA A TOMASEK IRREV DECEDENTS B TRUST	BHP BILLITON PETROLEUM PROPERTIES NA LP	08/20/2013	1025	456	13-06865	All of Section 42	57	T2S	REEVES	TX
HELEN VIRGINIA BELEW BRYANT ET VIR	BHP BILLITON PETROLEUM PROPERTIES NA LP	09/10/2013	1026	624	13-07054	All of Section 42	57	T2S	REEVES	TX
THOMAS H BALL III	BHP BILLITON PETROLEUM PROPERTIES NA LP	10/02/2013	1029	504	13-07475	All of Section 42	57	T2S	REEVES	TX
METHODIST CHILDRENS HOME	BHP BILLITON PETROLEUM PROPERTIES NA LP	11/02/2013	1039	794	13-08905	All of Section 42	57	T2S	REEVES	TX
GERALD B BROUSSARD	BHP BILLITON PETROLEUM PROPERTIES NA LP	12/04/2013	1047	467	14-00186	All of Section 42	57	T2S	REEVES	TX
CMC/SC BECKHAM HOLDINGS LP ET AL	PETROHAWK PROPERTIES LP	06/27/2013	1025	124	13-06805	S/2 SECTION 24 LESS 40 ACRE TRACT	57	T2S	REEVES	TX
JOHN D CAMP	BHP BILLITON PETROLEUM PROPERTIES NA LP	08/21/2013	1026	519	13-07038	E/2 OF SECTION 46	56	T2S	REEVES	TX

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THE GRETCHEN C NORTHRUP FOUNDATION	STEPHEN C COLE	08/14/2013	1023	763	13-06622	ALL OF SECTION 34 SAVE AND EXCEPT THE NE/4NE/4	56	T2S	REEVES	TX
TRINITY UNIVERSITY	STEPHEN C COLE	08/14/2013	1023	751	13-06621	ALL OF SECTION 34 SAVE AND EXCEPT THE NE/4NE/4	56	T2S	REEVES	TX
SUNSHINE COTTAGE SCHOOL FOR DEAF CHILDREN	STEPHEN C COLE	08/14/2013	1023	775	13-06623	ALL OF SECTION 34 SAVE AND EXCEPT THE NE/4NE/4	56	T2S	REEVES	TX
METT OIL AND GAS LP	BHP BILLITON PETROLEUM PROPERTIES NA LP	01/23/2014	1056	756	14-01540	SW/4 Section 44	57	T2S	REEVES	TX
PLACER LTD	BHP BILLITON PETROLEUM PROPERTIES NA LP	01/23/2014	1056	749	14-01539	SW/4 Section 44	57	T2S	REEVES	TX
BRENNAND LAZY H RANCH LTD	BHP BILLITON PETROLEUM PROPERTIES NA LP	03/01/2014	881	141	14-03025	E/2 Section 44	57	T2S	REEVES	TX
REDLANDS ROYALTY COMPANY LLC	BHP BILLITON PETROLEUM PROPERTIES NA LP	03/17/2014	1073	581	14-03976	E/2 Section 44	57	T2S	REEVES	TX
SELF CHILDRENS MANAGEMENT TRUST	BHP BILLITON PETROLEUM PROPERTIES NA LP	06/11/2014	1092	314	14-06696	E/2 Section 44	57	T2S	REEVES	TX
HENKE PETROLEUM CORPORATION	BHP BILLITON PETROLEUM PROPERTIES NA LP	06/11/2014	1151	443	14-07907	E/2 Section 44	57	T2S	REEVES	TX
THE FITZGERALD FIRST RESTATED TRUST UTA	BHP BILLITON PETROLEUM PROPERTIES NA LP	03/27/2015	1161	299	15-03771	E/2 Section 44	57	T2S	REEVES	TX
MARGARET S SHOCKLEY TRUST	BHP BILLITON PETROLEUM PROPERTIES NA LP	04/27/2016	1284	398	16-07847	E/2 Section 44	57	T2S	REEVES	TX
JO ANN SHAW BARBER TRUST	BHP BILLITON PETROLEUM PROPERTIES NA LP	08/05/2016	1333	414	16-14490	E/2 Section 44	57	T2S	REEVES	TX
THE STATE OF TEXAS M-112986	T VERNE DWYER	07/19/2011	901	385	6712	NW/4 Section 44	57	T2S	REEVES	TX

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TUNSTILL OIL & LAND TRUST	MTBB ACQUISITION COMPANY LLC	03/10/1999	604	595	1070	E/2NE/4, W/2NW/4 AND WEST 40 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
MCGARY FAMILY TRUST - KELLY SEPARATE	MARSHALL ENERGY LLC	07/30/2014	1094	483	14-06998	ALL OF SECTION 34	56	T2S	REEVES	TX
MCGARY LIVING TRUST - SPH	MARSHALL ENERGY LLC	07/30/2014	1094	494	14-06999	ALL OF SECTION 34	56	T2S	REEVES	TX
MARY JANE MCGARY	MARSHALL ENERGY LLC	07/30/2014	1094	472	14-06997	ALL OF SECTION 34	56	T2S	REEVES	TX
THE STATE OF TEXAS NO 88364	PREWIT MINERALS	10/05/1982	427	331	4510	SOUTH 200 ACRES OF SECTION 12	57	T2S	REEVES	TX
TRINITY UNIVERSITY ATTN: BUSINESS OFFICE	MARSHALL ENERGY LLC	09/04/2014	1111	207	14-09417	NE/4NE/4 OF SECTION 34	56	T2S	REEVES	TX
GRETCHEN C NORTHRUP FOUNDATION	MARSHALL ENERGY LLC	09/04/2014	1111	221	14-09418	NE/4NE/4 OF SECTION 34	56	T2S	REEVES	TX
SUNSHINE COTTAGE SCHOOL FOR DEAF CHILDREN	BHP BILLITON PETROLEUM PROPERTIES NA LP	09/02/2015	1218	663	15-11639	NE/4NE/4 OF SECTION 34	56	T2S	REEVES	TX
GEORGE C FRASER ET AL	CONTINENTAL OIL COMPANY	07/28/1950	8	576	620	NW/4 SECTION 11	55	T2S	LOVING	TX
GUY CALDWELL ET UX	PHILLIPS PETROLEUM COMPANY	10/15/1970	301	110	556	N/2 OF SECTION 24	57	T2S	REEVES	TX
CHEVRON MIDCONTINENT LP	BHP BILLITON PETROLEUM PROPERTIES NA LP	07/01/2015	1183	484	15-06542	S/2 Section 24	56	T3S	REEVES	TX
WILLIAM L WILKINSON	BHP BILLITON PETROLEUM PROPERTIES NA LP	09/09/2016	1333	428	16-14491	S/2 SECTION 24 LESS 40 ACRE TRACT	57	T2S	REEVES	TX

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Exhibit A-2

Joint Operating Agreements

1) Joint Operating Agreement dated February 1, 2017, by and between BHP Billiton Petroleum (TXLA Operating) Company, as Operator, and BHP Billiton Petroleum Properties (N.A.), LP, et al, as Non-Operators, covering 321.27 acres of land, more or less, being all of the East-Half (E2) of Section 44, Block 57, Township 2, T&P RR Co. Survey, Reeves County, Texas, as evidenced by that certain Memorandum of Operating Agreement and Financing Statement filed of record as Instrument Number 17-19250, Official Public Records of Reeves County, Texas.

2) Joint Operating Agreement dated October 1, 2017, by and between BHP Billiton Petroleum (TXLA Operating) Company, as Operator, and BHP Billiton Petroleum Properties (N.A.), LP, et al, as Non-Operators, covering all of Section 34, Block 56, Township 3, T&P RR Co. Survey, Reeves County, Texas, as evidenced by that certain Memorandum of Operating Agreement and Financing Statement filed of record as Instrument Number 18-10519, Official Public Records of Reeves County, Texas.

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Exhibit B-1

Retained Wells

API No.	Well Name	Well No.	Section	Block	County	State
42-301-31895	State Protection 55-T2-2	2H	2	55-T2	Loving	TX
42-301-32064	State Protection 55-T2-2	3H	2	55-T2	Loving	TX
42-301-32644	State Protector 55-T2-2X11 PSA	1H	2 & 11	55-T2	Loving	TX
42-389-38813	State Sky Hook 57-T2-24	X101H	24	57-T2	Reeves	TX
42-389-38802	State Sky Hook 57-T2-24	W101H	24	57-T2	Reeves	TX
42-389-38805	State Sky Hook 57-T2-24	W103H (AKA W102H)	24	57-T2	Reeves	TX
42-389-36681	State Sky Hook 57-T2-24	W107H	24	57-T2	Reeves	TX
42-389-36675	State Sky Hook 57-T2-24	W108H	24	57-T2	Reeves	TX
42-389-38806	State Sky Hook 57-T2-24	W112H (AKA W110H)	24	57-T2	Reeves	TX
42-389-38808	State Sky Hook 57-T2-24	W114H	24	57-T2	Reeves	TX
42-389-38810	State Sky Hook 57-T2-24	W115H	24	57-T2	Reeves	TX
42-389-38814	State Sky Hook 57-T2-24	W201H	24	57-T2	Reeves	TX
42-389-38812	State Sky Hook 57-T2-24	W203H (AKA W101H)	24	57-T2	Reeves	TX
42-389-34329	State Roberta Regan 57-T2-36	1H	36	57-T2	Reeves	TX
42-389-35270	State Trinity 56-T2-34	1H	34	56-T2	Reeves	TX
42-389-35885	State Trinity 56-T2-34	W105H	34	56-T2	Reeves	TX
42-389-35978	State Trinity 56-T2-34	W106H	34	56-T2	Reeves	TX
42-389-35995	State Trinity 56-T2-34	W107H	34	56-T2	Reeves	TX
42-389-34663	State James 57-T2-42	1H	42	57-T2	Reeves	TX
42-389-35097	State Placer 57-T2-44	1H	44 (W2)	57-T2	Reeves	TX
42-389-38088	State Placer 57-T2-44	W102H	44 (W2)	57-T2	Reeves	TX
42-389-35706	State Lazy Acre 57-T2-44	W101H	44 (E2)	57-T2	Reeves	TX
42-389-34359	Brown State 56-T2-44	1H	44	56-T2	Reeves	TX
42-389-34571	State Roy Kimsey 56-T2-46	1H	46	56-T2	Reeves	TX
42-389-35980	State Roy Kimsey 56-T2-46	W102H	46	56-T2	Reeves	TX
42-389-37986	State Roy Kimsey 56-T2-46	W103H	46	56-T2	Reeves	TX
42-389-37984	State Roy Kimsey 56-T2-46	W104H	46	56-T2	Reeves	TX
42-389-33542	Hooton et al State 57-T3-22	1H	22	57-T3	Reeves	TX
42-389-34610	Darcy State 56-T3-22	1H	22	56-T3	Reeves	TX
42-389-38368	State Hedblom 56-T3-24	W101H	24	56-T3	Reeves	TX
42-389-38369	State Hedblom 56-T3-24	W102H	24	56-T3	Reeves	TX
42-389-36738	State Hedblom 56-T3-24	W108H	24	56-T3	Reeves	TX
42-389-38370	State Hedblom 56-T3-24	W115H	24	56-T3	Reeves	TX

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API No.	Well Name	Well No.	Section	Block	County	State
42-389-39429	State Hedblom 56-T3-24	W208H	24	56-T3	Reeves	TX
42-389-34953	State Pride 57-T3-38	1H	38	57-T3	Reeves	TX
42-389-38516	State Pride 57-T3-38	W207H	38	57-T3	Reeves	TX
42-389-36547	State Perryman 56-T3-34	W108H	34	56-T3	Reeves	TX
42-389-34787	State LRP 57-T2-12	1H	12	57-T2	Reeves	TX
42-389-36140	State LRP 57-T2-12	W103H	12	57-T2	Reeves	TX
42-389-36151	State LRP 57-T2-12	W104H	12	57-T2	Reeves	TX
42-389-36141	State LRP 57-T2-12	W105H	12	57-T2	Reeves	TX

[*Exhibit B-1*]

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Exhibit B-2

Proration Units

API No.	Well Name	Well No.	Section	Block	County	State	Prorated Acres
42-301-31895	STATE PROTECTION 55-T2-2	2H	2	55-T2	Loving	TX	540
42-301-32064	STATE PROTECTION 55-T2-2	3H	2	55-T2	Loving	TX	325.44
42-301-32644	STATE PROTECTOR 55-T2-2X11 PSA	1H	2 & 11	55-T2	Loving	TX	487.94
42-389-36681	STATE SKY HOOK 57-T2-24	W107H	24	57-T2	Reeves	TX	161.225
42-389-36675	STATE SKY HOOK 57-T2-24	W108H	24	57-T2	Reeves	TX	161.225
42-389-38810	STATE SKY HOOK 57-T2-24	W115H	24	57-T2	Reeves	TX	161.225
42-389-38814	STATE SKY HOOK 57-T2-24	W201H	24	57-T2	Reeves	TX	161.225
42-389-34329	STATE ROBERTA REGAN 57-T2-36	1H	36	57-T2	Reeves	TX	642.86
42-389-35270	STATE TRINITY 56-T2-34	1H	34	56-T2	Reeves	TX	159.28
42-389-35885	STATE TRINITY 56-T2-34	W105H	34	56-T2	Reeves	TX	159.82
42-389-35978	STATE TRINITY 56-T2-34	W106H	34	56-T2	Reeves	TX	159.82
42-389-35995	STATE TRINITY 56-T2-34	W107H	34	56-T2	Reeves	TX	159.82
42-389-34663	STATE JAMES 57-T2-42	1H	42	57-T2	Reeves	TX	639.93
42-389-35097	STATE PLACER 57-T2-44	1H	44 (W2)	57-T2	Reeves	TX	160.64
42-389-38088	STATE PLACER 57-T2-44	W102H	44 (W2)	57-T2	Reeves	TX	160.64
42-389-35706	STATE LAZY ACRE 57-T2-44	W101H	44 (E2)	57-T2	Reeves	TX	321.27
42-389-34359	BROWN STATE 56-T2-44	1H	44	56-T2	Reeves	TX	643.37
42-389-34571	STATE ROY KIMSEY 56-T2-46	1H	46	56-T2	Reeves	TX	160.47
42-389-35980	STATE ROY KIMSEY 56-T2-46	W102H	46	56-T2	Reeves	TX	160.47
42-389-37986	STATE ROY KIMSEY 56-T2-46	W103H	46	56-T2	Reeves	TX	160.47

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API No.	Well Name	Well No.	Section	Block	County	State	Prorated Acres
42-389-37984	STATE ROY KIMSEY 56-T2-46	W104H	46	56-T2	Reeves	TX	160.47
42-389-33542	HOOTON ET AL STATE 57-T3-22	1H	22	57-T3	Reeves	TX	636.68
42-389-34610	DARCY STATE 56-T3-22	1H	22	56-T3	Reeves	TX	640.82
42-389-38368	STATE HEDBLOM 56-T3-24	W101H	24	56-T3	Reeves	TX	127.826
42-389-38369	STATE HEDBLOM 56-T3-24	W102H	24	56-T3	Reeves	TX	127.826
42-389-36738	STATE HEDBLOM 56-T3-24	W108H	24	56-T3	Reeves	TX	127.826
42-389-38370	STATE HEDBLOM 56-T3-24	W115H	24	56-T3	Reeves	TX	127.826
42-389-39429	STATE HEDBLOM 56-T3-24	W208H	24	56-T3	Reeves	TX	127.826
42-389-34953	STATE PRIDE 57-T3-38	1H	38	57-T3	Reeves	TX	322.08
42-389-38516	STATE PRIDE 57-T3-38	W207H	38	57-T3	Reeves	TX	322.08
42-389-36547	STATE PERRYMAN 56-T3-34	W108H	34	56-T3	Reeves	TX	638.91
42-389-34787	STATE LRP 57-T2-12	1H	12	57-T2	Reeves	TX	160.715
42-389-36140	STATE LRP 57-T2-12	W103H	12	57-T2	Reeves	TX	214.86
42-389-36151	STATE LRP 57-T2-12	W104H	12	57-T2	Reeves	TX	214
42-389-36141	STATE LRP 57-T2-12	W105H	12	57-T2	Reeves	TX	160.715

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Exhibit B-3

BSF Override Leases

LESSOR	LESSEE	LEASE DATE	VOL	PAGE	SEC	BLK	TSP	COUNTY	STATE	ASSIGNOR OVERRIDE LEASE FORMATION
WILLIAM EDWARD LASELL ET AL	PETROHAWK PROPERTIES LP	03/25/2013	1001	320	E/2NW/4 OF SECTION 12	57	T2S	REEVES	TX	BONE SPRING FORMATION
LOWE ROYALTY PARTNERS LP	PETROHAWK PROPERTIES LP	01/28/2013	1001	297	E/2NW/4 AND W/2NE/4 OF SECTION 12	57	T2S	REEVES	TX	BONE SPRING FORMATION
JULIA LUCINDA C RAMAN	PETROHAWK PROPERTIES LP	05/24/2013	1007	741	E/2NW/4 AND W/2NE/4 OF SECTION 12	57	T2S	REEVES	TX	BONE SPRING FORMATION
WALTER C CREMIN III	PETROHAWK PROPERTIES LP	05/24/2013	1010	361	E/2NW/4 AND W/2NE/4 OF SECTION 12	57	T2S	REEVES	TX	BONE SPRING FORMATION
MARIANNE C TAYLOR	PETROHAWK PROPERTIES LP	05/24/2013	1014	521	E/2NW/4 AND W/2NE/4 OF SECTION 12	57	T2S	REEVES	TX	BONE SPRING FORMATION
ESTATE OF ANN CREMIN FIALA	PETROHAWK PROPERTIES LP	06/12/2013	1014	528	E/2NW/4 AND W/2NE/4 OF SECTION 12	57	T2S	REEVES	TX	BONE SPRING FORMATION
STANLEY N STAPLES	PETROHAWK PROPERTIES LP	05/24/2013	1010	368	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX	BONE SPRING FORMATION
LAUREN LEAVELL PINKSTON	BHP BILLITON PETROLEUM PROPERTIES NA LP	07/18/2013	1025	436	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX	BONE SPRING FORMATION
WILLIAM WYATT LEAVELL III	BHP BILLITON PETROLEUM PROPERTIES NA LP	07/18/2013	1025	426	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX	BONE SPRING FORMATION

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LESSOR	LESSEE	LEASE DATE	VOL	PAGE	SEC	BLK	TSP	COUNTY	STATE	ASSIGNOR OVERRIDE LEASE FORMATION
JENNIFER BLAKE BROMBERG	BHP BILLITON PETROLEUM PROPERTIES NA LP	07/18/2013	1025	446	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX	BONE SPRING FORMATION
BLAKE OIL & GAS CORPORATION	BHP BILLITON PETROLEUM PROPERTIES NA LP	07/18/2013	1032	196	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX	BONE SPRING FORMATION
ROBERT A SCHULER ET AL	BLAKE OIL & GAS CORPORATION	12/08/1986	474	168	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX	BONE SPRING FORMATION
VIOLET SCHULER	BLAKE OIL & GAS CORPORATION	10/10/1987	481	303	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX	BONE SPRING FORMATION
ALTHA M FARWELL	BLAKE OIL & GAS CORPORATION	09/30/1988	489	362	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX	BONE SPRING FORMATION
MARY C GEHLE	BLAKE OIL & GAS CORPORATION	09/30/1988	489	372	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX	BONE SPRING FORMATION
RICHARD KIEL	BLAKE OIL & GAS CORPORATION	09/30/1988	489	382	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX	BONE SPRING FORMATION

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LESSOR	LESSEE	LEASE DATE	VOL	PAGE	SEC	BLK	TSP	COUNTY	STATE	ASSIGNOR OVERRIDE LEASE FORMATION
DONALD H KIEL	BLAKE OIL & GAS CORPORATION	10/08/1986	489	392	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX	BONE SPRING FORMATION
LOIS OESTRICH ET VIR	BLAKE OIL & GAS CORPORATION	09/30/1988	489	402	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX	BONE SPRING FORMATION
LORNA JEAN RYBACHECK	BLAKE OIL & GAS CORPORATION	10/10/1988	489	412	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX	BONE SPRING FORMATION
MILDRED MAX	BLAKE OIL & GAS CORPORATION	09/30/1988	489	422	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX	BONE SPRING FORMATION
ALGO A NOVALLO	BLAKE OIL & GAS CORPORATION	09/30/1988	490	23	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX	BONE SPRING FORMATION
SHIRLEY E CAMPBELL & FOR ST OF TX	BLAKE OIL & GAS CORPORATION	10/17/1988	490	33	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX	BONE SPRING FORMATION
RICHARD GEHLE	BLAKE OIL & GAS CORPORATION	09/30/1988	490	43	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX	BONE SPRING FORMATION

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CAROL WAGNER ET VIR	BLAKE OIL & GAS CORPORATION	09/30/1988	491	448	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX	BONE SPRING FORMATION
ESTHER I WURM	BLAKE OIL & GAS CORPORATION	09/30/1988	491	459	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX	BONE SPRING FORMATION
TUNSTILL OIL & LAND TRUST	MTBB ACQUISITION COMPANY LLC	03/10/1999	604	595	E/2NE/4, W/2NW/4 AND WEST 40 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX	BONE SPRING FORMATION
THE STATE OF TEXAS NO 88364	PREWIT MINERALS	10/05/1982	427	331	SOUTH 200 ACRES OF SECTION 12	57	T2S	REEVES	TX	BONE SPRING FORMATION
GUY CALDWELL ET UX	PHILLIPS PETROLEUM COMPANY	10/15/1970	301	110	N/2 OF SECTION 24	57	T2S	REEVES	TX	BONE SPRING FORMATION
AGNES C BECKHAM ET AL	RICHARD C SLACK	05/25/1987	477	496	40 ACRES AROUND THE GUY CALDWELL #3 WELL IN THE S/2 OF SECTION 24	57	T2S	REEVES	TX	BONE SPRING FORMATION
CMC/SC BECKHAM HOLDINGS LP ET AL	PETROHAWK PROPERTIES LP	06/27/2013	1025	124	S/2 SECTION 24 LESS 40 ACRE TRACT	57	T2S	REEVES	TX	BONE SPRING FORMATION
WILLIAM L WILKINSON	BHP BILLITON PETROLEUM PROPERTIES NA LP	09/09/2016	1333	428	S/2 SECTION 24 LESS 40 ACRE TRACT	57	T2S	REEVES	TX	BONE SPRING FORMATION
BRENNAND LAZY H RANCH LTD	PETROHAWK PROPERTIES LP	02/15/2012	932	557	All of Section 36	57	T2S	REEVES	TX	BONE SPRING FORMATION
NANCY ADELE SAUSTAD TRUST	PETROHAWK PROPERTIES LP	06/05/2012	948	116	All of Section 36	57	T2S	REEVES	TX	BONE SPRING FORMATION

[*Exhibit B-3*]

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LESSOR	LESSEE	LEASE DATE	VOL	PAGE	SEC	BLK	TSP	COUNTY	STATE	ASSIGNOR OVERRIDE LEASE FORMATION
LOYD W POWELL JR CHILDRENS TRUST	PETROHAWK PROPERTIES LP	05/01/2012	943	31	All of Section 36	57	T2S	REEVES	TX	BONE SPRING FORMATION
PURSUIT ENERGY CORPORATION	PETROHAWK PROPERTIES LP	05/01/2012	943	45	All of Section 36	57	T2S	REEVES	TX	BONE SPRING FORMATION
ANDREWS ROYALTY LP	PETROHAWK PROPERTIES LP	05/01/2012	943	38	All of Section 36	57	T2S	REEVES	TX	BONE SPRING FORMATION
PATTI JO WOOD	PETROHAWK PROPERTIES LP	06/21/2012	956	10	All of Section 36	57	T2S	REEVES	TX	BONE SPRING FORMATION
ROBERTA REGAN TESTAMENTARY TRUST	PETROHAWK PROPERTIES LP	06/01/2012	945	494	All of Section 36	57	T2S	REEVES	TX	BONE SPRING FORMATION
HOWELL SMITH WYNNE	PETROHAWK PROPERTIES LP	05/01/2012	944	290	All of Section 36	57	T2S	REEVES	TX	BONE SPRING FORMATION
WILLIAM BARTON WAKEFIELD TESTAMENTARY TR	PETROHAWK PROPERTIES LP	06/21/2012	951	316	All of Section 36	57	T2S	REEVES	TX	BONE SPRING FORMATION
WESTWAY RANCHES LLC	BHP BILLITON PETROLEUM PROPERTIES NA LP	09/09/2013	1026	301	All of Section 36	57	T2S	REEVES	TX	BONE SPRING FORMATION
NANCY SMITH CHANDLER	BHP BILLITON PETROLEUM PROPERTIES NA LP	10/01/2013	1035	430	All of Section 36	57	T2S	REEVES	TX	BONE SPRING FORMATION
ARBGT LMB O&G TX LP	BHP BILLITON PETROLEUM PROPERTIES NA LP	11/01/2013	1047	432	All of Section 36	57	T2S	REEVES	TX	BONE SPRING FORMATION
EPB O&G TX LP	BHP BILLITON PETROLEUM PROPERTIES NA LP	11/01/2013	1047	418	All of Section 36	57	T2S	REEVES	TX	BONE SPRING FORMATION

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LESSOR	LESSEE	LEASE DATE	VOL	PAGE	SEC	BLK	TSP	COUNTY	STATE	ASSIGNOR OVERRIDE LEASE FORMATION
ARBGT RMB O&G TX LP	BHP BILLITON PETROLEUM PROPERTIES NA LP	11/01/2013	1047	439	All of Section 36	57	T2S	REEVES	TX	BONE SPRING FORMATION
SID W RICHARDSON FOUNDATION	BHP BILLITON PETROLEUM PROPERTIES NA LP	11/01/2013	1047	425	All of Section 36	57	T2S	REEVES	TX	BONE SPRING FORMATION
ARBGT SRB O&G TX LP	BHP BILLITON PETROLEUM PROPERTIES NA LP	11/01/2013	1047	446	All of Section 36	57	T2S	REEVES	TX	BONE SPRING FORMATION
PATTI JO WOOD TRUST UWO JOSIE FAY PECK	BHP BILLITON PETROLEUM PROPERTIES NA LP	01/13/2014	1056	741	All of Section 36	57	T2S	REEVES	TX	BONE SPRING FORMATION

[*Exhibit B-3*]

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THE STATE OF TEXAS
LOVING COUNTY

I, Mozelle Carr, Clerk of the County Court, in and for said County, do hereby certify that the within instrument in writing, dated with its certification of authentication, was filed in my office 01/04/2023 at 09: 46 AM and recorded 01/04/2023 in the OFFICIAL PUBLIC RECORDS of Loving County, Texas with Instrument Number 2023-0014. Witness my Hand and Seal of Said Court, at office in Mentone, Texas, on date and year last above written.

Mozelle Carr

MOZELLE CARR, County Clerk
Loving County Texas

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Execution Version

ASSIGNMENT AND CONVEYANCE

11/1/22

eff 12/22/22

STATE OF TEXAS §
§
COUNTIES OF REEVES AND § LOVING §

This Assignment and Conveyance (this "**Assignment**") is made this 22nd day of December, 2022, but effective as of the Effective Time (as defined below), by and between, **BPX Operating Company**, a Texas corporation ("**Assignor**"), whose address is 1700 Platte Street, Suite 150, Denver, Colorado 80202 and **Permian Delaware Enterprises Holdings LLC**, a Texas limited liability company ("**Assignee**"), whose address is 600 W. Illinois Avenue, Midland, Texas 79701. Assignee and Assignor are collectively referred to herein as the "**Parties**" and sometimes individually referred to herein as a "**Party**." This Assignment shall be effective as of 12:01 a.m. Central Time on November 1, 2022 (the "**Effective Time**").

WITNESSETH:

WHEREAS, Assignor, Assignee and Anadarko E&P Onshore LLC are parties to that certain Lease Exchange Agreement, effective as of the Effective Time (together with the exhibits attached thereto, the "**Exchange Agreement**", with all capitalized terms used but not defined in this Assignment having the meanings given to such terms in the Exchange Agreement) pursuant to which Assignor has agreed to assign, sell and convey to Assignee the Subject Interests (as defined below); and

WHEREAS, pursuant to the Exchange Agreement, Assignor and Assignee have agreed to execute and deliver this Assignment.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor does hereby assign, transfer, convey, and deliver unto Assignee, effective as of the Effective Time, an undivided 57.9128% of Assignor's right, title, interest and estate, real or personal, recorded or unrecorded, movable or immovable, tangible or intangible, direct or indirect, in, to, and under the following, less and except the Excluded Property (as hereinafter defined):

Section 1.1:

(a) the oil, gas and/or mineral leases described on Exhibit A-1 (Leases and Lands) attached hereto and made a part hereof for all purposes, to the extent covering lands described on Exhibit A-1 (Leases and Lands), save and except with respect to the Retained Lease Interests, in each case, located in Reeves and/or Loving Counties, Texas, together with all extensions, ratifications, or amendments thereof, and any leasehold estates and operating rights to the oil and gas in place covered by such leases (the "**Leases**", and the lands described on Exhibit A-1 (Leases and Lands) collectively, the "**Lands**"), and all tenements, hereditaments and appurtenances to the foregoing and all rights that arise by operation of law or that benefit or accrue

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to the owner or lessee of the foregoing with respect to the exploration, development or use of, or production from the foregoing;

(b) the oil, gas, casinghead gas, coal bed methane, condensate and other gaseous and liquid hydrocarbons or any combination thereof, sulfur extracted from hydrocarbons and all other lease substances ("**Hydrocarbons**") under the Leases and that may be produced under or otherwise be allocated or attributed to the Leases, or the Lands;

(c) the joint operating agreements described on Exhibit A-2 (Joint Operating Agreements) attached hereto and made a part hereof for all purposes;

(d) the unitization, pooling and communitization agreements, declarations, orders, and the units and rights derived therefrom or created thereby, pertaining to or covering the Leases or the Lands (the "**Units**" and, together with the Leases and the Lands, the "**Properties**"); and

(e) copies, or electronic versions (if available), of the books, records, files, reports and similar documents and materials, including title files, title opinions, abstracts of title, ownership maps, contracts files, leases and lease records, title curative materials, in each case to the extent pertaining to the properties and interests described in subsections 1.1(a) through (d) and that are in the possession and control of, or maintained by, Assignor or its Affiliates (the "**Records**").

All of Assignor's right, title and interest in and to the above described properties, interests, and rights specified in the foregoing subsections 1.1(a) through (e) are hereinafter collectively referred to as the "**Subject Interests**". However, the Subject Interests shall not include Assignor's right, title, and interest in and to the Excluded Property, as defined below.

EXCEPTING AND RESERVING to Assignor, the right, title, interest and estate, real or personal, recorded or unrecorded, movable or immovable, tangible or intangible, direct or indirect, in, to, and under the following (collectively, the "**Excluded Property**"):

Section 1.2:

(a) all oil, gas, water or injection wells located on the Properties as of the Effective Time, whether producing, shut-in or temporarily abandoned, including those described on Exhibit B-1 attached hereto and made a part hereof for all purposes (the "**Retained Wells**") and including all of the tangible personal property, equipment, installations, fixtures, improvements and other appurtenances used or held for use in connection therewith, including, without limitation, all machinery, facilities, flow lines, gathering lines, gas lines, water lines, pipelines, electrical infrastructure, power lines, tubing, well pads, well heads, pumps, casing, caissons, motors, platforms, tank batteries, separators, treaters, rods, tanks, improvements, towers, SCADA equipment, radios, meters, computers, automation equipment, spare parts, compressors, pipe, vehicles, vessels, processing and compression equipment and facilities, and all manifolds, pads, structures, buildings, real property, materials and similar items so long as all such items are used in the operation thereof;

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(b) the Leases *insofar and only insofar* as they give rise to Assignor's ownership interests, right to operate, produce, save, store, transport and market Hydrocarbons from the currently producing depths and intervals in the Retained Wells, including the right to conduct refracturing or other reservoir stimulation operations, workovers, and ordinary maintenance operations in the currently producing depths and intervals in such Retained Wells, and including any carried working interests associated therewith;

(c) the Hydrocarbons produced from the Retained Wells, together with all trade credits, accounts, receivables and all other proceeds, income or revenues from the sale of Hydrocarbons to the extent produced from or accrued to the Retained Wells or to the extent attributable to the other Excluded Property;

(d) the rights in proration units assigned to each Retained Well by Assignor, and approved by the Railroad Commission of Texas (the "**RRC**") pursuant to Chapter 3 of Part 1 of Title 16 of the Texas Administrative Code (the "**RRC Rules**") to permit Assignor to produce its maximum daily allowable from each Retained Well (such proration units as further described on Exhibit B-2 (Proration Units) referred to herein as the "**Proration Units**" and collectively with the Retained Wells and the Retained Lease Interests, the "**Retained Wells Interests**"), as such proration units may be amended or modified pursuant to Section 6.2(c) of the Exchange Agreement;

(e) (i) as calculated before taking into effect the Reserved BSF Override, an overriding royalty interest in and to the Leases as to all depths from and after the Effective Time equal to (and no greater than) the positive difference, if any, between (x) twenty-five percent (25%) and (y) the burdens of record in the appropriate county land records as of the Effective Time measured by or payable out of production of Hydrocarbons from or otherwise allocable or attributable to the Leases as of the Effective Time, subject to the provisions of Section 2 of this Assignment (the "**General Reserved Override**"), and (ii) an undivided one percent (1%) overriding royalty interest in and to those Leases described on Exhibit B-3 (BSF Override Leases) (the "**BSF Override Leases**"; and collectively with those Leases subject to the General Reserved Override, the "**Override Leases**"), as further described and subject to the provisions of Section 2 of this Assignment, insofar and only insofar as such BSF Override Leases cover the Bone Spring Formation (the "**Reserved BSF Override**" and collectively with the General Reserved Override, the "**Reserved Overrides**");

(f) all surface leases, surface use agreements, water well agreements, water rights agreements, permits, franchises, consents, approvals, rights-of-way, servitudes, licenses, easements and other similar rights or agreements;

(g) all fee mineral interests and fee surface interests with respect to all or any portion of the Lands;

(h) all transportation, processing, treatment, marketing, production, storage, sale, disposal, handling, or gathering agreements that relate to the properties and interests described in subsections 1.2(a) through (d) of this definition of "Excluded Property";

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(i) all information technology assets, including desktop computers, laptop computers, servers, networking equipment, and any associated peripherals and other computer hardware, all radio and telephone equipment, smartphones, tablets and other mobility devices, well communication devices, and any other information technology system;

(j) all rights of ingress and egress through and across such Lands in order to produce Hydrocarbons or conduct operations in connection with the Retained Wells;

(k) except for the joint operating agreements described on Exhibit A-2, all existing contracts, agreements and instruments of Assignor, including effective sales, purchase contracts, operating agreements, area of mutual interest agreements, joint venture agreements, exploration agreements, development agreements, exchange agreements, balancing agreements, farmin and farmout agreements, drilling agreements, service agreements, equipment leases, midstream agreements, and other contracts, agreements and instruments, in each case, to the extent such contracts, agreements and instruments directly relate to the properties and interests described in subsections 1.2(a) through (j) of this definition of "Excluded Property";

(l) originals or copies, and electronic versions (if available), of Assignor's Records, together with all other files and records pertaining to the properties and interests described in subsections 1.1(a) through (d) of the definition of "Subject Interests", that are not included in the definition of Records;

(m) any indebtedness for borrowed money (including guarantees, letters of credit and similar instruments) or hedging instruments and related liabilities; and

(n) (i) all corporate minute books, Tax and financial records and other business records that relate to Assignor's business generally; (ii) any contracts, books, records, files, maps, information, data and licenses (including radio licenses), or copies thereof, in each case, whose change in ownership or transfer is prohibited or subjected to payment of a fee or other consideration by an agreement with a third party, or by applicable law, and for which no consent to transfer has been received; (iii) all legal records and files of Assignor constituting work product of, and attorney-client communications with, Assignor's legal counsel (but excluding executed agreements and instruments, title opinions, and similar documents, in each case, constituting the Records); (iv) any records or information relating to the offer, negotiation or sale of the Subject Interests, including bids received from and records of negotiations with third parties, and correspondence and agreements (including confidentiality agreements) with such third parties pertaining to sales or similar transactions pertaining to the Subject Interests; (v) any of Assignor's reserve, engineering, economic, or marketing reports, studies, estimates or evaluations, and interpretive maps or correspondence related thereto; (vi) master service contracts and software licenses used for both the Subject Interests and other assets of Assignor; (vii) all geological or geophysical or other seismic or related technical data; (viii) any environmental studies, evaluations, reports or interpretations thereof, which were generated solely for Assignor's internal use; and (ix) proprietary computer software, patents, trade secrets, copyrights, names, trademarks, logos and other similar intellectual property.

As used in this Assignment, the term "**Bone Spring Formation**" means the correlative stratigraphic interval from 6,565 feet (TVD), to 9,633 feet (TVD), as shown on the Gamma Ray

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Log stamped received by the RRC on March 24, 1983, for the Fortune Unit 2R well (API No. 42-389-31270) located 1,000 FNL and 1,350 FEL of Section 3, Block 57, Township 3, T&P RR Co. Survey, Reeves County, Texas.

TO HAVE AND TO HOLD the Subject Interests unto Assignee, its successors and assigns, forever subject to the terms and provisions hereof.

1. Special Warranty of Title. Assignor covenants and agrees that it will WARRANT and DEFEND title to the Subject Interests unto Assignee, its successors and assigns, against all persons claiming or to claim the whole or any part thereof, by, through or under Assignor, but not otherwise, for four (4) years from the Effective Time of this Assignment (the "**Special Warranty**"). Further, this Assignment is made by Assignor with the right of full substitution and subrogation of Assignee in and to all covenants and warranties heretofore given or made by others with respect to the Subject Interests. **EXCEPT AS TO THE FOREGOING SPECIAL WARRANTY, ANY COVENANTS OR WARRANTIES IMPLIED BY STATUTE OR LAW OR BY THE USE OF THE WORD "ASSIGN," "TRANSFER," "CONVEY," "DELIVER," OR OTHER WORDS OF GRANT ARE HEREBY EXPRESSLY WAIVED AND DISCLAIMED BY THE PARTIES.**

2. Reserved Overrides.

(a) The Reserved Overrides shall be non-operating, non-expense-bearing limited overriding royalty interests free of all cost and expense of acquisition, exploration, drilling, deepening, completion, re-completion, equipping for production, development, improvement, production, operation, repair, reworking, sidetracking, plugging back, maintenance, plugging and abandonment, and remediation, including royalties and other burdens on production, related to the applicable Override Lease and calculated based on the gross proceeds received from the first arm's length unaffiliated sale, free of all post-production costs; *provided, however*, that each Reserved Override shall bear proportionately all severance or other similar Taxes attributable to each Reserved Override. In addition, the Reserved Overrides shall be free of (and without deduction therefrom of) any and all royalties and other burdens on production and shall bear no part of the same. The Reserved Overrides may be pooled or unitized in the same manner and under the same terms and conditions as the lessor's royalty may be pooled or unitized under the terms of the applicable Override Lease or as such Override Lease may thereafter be amended, and the owner of the Reserved Overrides shall be deemed to have consented to such pooling or unitization. The Reserved Overrides shall be paid at the same times as the lessor's royalty under the terms of the applicable Override Lease, except in no circumstances shall such Reserved Overrides ever be calculated or paid on a basis in excess of the proceeds of production attributable thereto.

(b) The Parties acknowledge that the Reserved Overrides are reserved directly from the Override Leases. Accordingly, the quantum of interest applicable to each Reserved Override shall be proportionately reduced by the ratio that (i) the interest in and to the mineral estate covered by an Override Lease bears to the full undivided mineral interest in the Hydrocarbons in the lands covered thereby or (ii) the Assignor's undivided interest in and to an Override Lease bears to 100% of the lessee's interest under such Override Lease. The quantum of interest applicable to each Reserved Override shall be further proportionately reduced to reflect

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(A) any failure of the leasehold or mineral title of an Override Lease, and (B) the pooling or unitization of an Override Lease with other lands or leases.

(c) Each Reserved Override shall remain in effect and apply to any renewal or extension of the applicable Override Lease or any new or substitute lease taken or received by Assignee, its Affiliates or its or any of their successors or assigns, covering all or any part of the lands covered by such Override Lease, in each case, within a period of one year after the expiration or termination of the applicable Override Lease, provided that the Override Lease terminates or expires within 21 years of the last living issue of George W. Bush.

(d) No obligations, either express or implied, shall arise by reason of the reservation of the Reserved Overrides by Assignor that would require Assignee to keep and maintain any of such Override Leases in force and effect either by payment of delay rentals, compensatory royalties or other payment, by the drilling of any well upon the lands covered by such Override Leases, or by any other means; it being expressly understood that Assignor is to retain said Reserved Overrides in the Hydrocarbons, if, as and when produced and sold and that such Override Leases may be released without the consent of Assignor, subject to Section 6.1 of the Exchange Agreement and Section 2(c) of this Assignment.

(e) The asset revenue and accounting records of Assignee directly relating to the Override Leases and calculation and payment of the Reserved Overrides shall be open and made available, on a confidential basis, to Assignor and its representatives at all reasonable times for examination, inspection, copying, and audit by Assignor and its representatives, but in no event more than twice annually.

3. Disclaimer of Representations and Warranties.

(a) EXCEPT AS AND TO THE EXTENT EXPRESSLY SET FORTH IN THE EXCHANGE AGREEMENT OR IN THE SPECIAL WARRANTY CONTAINED HEREIN, (I) ASSIGNOR MAKES NO REPRESENTATIONS OR WARRANTIES, EXPRESS, STATUTORY OR IMPLIED, AND (II) ASSIGNOR EXPRESSLY DISCLAIMS ALL LIABILITY AND RESPONSIBILITY FOR, AND ASSIGNEE ACKNOWLEDGES AND AGREES THAT IT HAS NOT RELIED UPON, ANY REPRESENTATION, WARRANTY, STATEMENT OR INFORMATION MADE OR COMMUNICATED (ORALLY OR IN WRITING) TO ASSIGNEE OR ANY OF ASSIGNEE'S REPRESENTATIVES (INCLUDING, WITHOUT LIMITATION, ANY OPINION, INFORMATION, PROJECTION OR ADVICE THAT MAY HAVE BEEN PROVIDED TO ASSIGNEE BY ANY OFFICER, DIRECTOR, EMPLOYEE, AGENT, CONSULTANT, REPRESENTATIVE OR ADVISOR OF ASSIGNOR OR ANY OF ITS AFFILIATES), IN EACH CASE, WITH RESPECT TO THE SUBJECT INTERESTS.

(b) EXCEPT AS AND TO THE EXTENT EXPRESSLY SET FORTH IN THE EXCHANGE AGREEMENT OR IN THE SPECIAL WARRANTY CONTAINED HEREIN, ASSIGNOR EXPRESSLY DISCLAIMS AND NEGATES, AND ASSIGNEE WAIVES AND ACKNOWLEDGES IT HAS NOT RELIED UPON, ANY REPRESENTATION OR WARRANTY, EXPRESS, STATUTORY OR IMPLIED, AS TO (IN EACH CASE WITH RESPECT TO THE SUBJECT INTERESTS) (I) TITLE TO ANY OF THE SUBJECT

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INTERESTS, (II) THE CONTENTS, CHARACTER OR NATURE OF ANY REPORT OF ANY PETROLEUM ENGINEERING CONSULTANT, OR ANY ENGINEERING, GEOLOGICAL OR SEISMIC DATA OR INTERPRETATION, RELATING TO THE SUBJECT INTERESTS, (III) THE QUANTITY, QUALITY OR RECOVERABILITY OF HYDROCARBONS IN OR FROM THE SUBJECT INTERESTS, (IV) ANY ESTIMATES OF THE VALUE OF THE SUBJECT INTERESTS OR FUTURE REVENUES GENERATED BY THE SUBJECT INTERESTS, (V) THE ABILITY TO PRODUCE HYDROCARBONS FROM THE SUBJECT INTERESTS, (VI) THE MAINTENANCE, REPAIR, CONDITION, QUALITY, SUITABILITY, DESIGN OR MARKETABILITY OF THE SUBJECT INTERESTS, (VII) THE CONTENT, CHARACTER OR NATURE OF ANY INFORMATION MEMORANDUM, REPORTS, BROCHURES, CHARTS OR STATEMENTS PREPARED BY ASSIGNOR OR THIRD PARTIES WITH RESPECT TO THE SUBJECT INTERESTS, (VIII) ANY OTHER MATERIALS OR INFORMATION THAT MAY HAVE BEEN MADE AVAILABLE TO ASSIGNEE OR ANY OF ASSIGNEE'S REPRESENTATIVES IN CONNECTION WITH THE TRANSACTION OR ANY DISCUSSION OR PRESENTATION RELATING THERETO, (IX) ANY IMPLIED OR EXPRESS WARRANTY OF FREEDOM FROM PATENT OR TRADEMARK INFRINGEMENT, AND (X) ENVIRONMENTAL LAWS, THE RELEASE OF HAZARDOUS MATERIALS INTO THE ENVIRONMENT OR THE PROTECTION OF HUMAN HEALTH, SAFETY, NATURAL RESOURCES OR THE ENVIRONMENT, OR ANY OTHER ENVIRONMENTAL CONDITION OF THE SUBJECT INTERESTS. EXCEPT AS EXPRESSLY REPRESENTED OTHERWISE IN ARTICLE 4 (REPRESENTATIONS AND WARRANTIES) OF THE EXCHANGE AGREEMENT, ASSIGNOR FURTHER DISCLAIMS ANY REPRESENTATION OR WARRANTY, EXPRESS, STATUTORY OR IMPLIED, OF MERCHANTABILITY, FREEDOM FROM LATENT VICES OR DEFECTS, FITNESS FOR A PARTICULAR PURPOSE OR CONFORMITY TO MODELS OR SAMPLES OF MATERIALS OF THE SUBJECT INTERESTS, RIGHTS OF A PURCHASER UNDER APPROPRIATE STATUTES TO CLAIM DIMINUTION OF CONSIDERATION OR RETURN OF CONSIDERATION, IT BEING EXPRESSLY UNDERSTOOD AND AGREED BY THE PARTIES THAT ASSIGNEE SHALL BE DEEMED TO BE OBTAINING THE APPLICABLE SUBJECT INTERESTS IN ITS PRESENT STATUS, CONDITION AND STATE OF REPAIR, "AS IS" AND "WHERE IS" WITH ALL FAULTS OR DEFECTS (KNOWN OR UNKNOWN, LATENT, DISCOVERABLE OR UNDISCOVERABLE), AND THAT ASSIGNEE HAS MADE OR CAUSED TO BE MADE SUCH INSPECTIONS AS ASSIGNEE DEEMS APPROPRIATE.

(c) ASSIGNEE ACKNOWLEDGES THAT THE SUBJECT INTERESTS HAVE BEEN USED TO EXPLORE FOR, DEVELOP AND PRODUCE HYDROCARBONS, AND THAT SPILLS OF WASTES, CRUDE OIL, PRODUCED WATER, HAZARDOUS MATERIALS AND OTHER MATERIALS MAY HAVE OCCURRED THEREON. ADDITIONALLY, SUCH SUBJECT INTERESTS, INCLUDING PRODUCTION EQUIPMENT, MAY CONTAIN ASBESTOS, HAZARDOUS MATERIALS OR NORM. NORM MAY AFFIX OR ATTACH ITSELF TO THE INSIDE OF WELLS, MATERIALS AND EQUIPMENT AS SCALE OR IN OTHER FORMS. A HEALTH HAZARD MAY EXIST IN CONNECTION WITH THE SUBJECT INTERESTS BY REASON THEREOF. SPECIAL PROCEDURES MAY BE REQUIRED FOR REMEDIATION, REMOVING, TRANSPORTING AND DISPOSING OF ASBESTOS, NORM, HAZARDOUS MATERIALS AND OTHER MATERIALS FROM THE SUBJECT INTERESTS.

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(d) EXCEPT TO THE EXTENT ARISING OUT OF OR RESULTING FROM THE EXCLUDED PROPERTY, ASSIGNEE HEREBY RELEASES AND DISCHARGES ANY AND ALL CLAIMS AND REMEDIES AT LAW OR IN EQUITY, ATTRIBUTABLE TO THE PERIOD AFTER THE CLOSING DATE, AGAINST ASSIGNOR WITH RESPECT TO ANY CONTAMINATION ON THE ASSIGNING PARTY'S LANDS, EVEN IF SUCH CLAIMS OR DAMAGES ARE CAUSED IN WHOLE OR IN PART BY THE NEGLIGENCE (WHETHER JOINT OR CONCURRENT), STRICT LIABILITY OR OTHER LEGAL FAULT (EXCLUDING GROSS NEGLIGENCE AND WILLFUL MISCONDUCT), OF ASSIGNOR.

(e) EXCEPT AS OTHERWISE SET FORTH IN THE EXCHANGE AGREEMENT, EACH PARTY ACKNOWLEDGES THAT THE OTHER PARTY HAS NOT MADE AND WILL NOT MAKE ANY REPRESENTATION OR WARRANTY REGARDING ANY MATTER OR CIRCUMSTANCE RELATING TO ENVIRONMENTAL LAWS, THE RELEASE OF MATERIALS INTO THE ENVIRONMENT OR PROTECTION OF THE ENVIRONMENT OR HEALTH, AND THAT NOTHING IN THE EXCHANGE AGREEMENT OR OTHERWISE SHALL BE CONSTRUED AS SUCH A REPRESENTATION OR WARRANTY. AS USED HEREIN, THE FOLLOWING DEFINITIONS SHALL APPLY:

(i) "**CONTAMINATION**" means the presence, disposal, discharge, migration or release of Hazardous Materials in, on, under, or from Assignor's Lands that is caused by, or is a result of, Assignor's use of the Lands; *provided, however*, in no event shall the term "Contamination" include the presence, disposal, discharge, migration or release of Hazardous Materials in, on, under, from or to the Assignor's Lands which IS NOT a violation of, or does not result in liability or required remedial action under, any Environmental Laws or under the terms of the Exchange Agreement.

(ii) "**HAZARDOUS MATERIALS**" is used in its very broadest sense and means and includes, (a) any and all hazardous or toxic substances, pollutants, contaminants, materials or waste defined by or listed under any Environmental Law, and (b) petroleum, natural gas, natural gas liquids, liquefied natural gas, crude oil and any fraction thereof.

(f) EACH PARTY AGREES THAT, TO THE EXTENT REQUIRED BY APPLICABLE LAW TO BE EFFECTIVE, THE DISCLAIMERS OF CERTAIN REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS SECTION 3 ARE "CONSPICUOUS" DISCLAIMERS FOR THE PURPOSE OF ANY APPLICABLE LAW.

4. Further Assurances. Without additional consideration, Assignor and Assignee agree to take such further actions and execute such further documents as may be reasonably necessary or appropriate for the full and complete enjoyment of the rights herein granted including without limitation all such other additional instruments, notices, division orders, transfer orders and other documents, and to do all such other and further acts and things as may be necessary to more fully and effectively assign, transfer, convey and deliver to Assignee the right, title and interest conveyed hereby or intended to be conveyed.

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5. Governing Law. The validity, enforceability, interpretation and construction of this Assignment shall be governed by the laws of the State of Texas (without regard to conflict of law rules or principles that might refer to the law of another jurisdiction). The applicable provisions of Section 7.10 (Governing Law; Dispute Resolution) of the Exchange Agreement shall apply *mutatis mutandis* to this Assignment.

6. Severability. If a court of competent jurisdiction determines that any clause or provision of this Assignment is void, illegal or unenforceable, such determination shall not affect the validity of this Assignment as a whole, and this Assignment shall remain in full force and effect and the clause and/or provision determined to be void, illegal or unenforceable shall be limited so it remains in effect to the extent permissible by law.

7. No Third-Party Beneficiaries. Any reference herein to contracts, agreement, burdens, encumbrances or other matters shall not be deemed to ratify or create rights in third parties or merge with, modify or limit the rights of Assignor or Assignee as between themselves. It is the intent of Assignor and Assignee that this Assignment shall not be construed as a third-party beneficiary contract.

8. Successors and Assigns. This Assignment shall be binding upon and inure to the benefit of the Parties hereto as well as their respective successors and assigns. The obligations and responsibilities of the Parties under this Assignment will run with the Subject Interests. Notwithstanding the foregoing, nothing in this Assignment shall prohibit a Party, or such Party's successors and assigns, from selling or disposing of an interest in the Subject Interests after the Closing to another Person, subject to the terms of the Exchange Agreement and all applicable agreements, instruments, obligations, covenants and burdens binding on the Subject Interests, *provided*, that such sale or disposition shall not relieve the selling or disposing Party of any condition, covenant or obligation under the Exchange Agreement or any other Transaction Document arising prior to such sale or disposition, and that such sale or disposition by such selling or disposing Party, its successors and permitted assigns shall require the transferee to expressly assume the obligations set forth in the Exchange Agreement with respect to the transferred assets, otherwise such assignment or transfer shall be null and void. The granting of a non-assigning Party's consent to any assignment will be effective only as to the specific assignment then the express subject of such consent, and any subsequent assignment that may be proposed or attempted will be ineffective without such non-assigning Party's prior written consent.

9. Assignment Subject to the Exchange Agreement. This Assignment is expressly subject to the terms, conditions and covenants set forth in the Exchange Agreement, including Sections 6.1, 6.2, 6.3 and 6.4 thereof, which shall be considered covenants running with the land, a burden upon such Assignee's interest in the Subject Interests and shall be binding on the interests of the successors and assignees of Assignee. The omission of certain provisions of the Exchange Agreement from this Assignment does not constitute a conflict or inconsistency between the Exchange Agreement and this Assignment, and will not affect a merger of the omitted provisions. To the fullest extent permitted by law, all provisions of the Exchange Agreement are hereby deemed incorporated into this Assignment by reference.

10. Counterparts. This Assignment may be executed in any number of original counterparts and each such counterpart shall be deemed to be an original instrument, but all such

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counterparts shall constitute but one and the same instrument of conveyance. For recording, counterpart signature and acknowledgment pages may be affixed to the body of one original instrument.

11. Entire Agreement. This Assignment, the Exhibits attached hereto, the Exchange Agreement, and all other documents executed contemporaneously with this Assignment pursuant to the Exchange Agreement, as same may have been amended or extended, embodies the entire agreement and understanding of the Parties with respect to the subject matter contained herein. This Assignment is subject to the Exchange Agreement, and in the event of a conflict, the terms and provisions of the Exchange Agreement shall control; *provided, however*, third parties may conclusively rely upon this Assignment as evidence of title in and to the Subject Interests vesting in Assignee. By executing, delivering, and accepting this Assignment, Assignor and Assignee do not intend to cause a merger of the terms of the Exchange Agreement into this Assignment, and all covenants, indemnities, and other terms and provisions set forth in the Exchange Agreement shall remain in full force and effect to the extent set forth in the Exchange Agreement.

[*Remainder intentionally blank, signature and acknowledgment pages follow*]

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IN WITNESS WHEREOF, the Parties have executed this Assignment the day and year set forth in their respective acknowledgements below, to be effective as of the Effective Time.

ASSIGNOR:

By: _____
Name: Mindy Johnson
Title: Attorney-in-Fact

STATE OF COLORADO §
§
COUNTY OF DENVER §

This foregoing instrument was acknowledged before me this 20th day of December, 2022, by, Mindy Johnson, Attorney-in-Fact of BPX Operating Company, a Texas corporation, on behalf of said corporation.

KENNETH L. MAXWELL, III
Notary Public
State of Colorado
Notary ID # 20174050828
My Commission Expires 12-12-2025

_____
Notary Public
Printed Name: Kenneth L. Maxwell, III
My Commission Expires: 12/12/2025

[*Signature Page to PDEH Assignment*]

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ASSIGNEE:

By: _____
Name: Steven R. Ellington
Title: Attorney-in-fact

STATE OF TEXAS §
§
COUNTY OF MIDLAND §

The foregoing instrument was acknowledged before me on this ~~21st~~ 22nd day of December, 2022, by, Steven R. Ellington, Attorney-in-fact of Permian Delaware Enterprises Holdings LLC, a Texas limited liability company, on behalf of said limited liability company.

SARAH H. MIDKIFF
My Notary ID # 131117352
Expires May 14, 2025

Sarah H. Midkiff
Notary Public
Printed Name: Sarah H. Midkiff
My Commission Expires: 5.14.2025

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Exhibit A-1

Leases and Lands

ME 112098

LESSOR	LESSEE	LEASE DATE	VOL	PAGE	INSTRUMENT NO.	SECTION	BLOCK	TOWNSHIP	COUNTY	STATE
CHRISTINE JENKINS	PETROHAWK PROPERTIES, LP	01/13/2011	871	340	1601	All of Section 22	57	T3S	REEVES	TX
WILLIAM STEWART HOOTON	PETROHAWK PROPERTIES, LP	01/13/2011	871	152	1557	All of Section 22	57	T3S	REEVES	TX
BOBBY HOOTON	PETROHAWK PROPERTIES LP	01/13/2011	871	159	1558	All of Section 22	57	T3S	REEVES	TX
MARGIE MCKENZIE HOOTON	PETROHAWK PROPERTIES, LP	01/17/2011	871	166	1559	All of Section 22	57	T3S	REEVES	TX
ERMENTRU JENKINS	PETROHAWK PROPERTIES, LP	01/14/2011	871	173	1560	All of Section 22	57	T3S	REEVES	TX
SARA KEASLER BARNETT	PETROHAWK PROPERTIES, LP	01/13/2011	871	180	1561	All of Section 22	57	T3S	REEVES	TX
KAY KEASLER CASPER	PETROHAWK PROPERTIES, LP	01/17/2011	871	347	1602	All of Section 22	57	T3S	REEVES	TX
MARGARET ANN KEASLER HOGAN	PETROHAWK PROPERTIES, LP	01/17/2011	871	361	1604	All of Section 22	57	T3S	REEVES	TX
KATHERINE HOOTON STANDING	PETROHAWK PROPERTIES, LP	01/13/2011	871	375	1606	All of Section 22	57	T3S	REEVES	TX
WILLIAM D HOOTON	PETROHAWK PROPERTIES, LP	01/14/2011	871	801	1696	All of Section 22	57	T3S	REEVES	TX
GAIL HOOTON	PETROHAWK PROPERTIES, LP	01/13/2011	871	808	1697	All of Section 22	57	T3S	REEVES	TX
MOZELLE KEASLER BICKNELL	PETROHAWK PROPERTIES LP	01/14/2011	871	822	1699	All of Section 22	57	T3S	REEVES	TX
MARY HOOTON HARDIN	PETROHAWK PROPERTIES, LP	01/14/2011	872	1	1700	All of Section 22	57	T3S	REEVES	TX
ELNA JANE WOOD	PETROHAWK PROPERTIES, LP	01/17/2011	872	8	1701	All of Section 22	57	T3S	REEVES	TX
VIRGINIA PAT KEASLER TAYLOR	PETROHAWK PROPERTIES, LP	01/14/2011	872	15	1702	All of Section 22	57	T3S	REEVES	TX
PHILIP JENKINS	PETROHAWK PROPERTIES, LP	01/17/2011	872	767	1875	All of Section 22	57	T3S	REEVES	TX

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PHILIP LEAHY HOOTON	PETROHAWK PROPERTIES, LP	01/17/2011	872	775	1876	All of Section 22	57	T3S	REEVES	TX
GREGORY JENKINS	PETROHAWK PROPERTIES, LP	01/14/2011	872	782	1877	All of Section 22	57	T3S	REEVES	TX
JOSEPH ROBERT KEASLER	PETROHAWK PROPERTIES, LP	01/17/2011	872	789	1878	All of Section 22	57	T3S	REEVES	TX
JESSE DAVID CROUCH	PETROHAWK PROPERTIES, LP	01/17/2011	871	815	1698	All of Section 22	57	T3S	REEVES	TX
JAMES WILLIAM HOOTON	PETROHAWK PROPERTIES, LP	01/13/2011	871	354	1603	All of Section 22	57	T3S	REEVES	TX
DEBORAH HOOTON HARTSOCK	PETROHAWK PROPERTIES, LP	01/13/2011	871	368	1605	All of Section 22	57	T3S	REEVES	TX
GENE HOOTON	PETROHAWK PROPERTIES, LP	01/13/2011	871	382	1607	All of Section 22	57	T3S	REEVES	TX
TERRELL JENKINS KING	PETROHAWK PROPERTIES, LP	01/13/2011	878	709	2928	All of Section 22	57	T3S	REEVES	TX
LUCY CAROLYN KING PEREZ	PETROHAWK PROPERTIES, LP	01/17/2011	878	716	2929	All of Section 22	57	T3S	REEVES	TX
JEFFREY LYNN CROUCH	PETROHAWK PROPERTIES, LP	01/17/2011	878	723	2930	All of Section 22	57	T3S	REEVES	TX
DISCOVERY EXPLORATION	BRACERO OIL COMPANY	12/02/2013	1039	631	13-08865	N/2 Section 24	56	T3S	REEVES	TX
JACQUELINE C HEDBLOM ET AL	BRACERO OIL COMPANY	09/24/2013	1027	89	13-07101	N/2 Section 24	56	T3S	REEVES	TX
BLAKE OIL & GAS CORPORATION	BHP BILLITON PETROLEUM PROPERTIES NA LP	02/15/2016	1254	276	16-03768	N/2 Section 24	56	T3S	REEVES	TX
SAMUEL L MAYALL	BHP BILLITON PETROLEUM PROPERTIES NA LP	08/26/2015	1196	643	15-08470	All of Section 34	56	T3S	REEVES	TX
VIRGINIA N SIBLEY PERRYMAN	BHP BILLITON PETROLEUM PROPERTIES NA LP	09/18/2015	1201	705	15-09149	All of Section 34	56	T3S	REEVES	TX
ELIZABETH WENDY ROBERTS SIBLEY HARPER ET	BHP BILLITON PETROLEUM PROPERTIES NA LP	09/18/2015	1201	713	15-09150	All of Section 34	56	T3S	REEVES	TX
JULIA NORFLEET HEARNE	BHP BILLITON PETROLEUM PROPERTIES NA LP	09/18/2015	1201	698	15-09148	All of Section 34	56	T3S	REEVES	TX

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M/E 117746 F	BLAKE OIL & GAS CORPORATION	BHP BILLITON PETROLEUM PROPERTIES NA LP	02/15/2016	1254	265	16-03767	All of Section 34	56	T3S	REEVES	TX
J	VICTORIA SMITH BURROWS	BHP BILLITON PETROLEUM PROPERTIES NA LP	04/07/2017	1447	341	17-12252	All of Section 34	56	T3S	REEVES	TX
I	LOWRY SMITH JR	BHP BILLITON PETROLEUM PROPERTIES NA LP	03/30/2017	1447	327	17-12251	All of Section 34	56	T3S	REEVES	TX
K	DONNA NELMS	BHP BILLITON PETROLEUM PROPERTIES NA LP	07/10/2017	1463	587	17-14408	All of Section 34	56	T3S	REEVES	TX
L	MELANIE COFFMAN	BHP BILLITON PETROLEUM PROPERTIES NA LP	07/31/2017	1475	732	17-15836	All of Section 34	56	T3S	REEVES	TX
M	ROBERT HENRY STOWELL	BHP BILLITON PETROLEUM PROPERTIES NA LP	12/15/2017	1538	778	18-01989	All of Section 34	56	T3S	REEVES	TX
N	WILLIAM C MAYALL	BHP BILLITON PETROLEUM PROPERTIES NA LP	03/01/2018	1568	448	18-05425	All of Section 34	56	T3S	REEVES	TX
O	NANCY L SAMPSON	BHP BILLITON PETROLEUM PROPERTIES NA LP	03/01/2018	1568	420	18-05423	All of Section 34	56	T3S	REEVES	TX
P	JOHN S MAYALL	BHP BILLITON PETROLEUM PROPERTIES NA LP	03/01/2018	1568	462	18-05426	All of Section 34	56	T3S	REEVES	TX
Q	ELIZABETH PAPE	BHP BILLITON PETROLEUM PROPERTIES NA LP	03/01/2018	1568	434	18-05424	All of Section 34	56	T3S	REEVES	TX
R	WALLACE EUGENE FAGERSTEDT	BHP BILLITON PETROLEUM PROPERTIES NA LP	05/01/2018	1597	179	18-08854	All of Section 34	56	T3S	REEVES	TX
S	LANCE MARTIN FAGERSTEDT	BHP BILLITON PETROLEUM PROPERTIES NA LP	05/01/2018	1610	59	18-10293	All of Section 34	56	T3S	REEVES	TX
112484	STATE OF TEXAS M-112484	ANGELLE & DONOHUE OIL & GAS PROPERTIES,	04/05/2011	879	416	3035	All of Section 38	57	T3S	REEVES	TX
111343	THE GEORGE R BROWN PARTNERSHIP LP	LEGEND NATURAL GAS IV LP	06/29/2010	848	164	2422	ALL OF SECTION 44	56	T2S	REEVES	TX

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M/=											
111362	SHARON M DARCY	LEGEND NATURAL GAS IV LP	06/10/2010	850	204	2795	All of Section 22	56	T3S	REEVES	TX
111325	M D ABEL CO	TRANSCENDENT OIL & GAS PROPERTIES LLC	05/27/2010	94	711	10-785	N/2 OF SECTION 2	55	T2S	LOVING	TX
111858 B	ELSIE ANN GAYER TRUST	BOLD ENERGY II LLC	09/01/2010	96	478	10-1094	S/2 OF SECTION 2	55	T2S	LOVING	TX
A	FLOYD C DODSON JR GRANTOR TRUST ET AL	BOLD ENERGY II LLC	09/01/2010	96	469	10-1093	S/2 OF SECTION 2	55	T2S	LOVING	TX
112764 D	BRENNAND LAZY H RANCH LTD	PETROHAWK PROPERTIES LP	02/15/2012	932	557	12-02282	All of Section 36	57	T2S	REEVES	TX
J	NANCY ADELE SAUSTAD TRUST	PETROHAWK PROPERTIES LP	06/05/2012	948	116	12-04814	All of Section 36	57	T2S	REEVES	TX
G	LOYD W POWELL JR CHILDRENS TRUST	PETROHAWK PROPERTIES LP	05/01/2012	943	31	12-04044	All of Section 36	57	T2S	REEVES	TX
F	PURSUIT ENERGY CORPORATION	PETROHAWK PROPERTIES LP	05/01/2012	943	45	12-04046	All of Section 36	57	T2S	REEVES	TX
E	ANDREWS ROYALTY LP	PETROHAWK PROPERTIES LP	05/01/2012	943	38	12-04045	All of Section 36	57	T2S	REEVES	TX
L	PATTI JO WOOD	PETROHAWK PROPERTIES LP	06/21/2012	956	10	12-05800	All of Section 36	57	T2S	REEVES	TX
I	ROBERTA REGAN TESTAMENTARY TRUST	PETROHAWK PROPERTIES LP	06/01/2012	945	494	12-04364	All of Section 36	57	T2S	REEVES	TX
H	HOWELL SMITH WYNNE	PETROHAWK PROPERTIES LP	05/01/2012	944	290	12-04239	All of Section 36	57	T2S	REEVES	TX
K	WILLIAM BARTON WAKEFIELD TESTAMENTARY TR	PETROHAWK PROPERTIES LP	06/21/2012	951	316	12-05288	All of Section 36	57	T2S	REEVES	TX
M	WESTWAY RANCHES LLC	BHP BILLITON PETROLEUM PROPERTIES NA LP	09/09/2013	1026	301	13-06997	All of Section 36	57	T2S	REEVES	TX
A	NANCY SMITH CHANDLER	BHP BILLITON PETROLEUM PROPERTIES NA LP	10/01/2013	1035	430	13-08266	All of Section 36	57	T2S	REEVES	TX
P	ARBGT LMB O&G TX LP	BHP BILLITON PETROLEUM PROPERTIES NA LP	11/01/2013	1047	432	14-00181	All of Section 36	57	T2S	REEVES	TX
O	EPB O&G TX LP	BHP BILLITON PETROLEUM PROPERTIES NA LP	11/01/2013	1047	418	14-00179	All of Section 36	57	T2S	REEVES	TX

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MF 112764 Q	ARBGT RMB O&G TX LP	BHP BILLITON PETROLEUM PROPERTIES NA LP	11/01/2013	1047	439	14-00182	All of Section 36	57	T2S	REEVES	TX
S	SID W RICHARDSON FOUNDATION	BHP BILLITON PETROLEUM PROPERTIES NA LP	11/01/2013	1047	425	14-00180	All of Section 36	57	T2S	REEVES	TX
R	ARBGT SRB O&G TX LP	BHP BILLITON PETROLEUM PROPERTIES NA LP	11/01/2013	1047	446	14-00183	All of Section 36	57	T2S	REEVES	TX
T	PATTI JO WOOD TRUST UWO JOSIE FAY PECK	BHP BILLITON PETROLEUM PROPERTIES NA LP	01/13/2014	1056	741	14-01538	All of Section 36	57	T2S	REEVES	TX
115426	WILLIAM EDWARD LASELL ET AL	PETROHAWK PROPERTIES LP	03/25/2013	1001	320	13-03311	E/2NW/4 OF SECTION 12	57	T2S	REEVES	TX
115425 A	LOWE ROYALTY PARTNERS LP	PETROHAWK PROPERTIES LP	01/28/2013	1001	297	13-03308	E/2NW/4 AND W/2NE/4 OF SECTION 12	57	T2S	REEVES	TX
B	JULIA LUCINDA C RAMAN	PETROHAWK PROPERTIES LP	05/24/2013	1007	741	13-04427	E/2NW/4 AND W/2NE/4 OF SECTION 12	57	T2S	REEVES	TX
D	WALTER C CREMIN III	PETROHAWK PROPERTIES LP	05/24/2013	1010	361	13-04843	E/2NW/4 AND W/2NE/4 OF SECTION 12	57	T2S	REEVES	TX
E	MARIANNE C TAYLOR	PETROHAWK PROPERTIES LP	05/24/2013	1014	521	13-05322	E/2NW/4 AND W/2NE/4 OF SECTION 12	57	T2S	REEVES	TX
C	ESTATE OF ANN CREMIN FIALA	PETROHAWK PROPERTIES LP	06/12/2013	1014	528	13-05323	E/2NW/4 AND W/2NE/4 OF SECTION 12	57	T2S	REEVES	TX
115586 A	STANLEY N STAPLES	PETROHAWK PROPERTIES LP	05/24/2013	1010	368	13-04844	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
F	LAUREN LEAVELL PINKSTON	BHP BILLITON PETROLEUM PROPERTIES NA LP	07/18/2013	1025	436	13-06863	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX

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WILLIAM WYATT LEAVELL III	BHP BILLITON PETROLEUM PROPERTIES NA LP	07/18/2013	1025	426	13-06862	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
JENNIFER BLAKE BROMBERG	BHP BILLITON PETROLEUM PROPERTIES NA LP	07/18/2013	1025	446	13-06864	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
BLAKE OIL & GAS CORPORATION	BHP BILLITON PETROLEUM PROPERTIES NA LP	07/18/2013	1032	196	13-07868	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
ROBERT A SCHULER ET AL	BLAKE OIL & GAS CORPORATION	12/08/1986	474	168	344	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
VIOLET SCHULER	BLAKE OIL & GAS CORPORATION	10/10/1987	481	303	3062	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
ALTHA M FARWELL	BLAKE OIL & GAS CORPORATION	09/30/1988	489	362	2781	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
MARY C GEHLE	BLAKE OIL & GAS CORPORATION	09/30/1988	489	372	2782	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
RICHARD KIEL	BLAKE OIL & GAS CORPORATION	09/30/1988	489	382	2783	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
DONALD H KIEL	BLAKE OIL & GAS CORPORATION	10/08/1986	489	392	2784	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX

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J LOIS OESTRICH ET VIR	BLAKE OIL & GAS CORPORATION	09/30/1988	489	402	2785	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
F LORNA JEAN RYBACHECK	BLAKE OIL & GAS CORPORATION	10/10/1988	489	412	2786	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
K MILDRED MAX	BLAKE OIL & GAS CORPORATION	09/30/1988	489	422	2787	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
N ALGO A NOVALLO	BLAKE OIL & GAS CORPORATION	09/30/1988	490	23	2939	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
G SHIRLEY E CAMPBELL & FOR ST OF TX	BLAKE OIL & GAS CORPORATION	10/17/1988	490	33	2940	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
O RICHARD GEHLE	BLAKE OIL & GAS CORPORATION	09/30/1988	490	43	2941	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
R CAROL WAGNER ET VIR	BLAKE OIL & GAS CORPORATION	09/30/1988	491	448	208	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
Q ESTHER I WURM	BLAKE OIL & GAS CORPORATION	09/30/1988	491	459	209	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
099207 AGNES C BECKHAM ET AL	RICHARD C SLACK	05/25/1987	477	496	1621	40 ACRES AROUND THE GUY CALDWELL #3 WELL IN THE S/2 OF SECTION 24	57	T2S	REEVES	TX

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ME 115565 B	ROY E KIMSEY JR	PETROHAWK PROPERTIES LP	06/18/2013	1008	54	13-04457	W/2 OF SECTION 46	56	T2S	REEVES	TX
C	TOM E JOHNSON LP	PETROHAWK PROPERTIES LP	06/18/2013	1009	738	13-04789	W/2 OF SECTION 46	56	T2S	REEVES	TX
A	GEORGE A THOMAS	PETROHAWK PROPERTIES LP	06/18/2013	1008	47	13-04456	W/2 OF SECTION 46	56	T2S	REEVES	TX
D	ROBERT M DAVENPORT	BHP BILLITON PETROLEUM PROPERTIES NA LP	10/08/2013	1037	176	13-08529	W/2 OF SECTION 46	56	T2S	REEVES	TX
115843 N	CLIFFORD G GLASGOW	BHP BILLITON PETROLEUM PROPERTIES NA LP	09/10/2013	1026	322	13-07000	All of Section 42	57	T2S	REEVES	TX
T	SHARON U TERJESEN	BHP BILLITON PETROLEUM PROPERTIES NA LP	09/10/2013	1026	315	13-06999	All of Section 42	57	T2S	REEVES	TX
S	JAMES STEPHEN GLASGOW	BHP BILLITON PETROLEUM PROPERTIES NA LP	09/10/2013	1026	329	13-07001	All of Section 42	57	T2S	REEVES	TX
M	ARLISS GLASGOW TRAVIS	BHP BILLITON PETROLEUM PROPERTIES NA LP	09/10/2013	1026	308	13-06998	All of Section 42	57	T2S	REEVES	TX
E	JAMES H ZINCK	BHP BILLITON PETROLEUM PROPERTIES NA LP	08/19/2013	1025	344	13-06846	All of Section 42	57	T2S	REEVES	TX
A	TAS ROYALTY COMPANY ET AL	BHP BILLITON PETROLEUM PROPERTIES NA LP	08/12/2013	1022	340	13-06444	All of Section 42	57	T2S	REEVES	TX
K	SCOTT C STEVENSON	BHP BILLITON PETROLEUM PROPERTIES NA LP	08/20/2013	1025	470	13-06867	All of Section 42	57	T2S	REEVES	TX
D	WALKER COUNTY HOSPITAL CORPORATION	BHP BILLITON PETROLEUM PROPERTIES NA LP	08/12/2013	1025	386	13-06852	All of Section 42	57	T2S	REEVES	TX
F	STANLEY T BROUSSARD	BHP BILLITON PETROLEUM PROPERTIES NA LP	08/20/2013	1025	463	13-06866	All of Section 42	57	T2S	REEVES	TX
L	LAWRENCE F A STEVENSON JR	BHP BILLITON PETROLEUM PROPERTIES NA LP	08/20/2013	1025	372	13-06850	All of Section 42	57	T2S	REEVES	TX
C	RANDOLPH & CO	BHP BILLITON PETROLEUM PROPERTIES NA LP	08/12/2013	1022	347	13-06445	All of Section 42	57	T2S	REEVES	TX

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115843 U	WAYNE CHARLES TOMASEK	BHP BILLITON PETROLEUM PROPERTIES NA LP	08/12/2013	1025	379	13-06851	All of Section 42	57	T2S	REEVES	TX
H	STEPHEN H REGNIER	BHP BILLITON PETROLEUM PROPERTIES NA LP	08/12/2013	1025	365	13-06849	All of Section 42	57	T2S	REEVES	TX
B	PIERCE MINERAL LLLP	BHP BILLITON PETROLEUM PROPERTIES NA LP	08/12/2013	1022	354	13-06446	All of Section 42	57	T2S	REEVES	TX
I	PAUL P REGNIER JR	BHP BILLITON PETROLEUM PROPERTIES NA LP	08/12/2013	1025	358	13-06848	All of Section 42	57	T2S	REEVES	TX
G	CUSSETA BALL BOULON	BHP BILLITON PETROLEUM PROPERTIES NA LP	08/20/2013	1025	351	13-06847	All of Section 42	57	T2S	REEVES	TX
Q	BARTEL LIVING TRUST	BHP BILLITON PETROLEUM PROPERTIES NA LP	09/10/2013	1027	777	13-07248	All of Section 42	57	T2S	REEVES	TX
O	LOUISE GLASGOW CHEATHAM	BHP BILLITON PETROLEUM PROPERTIES NA LP	09/10/2013	1026	617	13-07053	All of Section 42	57	T2S	REEVES	TX
R	SANDRA A TOMASEK IRREV DECEDENTS B TRUST	BHP BILLITON PETROLEUM PROPERTIES NA LP	08/20/2013	1025	456	13-06865	All of Section 42	57	T2S	REEVES	TX
P	HELEN VIRGINIA BELEW BRYANT ET VIR	BHP BILLITON PETROLEUM PROPERTIES NA LP	09/10/2013	1026	624	13-07054	All of Section 42	57	T2S	REEVES	TX
J	THOMAS H BALL III	BHP BILLITON PETROLEUM PROPERTIES NA LP	10/02/2013	1029	504	13-07475	All of Section 42	57	T2S	REEVES	TX
V	METHODIST CHILDRENS HOME	BHP BILLITON PETROLEUM PROPERTIES NA LP	11/02/2013	1039	794	13-08905	All of Section 42	57	T2S	REEVES	TX
W	GERALD B BROUSSARD	BHP BILLITON PETROLEUM PROPERTIES NA LP	12/04/2013	1047	467	14-00186	All of Section 42	57	T2S	REEVES	TX
115947	CMC/SC BECKHAM HOLDINGS LP ET AL	PETROHAWK PROPERTIES LP	06/27/2013	1025	124	13-06805	S/2 SECTION 24 LESS 40 ACRE TRACT	57	T2S	REEVES	TX
115985	JOHN D CAMP	BHP BILLITON PETROLEUM PROPERTIES NA LP	08/21/2013	1026	519	13-07038	E/2 OF SECTION 46	56	T2S	REEVES	TX

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	LESSOR	LESSEE	LEASE DATE	VOL	PAGE	INSTRUMENT NO.	SECTION	BLOCK	TOWNSHIP	COUNTY	STATE
115668/1	THE GRETCHEN C NORTHRUP FOUNDATION	STEPHEN C COLE	08/14/2013	1023	763	13-06622	ALL OF SECTION 34 SAVE AND EXCEPT THE NE/4NE/4	56	T2S	REEVES	TX
B	TRINITY UNIVERSITY	STEPHEN C COLE	08/14/2013	1023	751	13-06621	ALL OF SECTION 34 SAVE AND EXCEPT THE NE/4NE/4	56	T2S	REEVES	TX
115669	SUNSHINE COTTAGE SCHOOL FOR DEAF CHILDREN	STEPHEN C COLE	08/14/2013	1023	775	13-06623	ALL OF SECTION 34 SAVE AND EXCEPT THE NE/4NE/4	56	T2S	REEVES	TX
116326 A	METT OIL AND GAS LP	BHP BILLITON PETROLEUM PROPERTIES NA LP	01/23/2014	1056	756	14-01540	SW/4 Section 44	57	T2S	REEVES	TX
B	PLACER LTD	BHP BILLITON PETROLEUM PROPERTIES NA LP	01/23/2014	1056	749	14-01539	SW/4 Section 44	57	T2S	REEVES	TX
116482 A	BRENNAND LAZY H RANCH LTD	BHP BILLITON PETROLEUM PROPERTIES NA LP	03/01/2014	881	141	14-03025	E/2 Section 44	57	T2S	REEVES	TX
B	REDLANDS ROYALTY COMPANY LLC	BHP BILLITON PETROLEUM PROPERTIES NA LP	03/17/2014	1073	581	14-03976	E/2 Section 44	57	T2S	REEVES	TX
C	SELF CHILDRENS MANAGEMENT TRUST	BHP BILLITON PETROLEUM PROPERTIES NA LP	06/11/2014	1092	314	14-06696	E/2 Section 44	57	T2S	REEVES	TX
D	HENKE PETROLEUM CORPORATION	BHP BILLITON PETROLEUM PROPERTIES NA LP	06/11/2014	1151	443	14-07907	E/2 Section 44	57	T2S	REEVES	TX
E	THE FITZGERALD FIRST RESTATED TRUST UTA	BHP BILLITON PETROLEUM PROPERTIES NA LP	03/27/2015	1161	299	15-03771	E/2 Section 44	57	T2S	REEVES	TX
F	MARGARET S SHOCKLEY TRUST	BHP BILLITON PETROLEUM PROPERTIES NA LP	04/27/2016	1284	398	16-07847	E/2 Section 44	57	T2S	REEVES	TX
G	JO ANN SHAW BARBER TRUST	BHP BILLITON PETROLEUM PROPERTIES NA LP	08/05/2016	1333	414	16-14490	E/2 Section 44	57	T2S	REEVES	TX
112986	THE STATE OF TEXAS M-112986	T VERNE DWYER	07/19/2011	901	385	6712	NW/4 Section 44	57	T2S	REEVES	TX 112986

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	LESSOR	LESSEE	LEASE DATE	VOL	PAGE	INSTRUMENT NO.	SECTION	BLOCK	TOWNSHIP	COUNTY	STATE
MF											
101575	TUNSTILL OIL & LAND TRUST	MTBB ACQUISITION COMPANY LLC	03/10/1999	604	595	1070	E/2NE/4, W/2NW/4 AND WEST 40 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX
116837 A	MCGARY FAMILY TRUST - KELLY SEPARATE	MARSHALL ENERGY LLC	07/30/2014	1094	483	14-06998	ALL OF SECTION 34	56	T2S	REEVES	TX
B	MCGARY LIVING TRUST - SPH	MARSHALL ENERGY LLC	07/30/2014	1094	494	14-06999	ALL OF SECTION 34	56	T2S	REEVES	TX
C	MARY JANE MCGARY	MARSHALL ENERGY LLC	07/30/2014	1094	472	14-06997	ALL OF SECTION 34	56	T2S	REEVES	TX
088364	THE STATE OF TEXAS NO 88364	PREWIT MINERALS	10/05/1982	427	331	4510	SOUTH 200 ACRES OF SECTION 12	57	T2S	REEVES	TX 088364
117031 B	TRINITY UNIVERSITY ATTN: BUSINESS OFFICE	MARSHALL ENERGY LLC	09/04/2014	1111	207	14-09417	NE/4NE/4 OF SECTION 34	56	T2S	REEVES	TX
A	GRETCHEN C NORTHRUP FOUNDATION	MARSHALL ENERGY LLC	09/04/2014	1111	221	14-09418	NE/4NE/4 OF SECTION 34	56	T2S	REEVES	TX
C	SUNSHINE COTTAGE SCHOOL FOR DEAF CHILDREN	BHP BILLITON PETROLEUM PROPERTIES NA LP	09/02/2015	1218	663	15-11639	NE/4NE/4 OF SECTION 34	56	T2S	REEVES	TX
	GEORGE C FRASER ET AL	CONTINENTAL OIL COMPANY	07/28/1950	8	576	620	NW/4 SECTION 11	55	T2S	LOVING	TX
065359	GUY CALDWELL ET UX	PHILLIPS PETROLEUM COMPANY	10/15/1970	301	110	556	N/2 OF SECTION 24	57	T2S	REEVES	TX
117614	CHEVRON MIDCONTINENT LP	BHP BILLITON PETROLEUM PROPERTIES NA LP	07/01/2015	1183	484	15-06542	S/2 Section 24	56	T3S	REEVES	TX
118253	WILLIAM L WILKINSON	BHP BILLITON PETROLEUM PROPERTIES NA LP	09/09/2016	1333	428	16-14491	S/2 SECTION 24 LESS 40 ACRE TRACT	57	T2S	REEVES	TX

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Exhibit A-2

Joint Operating Agreements

1) Joint Operating Agreement dated February 1, 2017, by and between BHP Billiton Petroleum (TXLA Operating) Company, as Operator, and BHP Billiton Petroleum Properties (N.A.), LP, et al, as Non-Operators, covering 321.27 acres of land, more or less, being all of the East-Half (E2) of Section 44, Block 57, Township 2, T&P RR Co. Survey, Reeves County, Texas, as evidenced by that certain Memorandum of Operating Agreement and Financing Statement filed of record as Instrument Number 17-19250, Official Public Records of Reeves County, Texas.

2) Joint Operating Agreement dated October 1, 2017, by and between BHP Billiton Petroleum (TXLA Operating) Company, as Operator, and BHP Billiton Petroleum Properties (N.A.), LP, et al, as Non-Operators, covering all of Section 34, Block 56, Township 3, T&P RR Co. Survey, Reeves County, Texas, as evidenced by that certain Memorandum of Operating Agreement and Financing Statement filed of record as Instrument Number 18-10519, Official Public Records of Reeves County, Texas.

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Exhibit B-1

Retained Wells

API No.	Well Name	Well No.	Section	Block	County	State
42-301-31895	State Protection 55-T2-2	2H	2	55-T2	Loving	TX
42-301-32064	State Protection 55-T2-2	3H	2	55-T2	Loving	TX
42-301-32644	State Protector 55-T2-2X11 PSA	1H	2 & 11	55-T2	Loving	TX
42-389-38813	State Sky Hook 57-T2-24	X101H	24	57-T2	Reeves	TX
42-389-38802	State Sky Hook 57-T2-24	W101H	24	57-T2	Reeves	TX
42-389-38805	State Sky Hook 57-T2-24	W103H (AKA W102H)	24	57-T2	Reeves	TX
42-389-36681	State Sky Hook 57-T2-24	W107H	24	57-T2	Reeves	TX
42-389-36675	State Sky Hook 57-T2-24	W108H	24	57-T2	Reeves	TX
42-389-38806	State Sky Hook 57-T2-24	W112H (AKA W110H)	24	57-T2	Reeves	TX
42-389-38808	State Sky Hook 57-T2-24	W114H	24	57-T2	Reeves	TX
42-389-38810	State Sky Hook 57-T2-24	W115H	24	57-T2	Reeves	TX
42-389-38814	State Sky Hook 57-T2-24	W201H	24	57-T2	Reeves	TX
42-389-38812	State Sky Hook 57-T2-24	W203H (AKA W101H)	24	57-T2	Reeves	TX
42-389-34329	State Roberta Regan 57-T2-36	1H	36	57-T2	Reeves	TX
42-389-35270	State Trinity 56-T2-34	1H	34	56-T2	Reeves	TX
42-389-35885	State Trinity 56-T2-34	W105H	34	56-T2	Reeves	TX
42-389-35978	State Trinity 56-T2-34	W106H	34	56-T2	Reeves	TX
42-389-35995	State Trinity 56-T2-34	W107H	34	56-T2	Reeves	TX
42-389-34663	State James 57-T2-42	1H	42	57-T2	Reeves	TX
42-389-35097	State Placer 57-T2-44	1H	44 (W2)	57-T2	Reeves	TX
42-389-38088	State Placer 57-T2-44	W102H	44 (W2)	57-T2	Reeves	TX
42-389-35706	State Lazy Acre 57-T2-44	W101H	44 (E2)	57-T2	Reeves	TX
42-389-34359	Brown State 56-T2-44	1H	44	56-T2	Reeves	TX
42-389-34571	State Roy Kimsey 56-T2-46	1H	46	56-T2	Reeves	TX
42-389-35980	State Roy Kimsey 56-T2-46	W102H	46	56-T2	Reeves	TX
42-389-37986	State Roy Kimsey 56-T2-46	W103H	46	56-T2	Reeves	TX
42-389-37984	State Roy Kimsey 56-T2-46	W104H	46	56-T2	Reeves	TX
42-389-33542	Hooton et al State 57-T3-22	1H	22	57-T3	Reeves	TX
42-389-34610	Darcy State 56-T3-22	1H	22	56-T3	Reeves	TX
42-389-38368	State Hedblom 56-T3-24	W101H	24	56-T3	Reeves	TX
42-389-38369	State Hedblom 56-T3-24	W102H	24	56-T3	Reeves	TX
42-389-36738	State Hedblom 56-T3-24	W108H	24	56-T3	Reeves	TX
42-389-38370	State Hedblom 56-T3-24	W115H	24	56-T3	Reeves	TX

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API No.	Well Name	Well No.	Section	Block	County	State
42-389-39429	State Hedblom 56-T3-24	W208H	24	56-T3	Reeves	TX
42-389-34953	State Pride 57-T3-38	1H	38	57-T3	Reeves	TX
42-389-38516	State Pride 57-T3-38	W207H	38	57-T3	Reeves	TX
42-389-36547	State Perryman 56-T3-34	W108H	34	56-T3	Reeves	TX
42-389-34787	State LRP 57-T2-12	1H	12	57-T2	Reeves	TX
42-389-36140	State LRP 57-T2-12	W103H	12	57-T2	Reeves	TX
42-389-36151	State LRP 57-T2-12	W104H	12	57-T2	Reeves	TX
42-389-36141	State LRP 57-T2-12	W105H	12	57-T2	Reeves	TX

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Exhibit B-2

Proration Units

API No.	Well Name	Well No.	Section	Block	County	State	Prorated Acres
42-301-31895	STATE PROTECTION 55-T2-2	2H	2	55-T2	Loving	TX	540
42-301-32064	STATE PROTECTION 55-T2-2	3H	2	55-T2	Loving	TX	325.44
42-301-32644	STATE PROTECTOR 55-T2-2X11 PSA	1H	2 & 11	55-T2	Loving	TX	487.94
42-389-36681	STATE SKY HOOK 57-T2-24	W107H	24	57-T2	Reeves	TX	161.225
42-389-36675	STATE SKY HOOK 57-T2-24	W108H	24	57-T2	Reeves	TX	161.225
42-389-38810	STATE SKY HOOK 57-T2-24	W115H	24	57-T2	Reeves	TX	161.225
42-389-38814	STATE SKY HOOK 57-T2-24	W201H	24	57-T2	Reeves	TX	161.225
42-389-34329	STATE ROBERTA REGAN 57-T2-36	1H	36	57-T2	Reeves	TX	642.86
42-389-35270	STATE TRINITY 56-T2-34	1H	34	56-T2	Reeves	TX	159.28
42-389-35885	STATE TRINITY 56-T2-34	W105H	34	56-T2	Reeves	TX	159.82
42-389-35978	STATE TRINITY 56-T2-34	W106H	34	56-T2	Reeves	TX	159.82
42-389-35995	STATE TRINITY 56-T2-34	W107H	34	56-T2	Reeves	TX	159.82
42-389-34663	STATE JAMES 57-T2-42	1H	42	57-T2	Reeves	TX	639.93
42-389-35097	STATE PLACER 57-T2-44	1H	44 (W2)	57-T2	Reeves	TX	160.64
42-389-38088	STATE PLACER 57-T2-44	W102H	44 (W2)	57-T2	Reeves	TX	160.64
42-389-35706	STATE LAZY ACRE 57-T2-44	W101H	44 (E2)	57-T2	Reeves	TX	321.27
42-389-34359	BROWN STATE 56-T2-44	1H	44	56-T2	Reeves	TX	643.37
42-389-34571	STATE ROY KIMSEY 56-T2-46	1H	46	56-T2	Reeves	TX	160.47
42-389-35980	STATE ROY KIMSEY 56-T2-46	W102H	46	56-T2	Reeves	TX	160.47
42-389-37986	STATE ROY KIMSEY 56-T2-46	W103H	46	56-T2	Reeves	TX	160.47

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API No.	Well Name	Well No.	Section	Block	County	State	Prorated Acres
42-389-37984	STATE ROY KIMSEY 56-T2-46	W104H	46	56-T2	Reeves	TX	160.47
42-389-33542	HOOTON ET AL STATE 57-T3-22	1H	22	57-T3	Reeves	TX	636.68
42-389-34610	DARCY STATE 56-T3-22	1H	22	56-T3	Reeves	TX	640.82
42-389-38368	STATE HEDBLOM 56-T3-24	W101H	24	56-T3	Reeves	TX	127.826
42-389-38369	STATE HEDBLOM 56-T3-24	W102H	24	56-T3	Reeves	TX	127.826
42-389-36738	STATE HEDBLOM 56-T3-24	W108H	24	56-T3	Reeves	TX	127.826
42-389-38370	STATE HEDBLOM 56-T3-24	W115H	24	56-T3	Reeves	TX	127.826
42-389-39429	STATE HEDBLOM 56-T3-24	W208H	24	56-T3	Reeves	TX	127.826
42-389-34953	STATE PRIDE 57-T3-38	1H	38	57-T3	Reeves	TX	322.08
42-389-38516	STATE PRIDE 57-T3-38	W207H	38	57-T3	Reeves	TX	322.08
42-389-36547	STATE PERRYMAN 56-T3-34	W108H	34	56-T3	Reeves	TX	638.91
42-389-34787	STATE LRP 57-T2-12	1H	12	57-T2	Reeves	TX	160.715
42-389-36140	STATE LRP 57-T2-12	W103H	12	57-T2	Reeves	TX	214.86
42-389-36151	STATE LRP 57-T2-12	W104H	12	57-T2	Reeves	TX	214
42-389-36141	STATE LRP 57-T2-12	W105H	12	57-T2	Reeves	TX	160.715

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Exhibit B-3

BSF Override Leases

LESSOR	LESSEE	LEASE DATE	VOL	PAGE	SEC	BLK	TSP	COUNTY	STATE	ASSIGNOR OVERRIDE LEASE FORMATION
WILLIAM EDWARD LASELL ET AL	PETROHAWK PROPERTIES LP	03/25/2013	1001	320	E/2NW/4 OF SECTION 12	57	T2S	REEVES	TX	BONE SPRING FORMATION
LOWE ROYALTY PARTNERS LP	PETROHAWK PROPERTIES LP	01/28/2013	1001	297	E/2NW/4 AND W/2NE/4 OF SECTION 12	57	T2S	REEVES	TX	BONE SPRING FORMATION
JULIA LUCINDA C RAMAN	PETROHAWK PROPERTIES LP	05/24/2013	1007	741	E/2NW/4 AND W/2NE/4 OF SECTION 12	57	T2S	REEVES	TX	BONE SPRING FORMATION
WALTER C CREMIN III	PETROHAWK PROPERTIES LP	05/24/2013	1010	361	E/2NW/4 AND W/2NE/4 OF SECTION 12	57	T2S	REEVES	TX	BONE SPRING FORMATION
MARIANNE C TAYLOR	PETROHAWK PROPERTIES LP	05/24/2013	1014	521	E/2NW/4 AND W/2NE/4 OF SECTION 12	57	T2S	REEVES	TX	BONE SPRING FORMATION
ESTATE OF ANN CREMIN FIALA	PETROHAWK PROPERTIES LP	06/12/2013	1014	528	E/2NW/4 AND W/2NE/4 OF SECTION 12	57	T2S	REEVES	TX	BONE SPRING FORMATION
STANLEY N STAPLES	PETROHAWK PROPERTIES LP	05/24/2013	1010	368	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX	BONE SPRING FORMATION
LAUREN LEAVELL PINKSTON	BHP BILLITON PETROLEUM PROPERTIES NA LP	07/18/2013	1025	436	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX	BONE SPRING FORMATION
WILLIAM WYATT LEAVELL III	BHP BILLITON PETROLEUM PROPERTIES NA LP	07/18/2013	1025	426	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX	BONE SPRING FORMATION

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LESSOR	LESSEE	LEASE DATE	VOL	PAGE	SEC	BLK	TSP	COUNTY	STATE	ASSIGNOR OVERRIDE LEASE FORMATION
JENNIFER BLAKE BROMBERG	BHP BILLITON PETROLEUM PROPERTIES NA LP	07/18/2013	1025	446	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX	BONE SPRING FORMATION
BLAKE OIL & GAS CORPORATION	BHP BILLITON PETROLEUM PROPERTIES NA LP	07/18/2013	1032	196	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX	BONE SPRING FORMATION
ROBERT A SCHULER ET AL	BLAKE OIL & GAS CORPORATION	12/08/1986	474	168	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX	BONE SPRING FORMATION
VIOLET SCHULER	BLAKE OIL & GAS CORPORATION	10/10/1987	481	303	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX	BONE SPRING FORMATION
ALTHA M FARWELL	BLAKE OIL & GAS CORPORATION	09/30/1988	489	362	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX	BONE SPRING FORMATION
MARY C GEHLE	BLAKE OIL & GAS CORPORATION	09/30/1988	489	372	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX	BONE SPRING FORMATION
RICHARD KIEL	BLAKE OIL & GAS CORPORATION	09/30/1988	489	382	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX	BONE SPRING FORMATION

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LESSOR	LESSEE	LEASE DATE	VOL	PAGE	SEC	BLK	TSP	COUNTY	STATE	ASSIGNOR OVERRIDE LEASE FORMATION
DONALD H KIEL	BLAKE OIL & GAS CORPORATION	10/08/1986	489	392	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX	BONE SPRING FORMATION
LOIS OESTRICH ET VIR	BLAKE OIL & GAS CORPORATION	09/30/1988	489	402	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX	BONE SPRING FORMATION
LORNA JEAN RYBACHECK	BLAKE OIL & GAS CORPORATION	10/10/1988	489	412	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX	BONE SPRING FORMATION
MILDRED MAX	BLAKE OIL & GAS CORPORATION	09/30/1988	489	422	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX	BONE SPRING FORMATION
ALGO A NOVALLO	BLAKE OIL & GAS CORPORATION	09/30/1988	490	23	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX	BONE SPRING FORMATION
SHIRLEY E CAMPBELL & FOR ST OF TX	BLAKE OIL & GAS CORPORATION	10/17/1988	490	33	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX	BONE SPRING FORMATION
RICHARD GEHLE	BLAKE OIL & GAS CORPORATION	09/30/1988	490	43	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX	BONE SPRING FORMATION

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LESSOR	LESSEE	LEASE DATE	VOL	PAGE	SEC	BLK	TSP	COUNTY	STATE	ASSIGNOR OVERRIDE LEASE FORMATION
CAROL WAGNER ET VIR	BLAKE OIL & GAS CORPORATION	09/30/1988	491	448	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX	BONE SPRING FORMATION
ESTHER I WURM	BLAKE OIL & GAS CORPORATION	09/30/1988	491	459	EAST 80 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX	BONE SPRING FORMATION
TUNSTILL OIL & LAND TRUST	MTBB ACQUISITION COMPANY LLC	03/10/1999	604	595	E/2NE/4, W/2NW/4 AND WEST 40 ACRES OF THE NORTH 120 ACRES OF THE S/2 OF SECTION 12	57	T2S	REEVES	TX	BONE SPRING FORMATION
THE STATE OF TEXAS NO 88364	PREWIT MINERALS	10/05/1982	427	331	SOUTH 200 ACRES OF SECTION 12	57	T2S	REEVES	TX	BONE SPRING FORMATION
GUY CALDWELL ET UX	PHILLIPS PETROLEUM COMPANY	10/15/1970	301	110	N/2 OF SECTION 24	57	T2S	REEVES	TX	BONE SPRING FORMATION
AGNES C BECKHAM ET AL	RICHARD C SLACK	05/25/1987	477	496	40 ACRES AROUND THE GUY CALDWELL #3 WELL IN THE S/2 OF SECTION 24	57	T2S	REEVES	TX	BONE SPRING FORMATION
CMC/SC BECKHAM HOLDINGS LP ET AL	PETROHAWK PROPERTIES LP	06/27/2013	1025	124	S/2 SECTION 24 LESS 40 ACRE TRACT	57	T2S	REEVES	TX	BONE SPRING FORMATION
WILLIAM L WILKINSON	BHP BILLITON PETROLEUM PROPERTIES NA LP	09/09/2016	1333	428	S/2 SECTION 24 LESS 40 ACRE TRACT	57	T2S	REEVES	TX	BONE SPRING FORMATION
BRENNAND LAZY H RANCH LTD	PETROHAWK PROPERTIES LP	02/15/2012	932	557	All of Section 36	57	T2S	REEVES	TX	BONE SPRING FORMATION
NANCY ADELE SAUSTAD TRUST	PETROHAWK PROPERTIES LP	06/05/2012	948	116	All of Section 36	57	T2S	REEVES	TX	BONE SPRING FORMATION

THE STATE OF TEXAS REEVES COUNTY

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LESSOR	LESSEE	LEASE DATE	VOL	PAGE	SEC	BLK	TSP	COUNTY	STATE	ASSIGNOR OVERRIDE LEASE FORMATION
LOYD W POWELL JR CHILDRENS TRUST	PETROHAWK PROPERTIES LP	05/01/2012	943	31	All of Section 36	57	T2S	REEVES	TX	BONE SPRING FORMATION
PURSUIT ENERGY CORPORATION	PETROHAWK PROPERTIES LP	05/01/2012	943	45	All of Section 36	57	T2S	REEVES	TX	BONE SPRING FORMATION
ANDREWS ROYALTY LP	PETROHAWK PROPERTIES LP	05/01/2012	943	38	All of Section 36	57	T2S	REEVES	TX	BONE SPRING FORMATION
PATTI JO WOOD	PETROHAWK PROPERTIES LP	06/21/2012	956	10	All of Section 36	57	T2S	REEVES	TX	BONE SPRING FORMATION
ROBERTA REGAN TESTAMENTARY TRUST	PETROHAWK PROPERTIES LP	06/01/2012	945	494	All of Section 36	57	T2S	REEVES	TX	BONE SPRING FORMATION
HOWELL SMITH WYNNE	PETROHAWK PROPERTIES LP	05/01/2012	944	290	All of Section 36	57	T2S	REEVES	TX	BONE SPRING FORMATION
WILLIAM BARTON WAKEFIELD TESTAMENTARY TR	PETROHAWK PROPERTIES LP	06/21/2012	951	316	All of Section 36	57	T2S	REEVES	TX	BONE SPRING FORMATION
WESTWAY RANCHES LLC	BHP BILLITON PETROLEUM PROPERTIES NA LP	09/09/2013	1026	301	All of Section 36	57	T2S	REEVES	TX	BONE SPRING FORMATION
NANCY SMITH CHANDLER	BHP BILLITON PETROLEUM PROPERTIES NA LP	10/01/2013	1035	430	All of Section 36	57	T2S	REEVES	TX	BONE SPRING FORMATION
ARBGT LMB O&G TX LP	BHP BILLITON PETROLEUM PROPERTIES NA LP	11/01/2013	1047	432	All of Section 36	57	T2S	REEVES	TX	BONE SPRING FORMATION
EPB O&G TX LP	BHP BILLITON PETROLEUM PROPERTIES NA LP	11/01/2013	1047	418	All of Section 36	57	T2S	REEVES	TX	BONE SPRING FORMATION

THE STATE OF TEXAS
REEVES COUNTY

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LESSOR	LESSEE	LEASE DATE	VOL	PAGE	SEC	BLK	TSP	COUNTY	STATE	ASSIGNOR OVERRIDE LEASE FORMATION
ARBGT RMB O&G TX LP	BHP BILLITON PETROLEUM PROPERTIES NA LP	11/01/2013	1047	439	All of Section 36	57	T2S	REEVES	TX	BONE SPRING FORMATION
SID W RICHARDSON FOUNDATION	BHP BILLITON PETROLEUM PROPERTIES NA LP	11/01/2013	1047	425	All of Section 36	57	T2S	REEVES	TX	BONE SPRING FORMATION
ARBGT SRB O&G TX LP	BHP BILLITON PETROLEUM PROPERTIES NA LP	11/01/2013	1047	446	All of Section 36	57	T2S	REEVES	TX	BONE SPRING FORMATION
PATTI JO WOOD TRUST UWO JOSIE FAY PECK	BHP BILLITON PETROLEUM PROPERTIES NA LP	01/13/2014	1056	741	All of Section 36	57	T2S	REEVES	TX	BONE SPRING FORMATION

THE STATE OF TEXAS
REEVES COUNTY

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Reeves County
Evangelina N. Abila
Reeves County Clerk

Instrument Number: 2023000048

eRecording - Real Property

ASSIGNMENT

Recorded On: January 04, 2023 10:15 AM

Number of Pages: 35

" Examined and Charged as Follows: "

Total Recording: $158.00

********** **THIS PAGE IS PART OF THE INSTRUMENT** **********
Any provision herein which restricts the Sale, Rental or use of the described REAL PROPERTY because of color or race is invalid and unenforceable under federal law.

File Information:

Document Number:	2023000048
Receipt Number:	20230104000002
Recorded Date/Time:	January 04, 2023 10:15 AM
User:	Rebecca G
Station:	CLERK07

Record and Return To:

Simplifile

STATE OF TEXAS
COUNTY OF REEVES

I hereby certify that this Instrument was FILED **In the File Number sequence on the date/time printed hereon, and was duly** RECORDED **in the Official Records of County, Texas.**

Evangelina N. Abila
Reeves County Clerk
Reeves County, TX

Evangelina N. Abila

True & Correct Copy of a
document on file at
Reeves County Texas,
Evangelina N. Abila, County Clerk
Page 35 of 35

(129)

File No. MF088676

Affidavit #113222 County

BPX to Permian Delaware Fund

Date Filed: 7/13/23

Commissioner Dawn Buckingham, M.D.

By: _____

CERTIFIED A TRUE AND CORRECT COPY
OF THE RECORD ON FILE IN MY OFFICE

EVANGELINA N. ABILA
Reeves County Clerk

3-6-2023 By: R. Granado
Date Deputy Clerk

Docusign Envelope ID: 1C83C319-3ED9-4060-9D8C-4E1431C8FD94

MEMORANDUM

TEXAS GENERAL LAND OFFICE • COMMISSIONER DAWN BUCKINGHAM, M.D.

DATE: **November 19, 2024** **PSA# 00701**

TO: **School Land Board**

FROM: **Pooling Committee**

SUBJECT: **Request from Anadarko E&P Onshore LLC to have the State enter into a Production Sharing Agreement for drilling of the Winghead State 57-2-1-13 allocation wells.**

- **Anadarko E&P Onshore LLC** is the operator of GLO Unit 7199 which includes State Leases MF088364, MF088676, MF115586, MF115425, MF115426, and MF101575 in which the State has a royalty interest, and they are requesting that the royalty owners sign a Production Sharing Agreement, which the School Land Board has the authority to approve pursuant to Texas Natural Resources Code §52.154.

- The Production Sharing Agreement will allow the operator to drill the Winghead State 57-2-1-13 allocation wells.

- The State's participation in the sharing wells will be based productive lateral length from first take point to last take point.

POOLING COMMITTEE RECOMMENDATION:

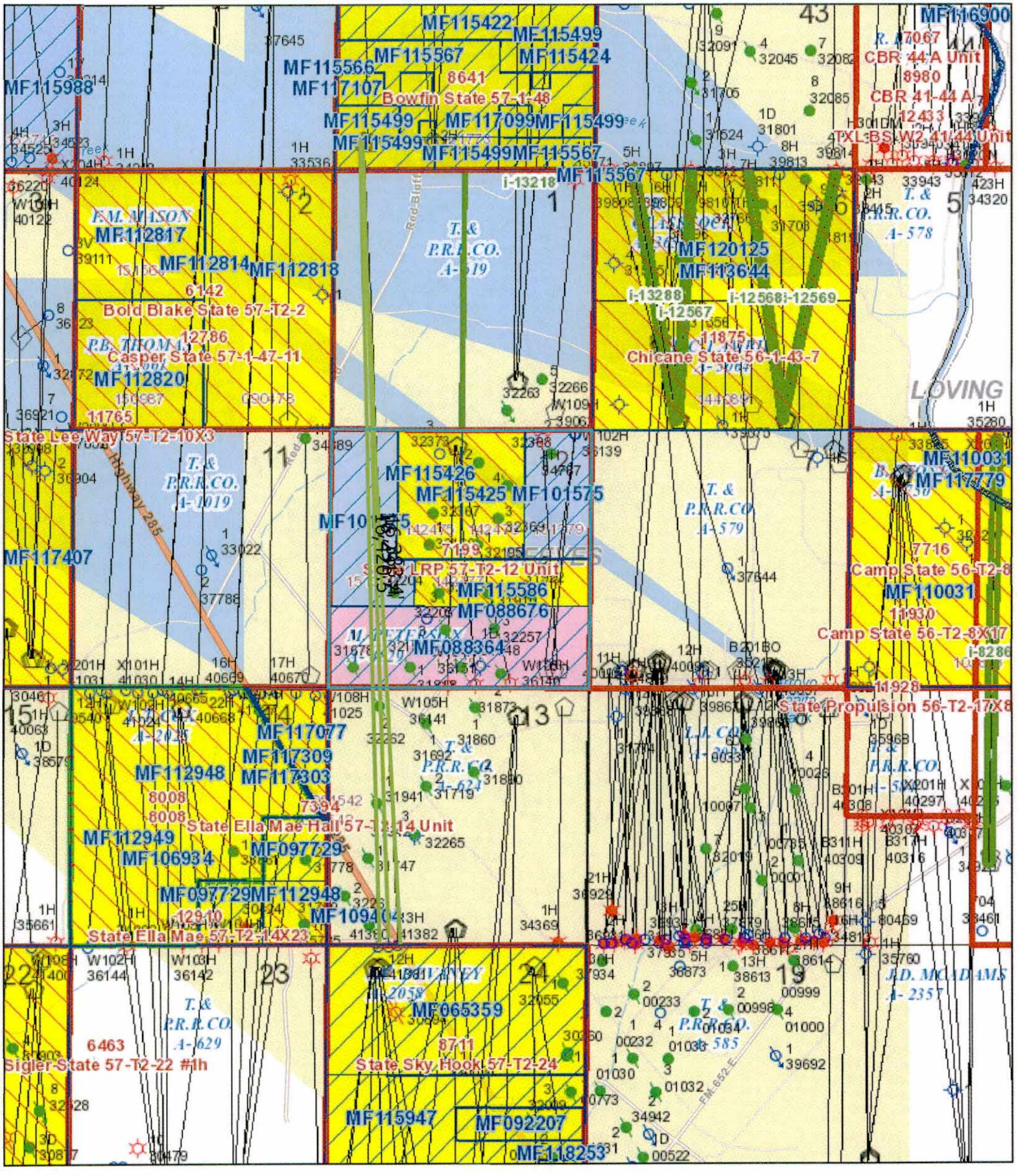
The Pooling Committee recommends Board approval of the Production Sharing Agreement.

DocuSigned by:
RJH
6C1630CF0F2E4D3...

General Land Office — Date

Office of the Governor — Date

Office of the Governor — Date



GLO Land/Lease Mapping Viewer

Please review all copyright and disclaimer information from our webpage here. https://www.glo.texas.gov/policy/index.html. The Texas General Land Office makes no representations or warranties regarding the accuracy or completeness of the information depicted on this map or the data from which it was produced. This map is not suitable for navigational purposes and does not purport to depict boundaries of private and public land.

0 0.28 0.55 1.1 mi

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

PRODUCTION SHARING AGREEMENT
SHARING WELL

STATE OF TEXAS §
§
COUNTY OF REEVES §

This **PRODUCTION SHARING AGREEMENT** ("Agreement") is by and between the undersigned parties (collectively the "Interest Owners" or individually an "Interest Owner"), and **ANADARKO E&P ONSHORE LLC,** a Delaware limited liability company, with an address at 5 Greenway Plaza, Suite 110, Houston, Texas 77046 ("Anadarko"). Interest Owners and Anadarko may be collectively referred to herein as the "Parties" or individually as a "Party."

RECITALS

A. Interest Owners own an interest in the oil and gas leasehold, minerals, royalties, overriding royalties and/or executive rights under the lands described on Exhibit "A", attached hereto and fully incorporated by reference herein and made a part hereof (collectively, the "Sharing Area").

B. The oil and gas leases described on Exhibit "B" (collectively, the "Leases") are owned by Anadarko and other working interest owners who are Interest Owners.

C. Anadarko, as operator, plans to, from time to time, drill one or more Horizontal Drainhole Well(s) on the Lands and Leases described on Exhibits "A" and "B".

D. The Parties desire to establish a basis for allocating and sharing in the proceeds of production of Hydrocarbons from each Horizontal Drainhole Well deemed a Sharing Well, as defined below.

E. In consideration of the mutual promises set out herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree to the following terms, conditions and provisions:

AGREEMENT

1. DEFINITIONS. As used in this Agreement, these words have the following meanings:

   a. "Allocation Factor" means a fraction, the numerator of which is equal to the length, in feet, of that portion of Completed Lateral Length for such Sharing Well that traverses such Tract, and

the denominator of which is equal to the total Completed Lateral Length across all Tracts for such Sharing Well.

b. "Completed Lateral Length" means the horizontal length, in feet, that begins at the first Take Point, and terminates at the last Take Point, less any portion of the Horizontal Drainhole deemed non-productive.

c. "Correlative Interval" is the depth interval designated by applicable field rules, or new field designation designated by the Texas Railroad Commission for the Horizontal Drainhole Well, or where a correlative interval has not been designated by the Texas Railroad Commission, it shall be the producing interval for the field in which the Horizontal Drainhole Well is completed as shown by information submitted by Anadarko to the Texas Railroad Commission.

d. "Exploration and Production Activities" means the necessary, incidental, and appurtenant activities and operations to be conducted by Anadarko and convenient to its exploration, exploitation, development, transportation, production operations, and any other operations on the Sharing Area and Leases and in the area, including, but not limited to, any rights granted to Anadarko under the terms of the Leases.

e. "Horizontal Drainhole" means that portion of the Horizontal Drainhole Well drilled in the Correlative Interval between the penetration point and the terminus.

f. "Horizontal Drainhole Well" means a horizontal well as defined in Texas Railroad Commission Statewide Rule 86, having a horizontal displacement of at least one hundred (100) feet.

g. "Hydrocarbons" means oil, gas, condensate, casinghead gas and all by-products thereof that may be produced from a well permitted by the Texas Railroad Commission.

h. "Sharing Well" means a Horizontal Drainhole Well with a Completed Lateral Length in more than one (1) Tract.

i. "Take Point" means a point along the Horizontal Drainhole where Hydrocarbons can enter the wellbore from the Correlative Interval and be produced.

j. "Tract" means the individual tracts listed on Exhibit "A".

2. ALLOCATION. Production of Hydrocarbons from a Sharing Well shall be allocated on the following basis:

a. Each Interest Owner shall share the production or proceeds from a Sharing Well on the basis of the Allocation Factor, as defined above.

b. Proceeds from production from a Sharing Well shall be paid in accordance with the Allocation Factor, as same may be proportionately reduced as set out in Section 2.c below, subject to the terms of the Leases' royalty provisions, which remain in full force and effect except as expressly modified herein.

c. In the event an Interest Owner owns less than 100% of the undivided interest in any Tract within the Sharing Area, then such Interest Owner's Allocation Factor shall be further proportionately reduced based upon its actual ownership.

d. Under no circumstances shall the sum of all Allocation Factors, as further proportionately reduced in Section 2.c, for all Interest Owners (whether a part of this Agreement or not) in a Sharing Well exceed 1.00 (i.e. 100%).

3. Exploration and Production Activities from each Sharing Well, whether or not the Sharing Well is located on a Tract or Lease and regardless of the surface location of such Sharing Well, shall be

deemed as actual operations conducted on, or production from, all Tracts and Leases in the Sharing Area pursuant to the terms and provisions of each of the Leases and shall be deemed sufficient to maintain all Tracts and Leases in full force and effect pursuant to the terms thereof as to the Sharing Area.

4. Production from any and all Sharing Wells shall not create any offset obligation under the Leases, whether express or implied, and shall not constitute drainage under the Leases because all Interest Owners are sharing in the production proceeds. This Agreement shall be deemed to constitute satisfaction of Anadarko's obligations (whether express or implied) to protect the Leases from drainage from each Sharing Well, and protection of each Interest Owner's respective correlative rights. The undersigned further agrees that this Agreement affects only production from each Sharing Well, and in no way affects ownership under other wells drilled or to be drilled which are not Sharing Wells.

5. If any State lease contains a retained-acreage clause, partial-termination clause, or other provision that would, based upon the passage of time or the occurrence or non-occurrence of some event or condition, cause the State lease to terminate, except as to certain portions of the leased premises included within certain types of units or otherwise associated with productive wells, then, for the sole purpose of determining the acreage and/or depths of the leased premises under said State lease that is perpetuated by a Sharing Well, that portion of the Sharing Well drilled on the leased premises of said State lease shall be treated as a well drilled entirely on the leased premises, and the acreage retained by said Sharing Well shall be the greater of 40 acres or the amount of acreage determined by the following formula: 0.032 x L = A, where L = the length (in feet) of the horizontal lateral component of the well from the first takepoint to the last takepoint and A = the portion of the State lease retained (in acres) provided that, if A is not divisible by the number 20, A will be rounded up to the next number divisible by 20, i.e. (0.032 x 4500 feet = 144 acres, which rounds up to 160 acres).

6. The provisions of any Leases, agreements and, to the extent necessary, any division order(s) or transfer order(s) covering or affecting the Sharing Area and Leases, are hereby amended to the extent necessary to make such instruments and agreements conform to the provisions herein, but not otherwise. In the event of a conflict between the terms and conditions of this Agreement and any of the Leases, agreements, division or transfer orders, then this Agreement shall prevail.

7. This Agreement shall be effective on November 1, 2024 (the "Effective Date), and shall remain in effect as to each respective Lease for so long as such Lease is maintained in full force and effect. In the event a Sharing Well is no longer capable of producing in paying quantities, then Anadarko may terminate this Agreement as to such Sharing Well, by filing a notice of termination to that effect in the records of Loving and Reeves Counties, Texas, within ninety (90) days after such occurrence. In the event any Sharing Well is plugged back or recompleted such that the wellbore continues to be a Sharing Well but the Completed Lateral Length is altered, the Allocation Factor shall nonetheless remain as set forth above as of the Effective Date. This Agreement shall become binding as to each Interest Owner upon such owner's execution of this Agreement regardless of whether all Interest Owners have executed this Agreement.

8. Notwithstanding anything contrary in Section 3, it is understood and agreed that the Interest Owners herein do not by the execution hereof intend to pool or communitize the interest which they now

own, or may hereafter own in portions of the land covered by the Sharing Area and Leases with the interests of other parties owning an interest in any other portion or portions of the land covered by the Sharing Area and Leases, except as to the extent that the Lands and Leases are already subject to a pooled unit. Further, the Leases described in Exhibit "B" are not otherwise altered or amended, except as set forth in Section (6) above.

9. To the extent they have the right to do so, Interest Owners hereby grant, let, lease and demise unto Anadarko surface and subsurface easements and rights-of-way (including all reasonable ingress and egress thereto and therefrom) on, in and under all the Sharing Area and Leases associated with the Sharing Well(s) for Exploration and Production Activities.

10. This Agreement may be executed in multiple counterparts, each of which shall be given the same effect as the execution of an original Agreement. Failure of any party hereto to execute a counterpart shall not render this Agreement ineffective as to any other Party hereto that does execute a counterpart thereof, but this Agreement shall be a covenant running with the Land and Leases and be binding upon each executing Party and its, his or her heirs, legal representatives, successors and assigns. The executed counterparts may be combined into one or more instruments for recordation, by combining the signature pages and acknowledgments, and the executing parties agree that such combined instruments shall be effective for all purposes as a single instrument.

EXECUTED on this _____day of _____, 2024.

ANADARKO E&P ONSHORE LLC

_____

Name: John V. Schneider
Title: Attorney-in-Fact

ACKNOWLEDGMENT

STATE OF TEXAS §

COUNTY OF HARRIS §

This instrument was acknowledged before me on _____, 2024, by John V. Schneider, as Attorney-in-Fact for Anadarko E&P Onshore LLC, a Delaware limited liability company, on behalf of said company.

_____

Notary Public, State of TEXAS

Docusign Envelope ID: 3CB35266-47CD-4EF9-B5C7-A34931E3ACB0

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

Date Executed 11/25/2024

STATE OF TEXAS

DAWN BUCKINGHAM, M.D.
Commissioner, General Land Office

Approved:
Leas. LB
Cont. DBO
Legal MO
DCC
CC

CERTIFICATE

I, Vicki Gonzales, Secretary of the School Land Board of the State of Texas, do hereby certify that at a meeting of the School Land Board duly held on November 19, 2024, the foregoing instrument was approved by said Board under the provisions of Chapter 32 and 52 of the Natural Resources Code all of which is set forth in the Minutes of the Board of which I am custodian.

IN TESTIMONY WHEREOF, witness my hand this the 25 day of November, 2024

Secretary of the School Land Board

EXHIBIT A

Attached to and made a part of that certain Production Sharing Agreement dated November 1, 2024 between Anadarko E&P Onshore LLC, and Interest Owners.

SHARING AREA:

Tract 1: NW/4 of Section 1, Block 57, Township 2, T&P RR Co. Survey, Reeves County, Texas

Tract 2: SW/4 of Section 1, Block 57, Township 2, T&P RR Co. Survey, Reeves County, Texas

Tract 3: State LRP 57-T2-12 Unit as described in that certain Pooling Agreement dated December 9, 2014, GLO Unit No. 7199, recorded at Volume 1137, Page 443 and filed as Instrument Number 15-00361 in the Official Records of Reeves County, Texas: All of Section 12, Block 57, Township 2, T&P RR Co. Survey, Reeves County, Texas

Tract 4: W/2 of Section 13, Block 57, Township 2, T&P RR Co. Survey, Reeves County, Texas

EXHIBIT B

Attached to and made a part of that certain Production Sharing Agreement dated November 1, 2024 between Anadarko E&P Onshore LLC, and Interest Owners.

OIL AND GAS LEASES:

1.	AEP LEASE NO:	26060400
	LESSOR:	State of Texas MF-088364
	LESSEE:	Prewit Minerals
	LEASE DATE:	10/5/1982
	RECORDING:	Volume 427, Page 331, Reeves County TX
2.	AEP LEASE NO:	1345983000
	LESSOR:	Chevron U.S.A. Inc.
	LESSEE:	Anadarko E&P Onshore LLC
	LEASE DATE:	11/15/2014
	RECORDING:	Volume 1220, Page 332, Reeves County, Texas
3.	AEP LEASE NO:	26060500
	LESSOR:	State of Texas MF-088676E
	LESSEE:	Blake Oil & Gas Corporation
	LEASE DATE:	12/8/1986
	RECORDING:	Volume 474, Page 168, Reeves County, Texas
4.	AEP LEASE NO:	Pending
	LESSOR:	State of Texas MF-088676D
	LESSEE:	Blake Oil & Gas Corporation
	LEASE DATE:	10/10/1987
	RECORDING:	Volume 481, Page 311, Reeves County, Texas
5.	AEP LEASE NO:	26060600
	LESSOR:	State of Texas MF-088676G
	LESSEE:	Blake Oil & Gas Corporation
	LEASE DATE:	10/10/1987
	RECORDING:	Volume 481, Page 303, Reeves County, Texas
6.	AEP LEASE NO:	26060700
	LESSOR:	State of Texas MF-088676H
	LESSEE:	Blake Oil & Gas Corporation
	LEASE DATE:	9/30/1988
	RECORDING:	Volume 489, Page 402, Reeves County, Texas
7.	AEP LEASE NO:	26060800
	LESSOR:	State of Texas MF-088676I
	LESSEE:	Blake Oil & Gas Corporation
	LEASE DATE:	9/30/1988
	RECORDING:	Volume 489, Page 422, Reeves County, Texas

8.	AEP LEASE NO:	26060900
	LESSOR:	State of Texas MF-088676J
	LESSEE:	Blake Oil & Gas Corporation
	LEASE DATE:	9/30/1988
	RECORDING:	Volume 489, Page 382, Reeves County, Texas
9.	AEP LEASE NO:	26061000
	LESSOR:	State of Texas MF-088676L
	LESSEE:	Blake Oil & Gas Corporation
	LEASE DATE:	9/30/1988
	RECORDING:	Volume 489, Page 362, Reeves County, Texas
10.	AEP LEASE NO:	26061100
	LESSOR:	State of Texas MF-088676M
	LESSEE:	Blake Oil & Gas Corporation
	LEASE DATE:	10/10/1988
	RECORDING:	Volume 489, Page 392, Reeves County, Texas
11.	AEP LEASE NO:	26061200
	LESSOR:	State of Texas MF-088676N
	LESSEE:	Blake Oil & Gas Corporation
	LEASE DATE:	10/10/1988
	RECORDING:	Volume 489, Page 412, Reeves County, Texas
12.	AEP LEASE NO:	26061300
	LESSOR:	State of Texas MF-088676O
	LESSEE:	Blake Oil & Gas Corporation
	LEASE DATE:	9/30/1988
	RECORDING:	Volume 490, Page 23, Reeves County, Texas
13.	AEP LEASE NO:	26061400
	LESSOR:	State of Texas MF-088676P
	LESSEE:	Blake Oil & Gas Corporation
	LEASE DATE:	9/30/1988
	RECORDING:	Volume 490, Page 43, Reeves County, Texas
14.	AEP LEASE NO:	26061500
	LESSOR:	State of Texas MF-088676Q
	LESSEE:	Blake Oil & Gas Corporation
	LEASE DATE:	10/17/1988
	RECORDING:	Volume 490, Page 33, Reeves County, Texas
15.	AEP LEASE NO:	26061600
	LESSOR:	State of Texas MF-088676R
	LESSEE:	Blake Oil & Gas Corporation
	LEASE DATE:	9/30/1988
	RECORDING:	Volume 489, Page 372, Reeves County, Texas
16.	AEP LEASE NO:	26061700
	LESSOR:	State of Texas MF-088676S
	LESSEE:	Blake Oil & Gas Corporation
	LEASE DATE:	9/30/1988
	RECORDING:	Volume 491, Page 459, Reeves County, Texas

17.	AEP LEASE NO:	26061800
	LESSOR:	State of Texas MF-088676T
	LESSEE:	Blake Oil & Gas Corporation
	LEASE DATE:	9/30/1988
	RECORDING:	Volume 491, Page 448, Reeves County, Texas
18.	AEP LEASE NO:	26061900
	LESSOR:	Tunstill Oil & Land Trust (MF-101575)
	LESSEE:	MTBB Acquisition Company, LLC
	LEASE DATE:	3/10/1999
	RECORDING:	Volume 604, Page 595, Reeves County, Texas
19.	AEP LEASE NO:	26062000
	LESSOR:	State of Texas MF-115425A
	LESSEE:	Petrohawk Properties, LP
	LEASE DATE:	1/28/2013
	RECORDING:	Volume 1001, Page 297, Reeves County, Texas
20.	AEP LEASE NO:	26062100
	LESSOR:	State of Texas MF-115425B
	LESSEE:	Petrohawk Properties, LP
	LEASE DATE:	5/24/2013
	RECORDING:	Volume 1007, Page 741, Reeves County, Texas
21.	AEP LEASE NO:	26062200
	LESSOR:	State of Texas MF-115425C
	LESSEE:	Petrohawk Properties, LP
	LEASE DATE:	6/12/2013
	RECORDING:	Volume 1014, Page 528, Reeves County, Texas
22.	AEP LEASE NO:	26062300
	LESSOR:	State of Texas MF-115425D
	LESSEE:	Petrohawk Properties, LP
	LEASE DATE:	5/24/2013
	RECORDING:	Volume 1010, Page 361, Reeves County, Texas
23.	AEP LEASE NO:	26062400
	LESSOR:	State of Texas MF-115425E
	LESSEE:	Petrohawk Properties, LP
	LEASE DATE:	5/24/2013
	RECORDING:	Volume 1014, Page 521, Reeves County, Texas
24.	AEP LEASE NO:	26062500
	LESSOR:	State of Texas MF-115426
	LESSEE:	Petrohawk Properties, LP
	LEASE DATE:	3/25/2013
	RECORDING:	Volume 1001, Page 320, Reeves County, Texas

25. AEP LEASE NO: 26062600
LESSOR: State of Texas MF-115586A
LESSEE: Petrohawk Properties, LP
LEASE DATE: 5/24/2013
RECORDING: Volume 1010, Page 368, Reeves County, Texas

26. AEP LEASE NO: 26062700
LESSOR: State of Texas MF-115586B
LESSEE: Petrohawk Properties, LP
LEASE DATE: 7/18/2013
RECORDING: Volume 1032, Page 196, Reeves County, Texas

27. AEP LEASE NO: 26062800
LESSOR: State of Texas MF-115586C
LESSEE: Petrohawk Properties, LP
LEASE DATE: 7/18/2013
RECORDING: Volume 1025, Page 426, Reeves County, Texas

28. AEP LEASE NO: 26062900
LESSOR: State of Texas MF-115586D
LESSEE: Petrohawk Properties, LP
LEASE DATE: 7/18/2013
RECORDING: Volume 1025, Page 446, Reeves County, Texas

29. AEP LEASE NO: 26063000
LESSOR: State of Texas MF-115586E
LESSEE: Petrohawk Properties, LP
LEASE DATE: 7/18/2013
RECORDING: Volume 1025, Page 436, Reeves County, Texas

30. AEP LEASE NO: 1321268000
LESSOR: Chevron U.S.A. Inc.
LESSEE: Anadarko Petroleum Corporation
LEASE DATE: 9/1/2010
RECORDING: Volume 901, Page 391, Reeves County, Texas

31. AEP CONTRACT NO: 26551300*
OPERATOR: Anadarko E&P Onshore LLC
NON-OPERATOR: Chevron U.S.A. Inc.
EFFECTIVE DATE: 8/1/2024
RECORDING: Instrument No. 2024005747, Reeves County, Texas
*Chevron U.S.A. Inc. owned mineral interest covering the NW/4 of Section 1, Block 57, Township 2, T&P RR Co. Survey, Reeves County, Texas, and contributed to that certain Operating Agreement dated August 1, 2024.

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File No. MF088676

Reeves County

PSA#00701

Date Filed: 12-2-24

Commissioner Dawn Buckingham, M.D.

By: CRB