90229

UNDIVIDED INTEREST

NPR Free Royalty Lease M-90229 8/195

10-30-81 640.00 NET AC

A 5-4-82

B 7-13-82

C 4-8-83

TERMINATION

DATE 06/05/2012

LEASING GLO base

MAPS

GIS

COUNTY:	Reeves
TRACT :	Sec. 2, Blk. C-21, PSL
PART :	
ACRES :	640
LESSEE :	Terry L. Burkholder
DATE :	
TERM :	Three years
BONUS :	
RENTAL:	
FILE :	149597

08-03048-1 (ALL)

Pass To:
Legal VDL
Rental RW
Min Arc VB
Min Map
GIS

287279
MF 090229

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CLO-S-08-(1-82)

ARNO WEST 73641

PRODUCERS 88
11-69

(C)

OIL, GAS AND MINERAL LEASE

THIS AGREEMENT, made this 8th day of April 19 83 between

Billie Cole Roberson

whose address is P. O. Box 511 Pecos, Texas 79772

Lessor (whether one or more), and Terry L. Burkholder, Lessee,

whose address is P. O. Box 511 Pecos, Texas 79772, WITNESSETH:

1. Lessor in consideration of Ten and no/100 -- Dollars ($10.00) in hand paid, and of the agreements of Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee, for the purpose, by any means or methods, of testing for formations or structures and prospecting and drilling for, mining, and producing oil, gas, distillate, condensate, uranium, thorium, salt, sulphur and all other minerals, whether similar or dissimilar to those mentioned, injecting salt water, other fluids, and gas, into subsurface strata, storing minerals and fluids, laying pipe lines, dredging canals, building, using and maintaining roads, bridges, docks, tanks, power stations, telephone and electric transmission lines, and other structures and facilities including houses for employees, necessary for producing, saving, caring for, treating, processing, and transporting minerals and conducting said operations, the following land in Reeves County, Texas, together with all land or interests therein owned by Lessor adjoining or contiguous to such following described land, whether in the same or different surveys, to-wit:

All of Section 2, Block C-21, PSL Survey.

For determining the amount of any rental or shut-in gas royalty payment hereunder, the leased premises shall be treated as comprising 640 acres, whether there be more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of ~~XXXXXXXXXXXXXXX~~ three (3) years from 7/5/83 (hereinafter called "primary term"), and as long thereafter as oil, gas, condensate, sulphur or any other mineral is produced hereunder or from the land above described, or any operations (as hereinafter defined) are conducted, any payment is made, or any condition exists, which as hereinafter provided continues this lease in force.

3. The royalties reserved by Lessor, and which shall be paid by Lessee, are (a) on oil, including but not limited to distillate and condensate recovered by ordinary field separators, one-eighth (1/8th) of that produced and saved from the leased premises, the same to be delivered at the wells or to the credit of Lessor in the pipe line to which the wells may be connected, or in the absence of a pipeline connection to the transporter receiving Lessee's oil, and at the same price received by Lessee; provided, however, Lessee may from time to time purchase such royalty oil, paying therefor the market value at the wells in the field or area for oil (crude) having the same or nearest to the same gravity, or at (but not more than) the price received by Lessee for Lessee's oil; (b) On gas (which term includes casinghead gas and other gaseous or vaporous substances) used by Lessee off the premises for any purpose, including the manufacture of gasoline or the extraction of sulphur or any other product, the market value at the well of one-eighth (1/8th) of the gas so used, and on gas sold by Lessee, one-eighth (1/8th) of the net proceeds derived from the sale thereof computed at the contract price fixed in any gas sales contract, either short or long term, entered into in good faith by Lessee, except that where the Federal Power Commission assumes jurisdiction of such sales, then the royalty on gas shall be one-eighth (1/8th) of the net proceeds computed on the basis of the rates at which such sales are from time to time unconditionally certificated or approved by the Federal Power Commission, provided that the term "net proceeds" as herein used shall mean the proceeds remaining after deducting all severance and production taxes together with all costs and expenses actually incurred by the Lessee in gathering, transporting, treating, processing and compressing the gas so sold under the terms of said gas sales contract or Federal Power Commission order; (c) on sulphur produced as such and marketed, One Dollar ($1.00) per long ton (2240 lbs.); (d) on all other minerals produced or mined one-tenth (1/10th) in kind of the crude products or crude ore to be delivered at the wellhead or at the point at which a mined product or ore reaches the surface, or, at Lessee's election, one-tenth (1/10th) of the value (at the wellhead or at the point at which a mined product or ore reaches the surface) of the crude product or crude ore produced or mined and marketed. During any period (whether before or after the expiration of the primary term hereof) while there is a gas well or wells completed hereunder and gas is not being sold or used and the well or wells are shut in and there is no current production or operations on said leased premises sufficient to keep this lease in force, Lessee may pay or tender as royalty an amount (which shall be the same regardless of the number of shut in wells) per half year, equal to one-half the annual rental hereafter provided, and it will be considered that gas is being produced, for all purposes of this lease during any period for which such payment is made or tendered; such amount for the first half year to be payable within ninety (90) days following the shutting in of the first well or, if the lease is then otherwise being maintained in force, within six months following a cessation of production or operations, and for subsequent periods semi-annually in advance thereafter. Each such royalty payment or tender may be made by check or draft of Lessee to the parties entitled to receive royalties in the same manner as provided for "rental" payments under Paragraph Four (4) hereof. Within the meaning hereof, the term gas well or wells shall include wells capable of producing natural gas, condensate, distillate or any gaseous substance, and wells classified or capable of being classified as gas wells by any governmental authority. Lessee shall have free use of oil, distillate, condensate, gas and water from the leased premises, except water from Lessor's wells and tanks, for all operations hereunder. Lessor shall have the privilege at his risk and expense or using gas from any well, producing gas only, on the leased premises for stoves and inside lights in the principal dwelling thereon out of any surplus gas not needed for operations hereunder.

4. If operations are not commenced hereunder on or before one year from this date, this lease shall then terminate as to both parties unless Lessee on or before the expiration of said period shall pay or tender to Lessor, or to the credit of Lessor in Security State Bank at Pecos, Texas 79772 or any successor bank, the sum of Six hundred forty and no/100 ---------------------------------- Dollars ($640.00), hereinafter called "rental", which shall extend for twelve (12) months the time within which operations may be commenced. Thereafter, annually, in like manner and upon like payments or tenders the commencement of operations may be further deferred for periods of twelve (12) months each during the primary term. Payment or tender of rental may be made by check or draft of Lessee delivered or mailed to the authorized depository bank or to Lessor (at address last known to Lessee) on or before such date for payment, and the payment or tender will be deemed made when the check or draft is so delivered or mailed. If said named or successor bank (or any other bank which may, as hereinafter provided, have been designated as depository) should fail or liquidate or for any reason refuse or fail to accept rental, Lessee shall not be held in default for failure to make such payment or tender of rental until sixty days after Lessor shall deliver to Lessee a proper recordable instrument naming another bank to receive such payments or tenders. The above named or successor bank or any other bank which may be designated as depository shall be Lessor's agent. Operations hereunder shall be deemed to be commenced when the first material is placed on the leased premises or when the first work is done thereon which is necessary for such operations.

5. If during the primary term and before there has been a discovery of any mineral on the leased premises Lessee should drill a dry hole or fail in any exploratory attempt to establish production hereunder, this lease shall not be terminated thereby if Lessee commences further operations, or commences or resumes the payment or tender of rentals on or before the rental paying date, if any, next ensuing after sixty (60) days after the completion of the dry hole or failure of such exploratory attempt, or, if there be no rental paying date, commences further operations before the expiration of the primary term. If after the discovery of any mineral or any two or more of them the production thereof should cease from any cause, this lease shall not be terminated thereby if within sixty (60) days thereafter production of any mineral or minerals is restored or Lessee commences additional operations, or, if it be within the primary term, Lessee commences or resumes the payment or tender of rentals on or before the rental paying date, if any, next ensuing after sixty (60) days following such cessation of production. If at the expiration of the primary term no mineral is being produced on the leased premises but Lessee is engaged in operations thereon, or shall have completed a dry hole (or other operations) thereon within sixty (60) days prior to the end of the primary term, this lease shall remain in force so long as operations (whether on the same well or mine or on different wells or mines successively) are continuously prosecuted and, if they result in the production of a mineral, so long thereafter as any mineral is produced hereunder from the leased premises. All operations hereunder shall be deemed to be continuously prosecuted if not more than sixty (60) days shall elapse between the completion of operations on any well or mine and the commencement or resumption of operations on the same or another well or mine.

6. Lessee shall have the right at any time until one year after the expiration of this lease to remove all fixtures and other property placed by Lessee on the leased premises, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines below ordinary plow depth in cultivated land. Lessee shall pay Lessor for damages to Lessor's growing crops caused by Lessee's operations. No well shall be drilled within two hundred (200) feet of any residence, barn or irrigation well now on said land without Lessor's consent. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land and within three hundred thirty (330) feet of and draining the leased premises, Lessee agrees to drill such offset wells as a reasonably prudent operator would drill under the same or similar circumstances.

7. Lessee is hereby granted the right and power, to be exercised at its option at any time or times, to pool or combine the acreage covered by this lease, or any portion thereof or any undivided interest covered thereby, as to oil and gas, or either of them, with other land, lease or leases, or any portion thereof, as to whole or undivided interests therein and regardless of ownership thereunder, in the immediate vicinity thereof, when in Lessee's judgment it is necessary or advisable to do so in order properly to explore or develop and operate said leased premises. Units pooled for oil hereunder shall not exceed 40 acres each in area, plus a tolerance of 10% thereof, and units pooled for gas hereunder shall not exceed in area 640 acres each, plus a tolerance of 10% thereof, provided that if governmental authority, State or Federal, prescribes, allows or permits larger spacing or proration units for the development or operation of the field in which the unit is located or allocates a producing allowable based in whole or in part on acreage per well, then any such unit may embrace as much additional acreage as may be so prescribed, allowed or permitted or that may be used in such allocation or allowable. Any unit formed hereunder need not conform in size or area to any other unit; and units may be created hereunder to embrace all strata or any stratum or strata. The pooling in one or more instances shall not exhaust the rights of Lessee hereunder to pool this lease or portions thereof into other units or to reform units. Lessee shall file for record in the county where the unit is situated a written designation and description of each unit formed or reformed hereunder, and such instrument shall specify the effective date of the unit. Lessee wholly at its option may exercise its pooling option either before or after commencing operations for or completing an oil or gas well on acreage included in the unit, and any unit may include, but is not required to include, land or leases upon which a well producing or capable of producing oil or gas in paying quantities has theretofore been completed, or upon which operations have theretofore been commenced. Operations upon or production from any part of the pooled unit which includes all or a portion of the land covered by this lease, regardless of whether such operations were commenced or such production was secured before or after the execution of this lease, or the instrument designating the pooled unit, shall be considered as operations upon or production from the land covered by this lease, whether or not the well or wells be located on the premises covered by this lease, and the entire acreage constituting such unit or units, as to oil and gas, or either of them, as herein provided, shall be treated for all purposes as if the same were included in this lease, except that the royalty on production from the unit shall be as below provided. In respect to production from the unit, Lessee shall pay Lessor,

in lieu of other royalties thereon, only such portion of the royalty stipulated in Paragraph 3 above as the amount of his acreage placed in the unit, or his royalty interest therein on an acreage basis, bears to the total acreage in the unit. A unit established hereunder shall be valid and effective for all purposes of this lease even though there may be mineral, royalty, overriding royalty, or leasehold interests in lands within the unit which are not effectively pooled or unitized. Any unit established by Lessee hereunder may be dissolved by Lessee at the completion of a dry hole or the cessation of production and/or operations on said unit, as the case may be. The production from an oil well will be considered as production from the lease or oil pooled unit from which it is producing, and not as production from a gas pooled unit; and production from a gas well will be considered as production from the lease or gas pooled unit from which it is producing, and not from an oil pooled unit.

8. The rights of either party hereunder may be assigned or subleased in whole or in part and the provisions hereof shall extend to their heirs, successors, sublessees, and assigns. However, no change or division in ownership of the lands, rentals, or royalties, shall enlarge the obligations or diminish the rights of Lessee. No change or division in such ownership shall be binding on Lessee until sixty (60) days after the Lessee shall have been furnished by registered mail with the original or a certified copy of the recorded instrument or instruments evidencing same. In the event of assignment or sublease hereof in whole or in part, liability for breach of any obligation hereunder shall rest exclusively upon the owner of this lease or of a portion thereof or of an interest therein who commits such breach. In the event of the death of any person entitled to rentals hereunder, Lessee may pay or tender such rentals to the authorized depository bank to the credit of the estate of the deceased until such time as Lessee is furnished proper evidence of the appointment and qualification of an executor or administrator of the estate or, if there be none, then until Lessee is furnished evidence satisfactory to it as to the heirs or devisees of the deceased. In event of assignment or sublease of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportionable among the several leasehold owners (including sublessees) ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners (including sublessees).

9. Lessee may at any time and from time to time execute and deliver to Lessor or file for record a release or releases of this lease as to any part or all of said land or of any mineral or horizon thereunder, and thereby be relieved of all obligations as to the released acreage or interest. If this lease is so released as to all minerals and horizons under a portion of said land, the delay rental and other payments computed in accordance therewith shall thereupon be reduced in the propportion that the acreage released bears to the acreage which was covered by this lease immeditely prior to such release.

10. In the event Lessor, either before or after production has been secured, considers that Lessee has failed to perform or to comply with any of the expressed or implied obligations of this agreement, Lessor shall notify Lessee in writing alleging specifically the respect in which Lessor considers Lessee has so failed to perform or comply, and Lessee shall have sixty (60) days after receipt of any such notice within which to remedy, or commence to remedy, any such default so alleged by Lessor. The delivery of said notice to Lessee and the lapse thereafter of sixty days shall be precedent to the bringing of any action by Lessor under this agreement. Neither the delivery of any such notice nor the performance thereafter by Lessee of any act aimed to remedy any default alleged by Lessor in any said notice shall be deemed an admission or presumption that Lessee is in default as to such obligation and there shall be no cancellation of this agreement, in whole or in part, for failure by Lessee to remedy or commence to remedy any default alleged by Lessor until the existence of such default by Lessee has been finally declared judicially and until a reasonable time thereafter has been allowed to remedy such default.

11. When operations or production are delayed or interrupted by lack of water, labor or material, or by fire, storm, flood, war, rebellion, insurrection, riot, strike, differences with workmen, or failure of carriers to transport or furnish facilities for transportation or lack of market in the field for the minerals produced, or as a result of any Federal or State law, or of some order, rule, regulation, requisition or necessity of any government or governmental authority, or any official acting thereunder, or as the result of any cause whatsoever beyond the control of Lessee, the time of such delay or interruption shall not be counted against Lessee and this lease shall remain in force during such delay or interruption and ninety (90) days thereafter, anything in this lease to the contrary notwithstanding.

12. Lessor hereby warrants and agrees to defend the title to said land. If Lessor owns less interest than the entire fee or mineral estate (even though this lease purports to cover only such lesser interest) the rentals, royalties or other payments to be paid Lessor shall be reduced proportionately. Lessee at its option may discharge any tax, mortgage, or other lien upon said land either in whole or in part, and thereby be subrogated to such lien with the right to enforce same and apply rentals and royalties toward satisfying same.

13. Whenever used in this lease, the word "operations" shall mean any one or more of the following operations, including all work necessary or incidental thereto: drilling, testing, completing, reworking, recompleting, deepening, side-tracking, plugging back, or repairing of a well in search for or in an endeavor to obtain or restore production of oil, gas, sulphur or other mineral, excavating a mine, or the production of oil, gas, sulphur or other mineral, whether or not in paying quantities.

14. Should any one or more of the parties above named as Lessor fail to execute this lease, it shall nevertheless be binding upon all such parties who do execute it as Lessor. The word "Lessor" as used in this lease means the party or parties who execute this lease (including any counterparts) as Lessor, although not named above.

NOTWITHSTANDING ANYTHING TO THE CONTRARY HEREIN:

15. This lease shall cover only oil, gas and other liquified and gaseous hydrocarbons together with other associated produced mined or refined as by-products of or in connection with oil and gas production only, including carbon dioxide.

16. The royalties to be paid by Lessee on oil and gas is one-foruth (1/4th) and wherever the number one-eighth (1/8th) appears the same is hereby amended to read one-fourth (1/4th).

17. Lessor recognizes that the State of Texas is, under the provisions of Section 4 of Article 5421-C of the Revised Civil Statutes of the State of Texas, entitled to the free royalty therein stipulated on oil, gas and other minerals that may be produced from the lands hereinbefore described, and by these presents authorized the Lessee or any Assignee thereof to deduct from the royalty recited to be payable or deliverable to Lessor under the provisions hereof, any royalty to which the State of Texas is entitled.

18. Lessor shall have the right and option (but not the obligation) to take in kind and separately market all of Lessor's royalty oil or gas, unless within sixty (60) days after receipt by Lessee of written notice from Lessor of the proposed sale of such royalty oil or gas to a bona fide third party purchaser (including the price and all other terms of such proposed sale) Lessee or his nominee shall elect to purchase such royalty oil or gas for the same price and other terms as offered by such third party purchaser. If Lessee or his nominee does not elect to meet such third party offer to purchase within said sixty (60) day period, then Lessor shall be free to contract such oil or gas to such third party purchaser on the same terms specified in said written notice. Lessor shall reimburse Lessee for all costs for metering and handling royalty oil or gas so separated and marketed or taken in kind. In the event Lessor takes in kind, Lessor and Lessee shall enter into a mutually acceptable gas balancing agreement.

19. It is understood and agreed that upon the expiration of the primary term hereof, Lessee shall thereafter conduct a continuous drilling program on the lands covered by this lease, and this lease shall remain in full force and effect during such time as said continuous drilling program is being conducted by Lessee. "Continuous Drilling Program" is defined herein to mean the continuous development of the leased premises by Lessee with no more than 120 days elapsing between the completion of one well and the commencement of actual drilling operations of a succeeding well. For purposes of interpretation of this provision, a well should be determined to be completed on the day Lessee releases the drilling rig used to drill such well, or the date such rig is moved off the location, whichever date occurs first, and a well should be determined to be commenced when such well is spudded. The termination of rights hereunder shall be the sole liability or penalty for the failure to drill any well or wells acquired or permitted hereunder. Upon cessation of such continuous drilling program this lease shall terminate as to all lands covered hereby, except as to each well capable of producing oil or gas in paying quantities, together with the proration unit (to be selected by Lessee) allocated thereto by the Railroad Commission of Texas as of the date of such termination from the surface down to a depth of one hundred feet (100') below the deepest producing formation. Thereafter, Lessee shall promptly execute and deliver to Lessor a release of this lease as to all lands covered hereby, save and except to each such producing proration unit, and to all depths of such producing proration units except from the surface down to the depth of one hundred feet (100') below the deepest producing formation.

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

Billie Cole Roberson

BILLIE COLE ROBERSON [redacted]

LESSOR

SINGLE ACKNOWLEDGEMENT

THE STATE OF TEXAS,

COUNTY OF REEVES

Before me, the undersigned authority, on this day personally appeared Billie Cole Roberson

known to me to be the person whose name XXXX 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 14th day of April A.D. 1983

Andi Thornburg (Andi Thornburg)

Commission expires 3/28/84

Notary Public in and for Reeves County, Texas.

WHEN RECORDED RETURN TO

This instrument was filed for record on the ______ day of ______, 19____, at ______ o'clock ______ M., and duly recorded in Vol. ______, Page ______, of the ______ Records of this Office.

County Clerk ______ County, Texas

By ______ Deputy

in lieu of other royalties thereon, only such portion of the royalty stipulated in Paragraph 3 above as the amount of his acreage placed in the unit, or his royalty interest therein on an acreage basis, bears to the total acreage in the unit. A unit established hereunder shall be valid and effective for all purposes of this lease even though there may be mineral, royalty, overriding royalty, or leasehold interests in lands within the unit which are not effectively pooled or unitized. Any unit established by Lessee hereunder may be dissolved by Lessee at the completion of a dry hole or the cessation of production and/or operations on said unit, as the case may be. The production from an oil well will be considered as production from the lease or oil pooled unit from which it is producing, and not as production from a gas pooled unit; and production from a gas well will be considered as production from the lease or gas pooled unit from which it is producing, and not from an oil pooled unit.

8. The rights of either party hereunder may be assigned or subleased in whole or in part and the provisions hereof shall extend to their heirs, successors, sublessees, and assigns. However, no change or division in ownership of the lands, rentals, or royalties, shall enlarge the obligations or diminish the rights of Lessee. No change or division in such ownership shall be binding on Lessee until sixty (60) days after the Lessee shall have been furnished by registered mail with the original or a certified copy of the recorded instrument or instruments evidencing same. In the event of assignment or sublease hereof in whole or in part, liability for breach of any obligation hereunder shall rest exclusively upon the owner of this lease or of a portion thereof or of an interest therein who commits such breach. In the event of the death of any person entitled to rentals hereunder, Lessee may pay or tender such rentals to the authorized depository bank to the credit of the estate of the deceased until such time as Lessee is furnished proper evidence of the appointment and qualification of an executor or administrator of the estate or, if there be none, then until Lessee is furnished evidence satisfactory to it as to the heirs or devisees of the deceased. In event of assignment or sublease of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportionable among the several leasehold owners (including sublessees) ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners (including sublessees).

9. Lessee may at any time and from time to time execute and deliver to Lessor or file for record a release or releases of this lease as to any part or all of said land or of any mineral or horizon thereunder, and thereby be relieved of all obligations as to the released acreage or interest. If this lease is so released as to all minerals and horizons under a portion of said land, the delay rental and other payments computed in accordance therewith shall thereupon be reduced in the

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

____________________ ____________________

LESSOR

SINGLE ACKNOWLEDGEMENT

THE STATE OF TEXAS,

COUNTY OF __________

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

Billie Cole Roberson

BILLIE COLE ROBERSON [redacted]

LESSOR

SINGLE ACKNOWLEDGEMENT

THE STATE OF TEXAS,

COUNTY OF REEVES

Before me, the undersigned authority, on this day personally appeared Billie Cole Roberson

known to me to be the person___ whose name XXXX 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 14th day of April A.D. 1983.

Commission expires 3/28/84

Andi Thornburg (Andi Thornburg)

Notary Public in and for Reeves County, Texas.

WHEN RECORDED RETURN TO

This instrument was filed for record on the ______ day of ______, 19___, at ____ o'clock ___ M., and duly recorded in Vol. ______, Page ______, of the ______ Records of this Office.

County Clerk __________ County, Texas

By __________, Deputy.

5.00 pd
K-Pete. Corp.
P.O. Box 8528
Midland 79703-0878

001467

FILED FOR RECORD
1983 MAY 11 AM 10 47
CATHERINE ASHLEY
COUNTY CLERK, REEVES COUNTY, TX
BY Ostuentes DEPUTY

"COMPARED"

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

Court of said County do hereby certify that the foregoing instrument of writing dated the 8th day of April A.D. 1983 with its certificate of authentication was filed for record in my office the 11th day of May A.D. 19 83 at 10:47 o'clock A. M. and duly recorded the 11th day of May A.D. 19 83 at 4:00 o'clock P. M. in the DEED records of said county in volume 432 on page 4.

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)

1

M 90229

Lease

File dated 6-30-84

Garry Mauro, Commissioner

6-30-84

(A) 12-3016-01
11924

PRODUCERS 88 REV. TEX. A(6-73)

OIL, GAS AND MINERAL LEASE

THIS AGREEMENT made and entered into this 4th day of May 19 82 by and between DOUGLAS EARL BELL, Leasing his separate property whose address is 2508 Springpark Way, Richardson, Texas 75081

hereinafter called "Lessor", whether one or more, and HYLE C. DOSS of Midland, Texas hereinafter called "Lessee".

WITNESSETH: That, for and in consideration of the sum of Ten and No/100--- Dollars ($10.00), receipt of which is hereby acknowledged, and of the royalties herein provided and the agreements of Lessee herein contained, Lessor does hereby grant, lease and let exclusively unto Lessee, its successors and assigns, all of the land hereinafter described, together with any reversionary rights therein for the purpose of exploring by geological, geophysical and all other methods, and of drilling, producing and operating wells or mines for the recovery of oil, gas and other hydrocarbons, and all other minerals or substances, whether similar or dissimilar, that may be produced from any well or mine on the leased premises, including primary, secondary, tertiary, cycling, pressure maintenance methods of recovery, and all other methods, whether now known or unknown, with all incidental rights thereto, and to establish and utilize facilities for surface and subsurface disposal of salt water, and to construct, maintain and remove roadways, tanks, pipelines, electric power and telephone lines, power stations, machinery and structures thereon, to produce, store, transport, treat and remove all substances described above, and the products therefrom, together with the right of ingress and egress to and from said land across any other land now or hereafter owned by Lessor. The land hereby leased is situated in the County of Reeves, State of Texas, and is described as follows:

Section 2, Block C-21, Public School Land Survey in Reeves County, Texas

This lease covers all of the land described above, ~~[illegible]~~. The bonus money paid for this lease is in gross, and not by the acre, and shall be effective to cover all such land irrespective of the number of acres contained therein, but the land included within this lease is estimated to comprise 640 acres, whether actually more or less, and such land is hereinafter referred to as the "leased premises".

TO HAVE AND TO HOLD the leased premises for a term of (3) years from the date hereof, hereinafter called "primary term", and as long thereafter as oil, gas or other hydrocarbons, or other minerals or leased substances, or either or any of them, are produced from the leased premises or from lands with which the leased premises are pooled or unitized.

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

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

2. Royalty On Gas. Lessee shall pay to Lessor as royalty on gas, including casinghead gas or other gaseous substances produced from said land and sold on or off the premises, 1/5 of the net proceeds at the well received from the sale thereof, provided that on gas used off the premises or by Lessee in the manufacture of gasoline or other products therefrom, the royalty shall be the market value at the well of 1/5 of the gas so used; as to all gas sold by Lessee under a written contract, the price received by Lessee for such gas shall be conclusively presumed to be the net proceeds at the well or the market value at the well for the gas so sold.

3. Royalty On Other Substances. Lessee shall pay to Lessor, as royalty on any substances covered by this lease other than oil and gas and the products thereof which Lessee may elect to produce, save and market from the leased premises, 1/5 of the proceeds received by Lessee from the sale thereof after deducting the processing costs, except that the royalty on sulphur shall be One Dollar ($1.00) per long ton marketed.

4. Shut - In Gas Royalty. If at any time, or from time to time, either before or after the expiration of the primary term of this lease, there is any gas well on the leased premises or on lands with which the leased premises are pooled or unitized and which is capable of producing in paying quantities, but which is shut in before or after production therefrom, such well shall be considered under all provisions of this lease as a well producing gas in paying quantities and this lease shall remain in force in like manner as through gas therefrom was actually being sold or used. In such event, Lessee covenants and agrees to pay Lessor, as royalty, the sum of Six Hundred Forty and No/100------------------Dollars ($ 640.00) per annum for the period commencing on the date such well is actually shut in, unless this lease is being maintained in force and effect by some other provision hereof, in which event, such period shall commence on the date this lease ceases to be maintained in full force and effect by some other provision hereof. Payment or tender shall be made to Lessor, or deposited to the credit of Lessor in the depository bank named in this lease. The first payment shall be due and payable on or before ninety (90) days after the date such well is shut in, or ninety (90) days from the date this lease ceases to be maintained in force by some other provision hereof. Unless gas from such well is produced and sold or used prior thereto, except temporary sales, or use for lease operations, subsequent payments shall be due annually thereafter on the anniversary date of the period for which such prior payment was made. No additional payments shall be required if there is more than one shut-in gas well on the leased premises or on lands with which the leased premises are pooled or unitized. The term "gas well" shall include wells capable of producing natural gas, condensate, or any gaseous substance, and wells classified as gas wells by any governmental authority having jurisdiction.

5. Delay Rental. If operations for drilling or mining on the leased premises, or on lands with which the leased premises are pooled or unitized, are not commenced on or before one (1) year from the date of this lease, as set forth above, this lease shall terminate as to both parties unless on or before one (1) year from the date of this lease, Lessee shall pay or tender to the Lessor a rental of Six Hundred Forty and No/100---------------- Dollars ($ 640.00), which shall cover the privilege of deferring commencement of such drilling or mining operation for a period of twelve (12) months from the expiration of said one (1) year period. In like manner and upon like payments or tenders annually, the commencement of such operations may be deferred for successive periods of the same number of months, during the primary term. Payments or tenders may be made to the Lessor or to the Lessor's credit in the Citizens Bank at Richardson, Texas which bank or any successor thereof shall continue to be the agent for the Lessor and the Lessor's successors and assigns. If such bank or any successor thereof shall fail, liquidate, or be succeeded by another bank, or for any reason fail or refuse to accept rental, the rental paying date for any year shall be extended until the expiration of thirty (30) days after Lessor shall have delivered to Lessee a recordable instrument making provision for another method of payment or tender and any depository charge shall be the liability of the Lessor. The payment or tender of rental may be made by check or draft of Lessee, mailed or delivered to said bank or Lessor, or to any Lessor if more than one, on or before the rental paying date. Mailing of rental on or before the rental paying date shall be deemed a timely tender thereof and shall preclude the termination of this lease.

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

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

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

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

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

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

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

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

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

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

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

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

Douglas Earl Bell

Douglas Earl Bell S[redacted]

THE STATE OF TEXAS

County of Dallas

Before me, the undersigned authority, on this day personally appeared Douglas Earl Bell

Douglas Earl Bell

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

Given under my hand and seal of office this the 10th day of May, A.D. 19 82.

Jean D. Nielson

Notary Public in and for Dallas County, Texas

NOTARY PUBLIC COUNTY OF DALLAS, TEXAS

My Commission Exp: 6-10-85

THE STATE OF TEXAS

County of

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

A 108—Certificate of Record—Class 1

FOR SALE BY STAFFORD-LOWDON CO. FORT WORTH 23252

Texas Standard Form

THE STATE OF TEXAS,

County of REEVES

I, CATHERINE ASHLEY, Clerk of the County Court in and for said County, do hereby certify that the foregoing Instrument, dated 4th day of May 19 82, with its certificates of authentication, was filed for Record in my office the 10th day of Sept. 19 82, at 11:00 o'clock A. M., and duly Recorded the 13th day of Sept. 19 82, at 4:00 o'clock P. M., in DEED Record of said County in Vol. 425 on Page 86

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

CATHERINE ASHLEY Clerk,

County Court, Reeves County.

By Billie Jo Freeman Deputy.

(Billie JO Freeman)

No. 3603

OIL, GAS AND MINERAL LEASE

TEXAS

"COMPARED"

TO

Filed for Record this the 10th day of Sept. A.D. 19 82 at 11:00 o'clock A. M.

Catherine Ashley County Clerk.

By Olga Fuentes Deputy.

Recorded A.D. 19 County

Record of Page County Clerk.

Book

By Deputy.

5.00 pd

RK

2

M 90229
Lease
File dated 6-30-84
Garry Mauro, Commissioner

6-30-84

FNB TR. OGL Fixed Term.

11932

(B)

OIL AND GAS LEASE

THE STATE OF TEXAS

COUNTY OF MIDLAND

THIS LEASE, made and entered into this 13th day of July 1982 by and between THE FIRST NATIONAL BANK OF MIDLAND, Trustee of the Prewitt Children 1968 Trust for the benefit of Billie Neil Prewitt and Rose Marie Prewitt Powell whose post office address is Box 270, Midland, Texas 79702, hereinafter called Lessor, and Hyle C. Doss

whose post office address is P.O. Box 2417, Midland, TX 79702 hereinafter called Lessee,

WITNESSETH:

1. Lessor, in consideration of a sufficient and valuable consideration to it in hand paid, of the royalties herein provided, and of the covenants and agreements of Lessee hereinafter contained, hereby grants, leases, and lets unto Lessee for the sole and only purpose of exploring, drilling, operating for, and producing oil and gas, and laying pipelines, building tanks, power stations, roads, and structures thereon, to produce, save, care for, treat, and transport said products from the land leased hereunder, only the following described land situated in Reeves County, State of Texas, to wit:

Section 2, Block C-21, Public School Land Survey

and containing --640-- acres, more or less (hereinafter called said land).

2. Subject to the other provisions herein contained, this lease shall be for a term of --------THREE------- years from this date (called primary term), and as long thereafter as oil or gas, either or both, is produced from said land hereunder.

3. Lessee shall deliver to Lessor, free of cost, in the tanks or at the transmission pipelines (as distinguished from gathering pipelines) to which wells may be connected, an equal ----1/5------ part of all oil, gas, and associated hydrocarbons produced and saved from said land in a condition ready for sale or transmission, or, at the option of Lessor, said part of the market value of all oil, gas and associated hydrocarbons produced and saved from said premises, provided that on gas sold at the well in a bona fide transaction between the Lessee and a party not controlled by the Lessee, the amount realized from such sale will be treated as being the market value.

4. This is a prepaid lease, and no delay rentals are payable hereunder.

5. If the primary term has otherwise expired, but ~~prior to the discovery of oil or gas on said land,~~ Lessee should drill and complete a dry hole or holes thereon, or if, after discovery of oil or gas, the production thereof should cease from any cause, this lease shall not terminate if Lessee commences reworking or additional drilling operations within sixty (60) days thereafter. If, at the expiration of the primary term, oil or gas is not being produced on said land, but Lessee is then engaged in actual drilling operations or the reworking of any well on said land, this lease shall remain in force, in accordance with its terms, so long as drilling or reworking operations are prosecuted (whether on the same or different wells) with no cessation of more than sixty (60) consecutive days, and if they result in production, so long thereafter as oil or gas is produced from said land hereunder.

6. Lessee shall have free use of oil, gas and water from said land, except water from Lessor's wells and tanks, for drilling operations (but not for repressuring, pressure maintenance, compression of produced gas, cycling, or secondary or tertiary recovery operations) and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during the term hereof and for six (6) months after the expiration hereof to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When requested by Lessor, Lessee shall bury pipelines below plow depth. No well shall be drilled nearer than two hundred (200) feet to any structure now on said premises without the written consent of Lessor.

7. The rights and estate of any party hereto may be assigned in whole or in part. All covenants, obligations and considerations for this lease shall extend to and be binding upon the parties, hereto, their heirs, successors and assigns. No change or division of ownership of said land, or of the royalties, or the right to receive the same, howsoever effected, shall be binding upon the then record owner of this lease until thirty (30) days after such record owner has been furnished notice of such change or division, supported by copies of the documents evidencing such change or division. If such change in ownership occurs by reason of the death of the owner, Lessee may nevertheless pay or tender such royalties to the credit of the decedent in The First National Bank of Midland, Attention: Trust Department, Trust No. 699/700 subject to the right of said Bank to decline to receive same. Lessee shall notify Lessor of any assignment of Lessee's rights hereunder, stating the name and current mailing address of the assignee and shall furnish a copy of such assignment within sixty (60) days of its recording in the county records.

8. In the event production of oil and/or gas is established on said lands and the primary term has otherwise expired, Lessee, his heirs, successors, or assigns, shall continuously develop the leased premises to the density prescribed by the field rules established for the area by the lawful authority, with no more than one hundred eighty (180) days elapsing between the completion of operations for the drilling of one well and the commencement of operations for the drilling of the next well in each instance. For the purpose hereof, operations for the drilling of a well commence when new hole is being made below the cellar with rotary tools, and are completed on the earliest of (1) official potential test, (2) plugging and abandonment, or (3) the lapse of thirty (30) days without making of new hole. Failure to comply with said development program shall result in the termination of this lease, except as to the acreage at the time constituting the production or proration units upon which there are located wells producing oil and/or gas in paying quantities, and the termination of this lease as to formation and depths below the base of the formation including the deepest operating commercial completion on each producing unit. Lessee shall promptly execute and record an appropriate release, furnishing a copy of the recorded release to Lessor.

9. If Lessor owns an interest in said land less than the entire and undivided fee simple estate therein, the royalties herein provided shall be paid to Lessor in the proportion which Lessor's interest bears to the entire undivided fee simple title therein.

FNB TR. OGL
Pooling Stipulations

THE FIRST NATIONAL BANK OF MIDLAND, MIDLAND, TEXAS, TRUST DIVISION

OIL AND GAS LEASE POOLING STIPULATION

This pooling stipulation is attached to and incorporated in the accompanying oil and gas lease executed by THE FIRST NATIONAL BANK OF MIDLAND.

Lessee, its successors and assigns, at its option, at any time and from time to time, without Lessor's joinder or further consent, is hereby given the right and power to pool the land or any interest covered by this lease, or any portion thereof, as to oil, gas condensate, or distillate, or any of them, or either of them, with any other land, interests, lease, or leases, or any of them, adjacent to the leased land, when in Lessee's judgment it is necessary to do so to efficiently develop or operate said premises in compliance with the spacing rules prescribed by competent authority. Lessee may pool the acreage or interests above described, or any portion thereof, as above provided, as to oil or gas in any one or more strata, and units so formed need not conform in size or area with the unit or units into which the lease is pooled or combined, as to any other stratum or strata, and oil units need not conform as to area with gas units. Lessee shall execute in writing and file for record in the county or counties where such land is situated an instrument designating and describing the pooled acreage, furnishing a copy thereof to Lessor. Such pooling and designation may be accomplished either before or after a well or wells are drilled or completed on the unit. Production within the acreage so pooled shall not serve to perpetuate this lease as to acreage outside such pooled unit. Acreage outside such pooled unit shall be segregated, and treated as a separate lease, with the same terms and provisions as otherwise set out in the lease to which this stipulation is attached. In lieu of the royalties specified elsewhere in said lease, Lessor shall receive from a unit so formed only such portion of the royalties stipulated in said lease as the amount of the surface acres above described so placed in the unit bears to the total surface acres so pooled in the particular unit involved. Shutin gas royalties with respect to unit shutin gas wells shall be payable in accordance with the provisions, and in the amounts set forth in said lease. Delay rentals, if any, specified in said lease, shall be payable in respect of the segregated acreage not included in pooled units in accordance with the area thereof.

BEFORE ME, the undersigned authority, on this day personally appeared Robert R. Sykes,

A 108—Certificate of Record—Class 1 FOR SALE BY STAFFORD-LOWDON CO. FORT WORTH 23252 Texas Standard Form

THE STATE OF TEXAS,
County of REEVES } I, CATHERINE ASHLEY, Clerk of the County Court in and for said County, do hereby certify that the foregoing INSTRUMENT dated 13th day of July 19 82, with its certificates of authentication, was filed for Record in my office the 25th day of August 19 82, at 11:30 o'clock A. M., and duly Recorded the 30th day of August 19 82, at 4:00 o'clock P. M., in Deed Record of said County in Vol. 424 on Page 160.

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

Catherine Ashley, Clerk,
Catherine Ashley
County Court, Reeves County.

By .... Deputy.

Notary Public in and for ____________

No. 3234
"COMPARED"

FILED FOR RECORD
AT 11:30 O'CLOCK A M
AUG 25 1982
CATHERINE ASHLEY
County Clerk, Reeves County, Texas
By [signature] DEPUTY

7.00 Pd
RK Petroleum Corp
Box 8528
Midland, Tx.
79703

10. This lease is given and granted without warranty, expressed or implied. Lessee, at its option, may discharge any tax or other lien upon said land; and, in the event Lessee does so, be subrogated to such lien, and have the right to apply royalties accruing hereunder to reimburse such payment.

11. If gas from a well on the leased premises, classified as a gas well by lawful authority, is not being produced, because of a lack of an adequate market therefor, Lessee may pay or tender as royalty, by a valid check or draft of Lessee, to The First National Bank of Midland, Attention; Trust Department, Trust No. 699/700, or its successor in interest, on or before sixty (60) days after the date on which the well is shut in, and annually thereafter, a shutin gas well royalty payment in the amount hereinafter provided. If such payment is properly and timely made, it will be considered that gas is being produced from the above described land in accordance with the terms of this lease within the meaning of paragraph numbered 2 of this lease; provided, however, this lease may not be continued in force by the making of shutin gas well royalty payments, as herein provided, for a period of longer than two (2) years after the expiration of the primary term hereof. The amount of shutin gas well royalty payment payable sixty (60) days from the date on which the well is shut in shall be a sum computed at --------TWO---------- Dollars ($ --2.00--) per acre for the number of acres subject to this lease for the first annual payment, and shall be --------FOUR------ Dollars ($--4.00--) per acre for the subsequent years. Payment of shutin gas royalty shall not impair or extend the continuous development provisions of Section 8 hereof.

12. All royalty payments hereunder shall be made to Lessor addressed as follows: The First National Bank of Midland, P.O. Box 270, Midland, Texas 79702, Attention: Trust No. 699/700 The Trust number may be changed at Lessor's sole option, and the change shall be used by Lessee for all purposes upon thirty (30) days' prior written notice thereof.

13. The following special stipulations are attached to this lease and here referred to and incorporated herein:

POOLING STIPULATION ATTACHED HERETO.

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

The First National Bank of Midland, Trustee of the Prewitt Children 1968 Trusts for the benefit of Billie Neil Prewitt and Rose Marie Prewitt Powell

ATTEST: Jean Wilson
Trust Officer

BY: Robert R. Sykes
Robert R. Sykes, Assistant Vice President and Trust Landman
Trust # 699, Fed. I.D. #: [redacted]
700

CORPORATION ACKNOWLEDGEMENT

THE STATE OF TEXAS
COUNTY OF MIDLAND

BEFORE ME, the undersigned authority, on this day personally appeared Robert R. Sykes, known to me to be the person whose name is subscribed to the foregoing instrument, as Assistant Vice President and Trust Landman of The First National Bank of Midland, a corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, This the 13th day of July A.D. 19 82.

My Commission Expires 8/7/85

Brenda D. Niblett
Notary Public in and for State of Texas
Brenda D. Niblett

SINGLE ACKNOWLEDGEMENT

THE STATE OF TEXAS
COUNTY OF ____________

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

known to me to be the person____whose name____is/are subscribed to the foregoing instrument and acknowledged to me that ____he/they executed the same for the purposes and considerations therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, This the ________ day ________ A.D. 19____

Notary Public in and for ____________

No. 3234
"COMPARED"

FILED FOR RECORD
AT 11:30 O'CLOCK A M
AUG 25 1982
CATHERINE ASHLEY
County Clerk, Reeves County, Texas
By ____ DEPUTY

700 PL
RK Petroleum Corp
Box 8528
Midland, Tx.
79703

3

M 90229

Lease

File dated 6-30-84

Garry Mauro, Commissioner

Producers 88 Revised 3-79

COPY

OIL AND GAS LEASE

THIS AGREEMENT, made and entered into this 30th day of October, 19 81, by and between JERRY COVINGTON, TRUSTEE

whose Post Office address is P. O. Box 2333, Midland, Texas 79702, hereinafter called Lessor, and COV, INC., a Texas corporation

whose Post Office address is P. O. Box 2333, Midland, Texas 79702,

hereinafter called Lessee,

WITNESSETH:

1. That Lessor, in consideration of -TEN and NO/100 - - - - - - - - - - - - - - DOLLARS ($10.00) in hand paid, of the royalties herein provided, and of the covenants and agreements of Lessee hereinafter contained, hereby grants, leases, and lets unto Lessee for the sole and only purpose of exploring, drilling, operating for, and producing oil and gas and of laying pipelines, building tanks, power stations, roads and structures thereon to produce, save, care for, treat, and transport said products from the land leased hereunder only, the following described land situated in REEVES County, State of TEXAS, to-wit:

X TRACT 1: All of Section 2, Block C-21, Public School Land, containing 640.00 acres, more or less

TRACT 2: All of Section 14, Block C-21, Public School Land, containing 640.00 acres, more or less

TRACT 3: All of Section 16, Block C-21, Public School Land, containing 640.00 acres, more or less

There is specifically reserved to the State of Texas a free royalty of 1/16 of all oil and gas produced from the land covered by this lease, which royalties shall be paid by Lessee herein, its successors and assigns, and such payments shall be deducted from the royalties provided for in lease paragraph 3 below to be paid to Lessor.

(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-eighth (1/8) part of the gross production or the market value thereof, at the option of Lessor, such value to be determined by 1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity for the field where produced and when run, or 2) the highest market price thereof offered or paid for the field where produced and when run, or 3) the gross proceeds of the sale thereof, whichever is 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-eighth (1/8) part of the gross production or the market value thereof, at the option of Lessor, such value to be based on the highest market price paid or offered for gas of comparable quality for the field where produced and when run, or the gross price paid or offered to the producer, whichever is 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-eighth (1/8) part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of Lessor. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease, and on fifty percent (50%) or that percent accruing to Lessee, whichever is 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-eighth (1/8) part of the gross production of such products, or the market value thereof, at the option of Lessor, such market value to be determined as follows:

(1) On the basis of the highest market price of each product 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.

(E) 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.

(F) 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 Lessor, Lessee may recycle gas for gas lift purposes on the leased premises or for the 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.

4. If the actual drilling of a test well is not commenced on said land on or before twelve (12) months from the date of this lease, the lease shall then terminate as to both parties, unless on or before such anniversary date Lessee shall pay or tender to Lessor or to the credit of Lessor in Midland National Bank, Midland, Texas which bank and its successors shall continue as the depository for all rentals payable hereunder, regardless of changes in ownership of delay rentals, the sum of -Five Thousand Seven Hundred Sixty and No/100 - - - - - - - - - - - DOLLARS ($5760.00) (hereinafter called rental) which shall cover the privilege of deferring commencement of operations for drilling for a period of twelve (12) months. In like manner, and upon like payments or tenders, operations may be further deferred for like periods of twelve (12) months each during the primary term. The payment or tender of rental may be made by the check or draft of Lessee mailed or delivered to Lessor or to said bank on or before such date of payment. The bonus paid hereunder is consideration for this lease and shall not be allocated as mere rental for a period. Lessee may at any time execute and deliver to Lessor or to the depository above, a release or releases covering any portion or portions of said land and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered, and thereafter the rental payment hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases. Lessee agrees that if at any time the aforesaid delay rental is not paid on or before the date on which same is required to be paid under the terms of this lease, then in said event, the said Lessee shall forthwith execute a release of the land leased hereunder and shall forthwith forward same to Lessor.

Producers 88 Revised 3-79

OIL AND GAS LEASE

and containing -1920- acres, more or less (hereinafter called said land). It is understood and agreed, however, that Lessee shall pay for damages caused by its operations to growing crops, timber and other improvements on said land.

2. Subject to the other provisions herein contained, this lease shall be for a term of -Five (5)- years from this date (hereinafter 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 to Lessor, 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-eighth (1/8) part of the gross production or the market value thereof, at the option of Lessor, such value to be determined by 1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity for the field where produced and when run, or 2) the highest market price thereof offered or paid for the field where produced and when run, or 3) the gross proceeds of the sale thereof, whichever is 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-eighth (1/8) part of the gross production or the market value thereof, at the option of Lessor, such value to be based on the highest market price paid or offered for gas of comparable quality for the field where produced and when run, or the gross price paid or offered to the producer, whichever is 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-eighth (1/8) part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of Lessor. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease, and on fifty percent (50%) or that percent accruing to Lessee, whichever is 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-eighth (1/8) part of the gross production of such products, or the market value thereof, at the option of Lessor, such market value to be determined as follows:

(1) On the basis of the highest market price of each product 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.

(E) 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.

(F) 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 Lessor, Lessee may recycle gas for gas lift purposes on the leased premises or for the 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.

4. If the actual drilling of a test well is not commenced on said land on or before twelve (12) months from the date of this lease, the lease shall then terminate as to both parties, unless on or before such anniversary date Lessee shall pay or tender to Lessor or to the credit of Lessor in Midland National Bank, Midland, Texas which bank and its successors shall continue as the depository for all rentals payable hereunder, regardless of changes in ownership of delay rentals, the sum of -Five Thousand Seven Hundred Sixty and No/100 - - - - - - - - - - - - DOLLARS ($ 5760.00) (hereinafter called rental) which shall cover the privilege of deferring commencement of operations for drilling for a period of twelve (12) months. In like manner, and upon like payments or tenders, operations may be further deferred for like periods of twelve (12) months each during the primary term. The payment or tender of rental may be made by the check or draft of Lessee mailed or delivered to Lessor or to said bank on or before such date of payment. The bonus paid hereunder is consideration for this lease and shall not be allocated as mere rental for a period. Lessee may at any time execute and deliver to Lessor or to the depository above, a release or releases covering any portion or portions of said land and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered, and thereafter the rental payment hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases. Lessee agrees that if at any time the aforesaid delay rental is not paid on or before the date on which same is required to be paid under the terms of this lease, then in said event, the said Lessee shall forthwith execute a release of the land leased hereunder and shall forthwith forward same to Lessor.

5. If oil or gas are discovered on said land, Lessee agrees to further develop said land as a reasonably prudent operator would do in the same or similar circumstances. 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 obligation 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.

6. If, prior to discovery of oil or gas on said land, Lessee should drill a dry hole or holes thereon or if, after discovery of oil or gas, the production thereof should cease from any cause, this lease shall not terminate if Lessee commences additional drilling or reworking operations within thirty (30) days thereafter or (if it be within the primary term) commences or resumes the payment or tender of rental on or before the rental paying date next ensuing. If, at the expiration of the primary term, oil or gas is not being produced from the land then covered hereby but Lessee is then engaged in drilling or reworking operations on some part of the land hereunder, this lease shall not terminate if Lessee does not allow more than thirty (30) days to elapse between the abandonment of one well and the commencement of drilling or reworking operations on another until production is obtained.

7. Lessee shall have, except in the case of water wells, the right to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. In the case of water wells, Lessee shall have the right to remove all property and fixtures therefrom except casing but shall do nothing that will in any way damage said water well or prevent its future use by Lessor. However, if Lessor so elects, Lessee shall remove the casing from and plug and abandon water wells at Lessee's sole expense. Nothing in this paragraph, however, is intended nor shall be construed to give the Lessee hereunder any rights with regard to water on or under the land. When required by Lessor, Lessee shall bury all pipelines below plow depth and no well shall be drilled within two hundred (200') feet of any residence, barn, or other structure now on or placed on said land prior to said drilling without Lessor's written consent.

8. The rights and estate of any party hereto may be assigned in whole or in part. All of the covenants, obligations and considerations of this lease shall extend and be binding upon the parties hereto, their heirs, successors, and assigns. No change or division in the ownership of said land, or of the royalties, rental, or other monies, or the right to receive the same, howsoever effected, shall be binding upon the then record owner of this lease until thirty (30) days after such record owner has been furnished notice of such change or division, supported by copies of the documents evidencing such change or division. If any such change in ownership occurs by reason of the death of the owner, Lessee may, nevertheless, pay or tender such royalties, rental or other monies, to the credit of the decedent in the depository bank named above. Lessee shall notify Lessor of any assignment of Lessee's rights hereunder, stating the name and current mailing address of the assignee, and shall furnish a copy of such assignment within sixty (60) days of its recording in the county records.

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

10. Lessor hereby warrants and agrees to defend the title to said land by, through, and under Lessor, but not otherwise. Lessee, at its option, may discharge any tax lien upon said land; and, in the event Lessee does so, Lessee shall have the right to apply rentals and royalties accruing hereunder to reimburse such payment.

11. All royalties which are not taken in kind as provided herein, shall be due and payable to the Lessor in the following manner: Royalty on oil shall be due and payable on or before the 1st day of the second month succeeding the month of production, and royalty on gas shall be due and payable on or before the 28th day of the second month succeeding the month of production. Each royalty payment shall be accompanied by a check stub, schedule, summary or other remittance advice showing by assigned lease number the amount of royalty being paid. Any royalty not paid or 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 Lessor's right of forfeiture as provided by law. The Lessor shall have and hereby retains a first lien upon all oil and gas produced from the leased premises, ~~XXXXXXXXXXXXXX~~, to secure the payment of all unpaid royalty and other sums of money that may become due hereunder to the Lessor.

12. Upon the written request of Lessor a copy of all contracts under which gas is sold or processed hereunder shall be promptly furnished Lessor, as well as all subsequent agreements and amendments to such contracts. The books, accounts and all other records pertaining to production, transportation, sale and marketing of oil and /or gas produced hereunder shall during regular business hours, be subject to inspection and examination by Lessor. Lessor shall have the right to be present at any regularly scheduled inspection of meters and other equipment located on the leased premises, ~~XXXXXXXXXXXXXXX~~ provided for in the terms of any gas contract entered into by Lessee, his heirs, successors, and assigns, and any gas purchaser.

13. In the event oil and /or gas is being produced in paying quantities from the above described land, ~~XXXXXXXXXXXXXX~~, on the date that is the first anniversary of the expiration of the primary term of this lease, this lease shall ipso facto terminate on said date as to all depths below, but not above, the base of the deepest formation from which oil and /or gas is then being produced, and Lessee agrees to execute and deliver to Lessor a recordable release of this lease as to all depths below the base of said formation.

14. This lease shall be subject to all federal and state laws, executive orders, rules or regulations, and to all orders, rules and regulations of all federal or state officers, agencies, boards and commissions which relate to or affect performance of the express or implied covenants of this lease and this lease shall not be forfeited for failure of Lessee to comply with the express or implied covenants of this lease if such compliance is prevented by or if such failure results from compliance with any such rule, order or regulation.

15. Where gas from a well located on the lease premises, ~~or lands pooled therewith~~, completed as a commercial producer of gas only, or gas and condensate or distillate only, is not sold because of a lack of a market therefor, Lessee shall pay or tender as royalty, by a valid check or draft of Lessee, to the party entitled to receive royalty under this lease or to their credit in Midland National Bank, Midland, Texas, on or before sixty (60) days after the date on which the well is shut-in, and annually thereafter, a shut-in gas well royalty payment in the amount hereinafter provided. If such payment is properly and timely made, it will be considered that gas is being produced from the above described land in accordance with the terms of this lease within the meaning of paragraph numbered 2 of this lease; provided, however, this lease may not be continued in force by the making of shut-in gas well royalty payments as herein provided for a period longer than two(2) years after the expiration of the primary term hereof. The amount of the shut-in gas well royalty payment as hereinbefore provided shall be a sum of money equal to five(5) times the annual rental provided for herein.

16. Lessor, at his sole cost, risk and expense shall have access at all times to the location, rig and derrick floor of any well drilled or re-entered on lands covered by this lease, ~~or lands pooled therewith~~, and, upon request by Lessor, shall be furnished copies of all well data. All well information furnished to Lessor under the terms of this paragraph shall be held confidential and not disclosed to any third party without permission of Lessee.

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

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

Jerry Covington

Jerry Covington, Trustee

Notary Public in and for Midland County, Texas

ALEASHA FRIEDRICHS - NOTARY PUBLIC

MY COMMISSION EXPIRES 7/7/84

If oil or gas are discovered on said land, Lessee agrees to further develop said land as a reasonably prudent operator would do in the same or similar [illegible]

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

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 capacity therein stated.

Given under my hand and seal of office, this the ______________ day of ______________ A.D. 19 ______

Notary Public in and for
County, Texas

STATE OF TEXAS
COUNTY OF MIDLAND

Before me, the undersigned authority, on this day personally appeared Jerry Covington ________________________________, 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 capacity therein stated.

Given under my hand and seal of office, this the 30th day of October A.D. 19 81

Aleasha K. Friedrichs

Notary Public in and for Midland
County, Texas

ALEASHA FRIEDRICHS - NOTARY PUBLIC
MY COMMISSION EXPIRES 2/7/84

No. 5069

COMPARED

FILED FOR RECORD
AT 8:30 O'CLOCK A M
NOV 30 1981
CATHERINE ASHLEY
County Clerk, Reeves County, Texas
BY Olga Fuentes DEPUTY

9.00 pd

Cov, Inc.

[illegible] Texas, } CATHERINE ASHLEY Clerk of the County
[illegible] Reeves }

of said County do hereby certify that the foregoing instrument of writing dated the 30th day of Oct. A.D. 81 with its certificate of authentication was filed for record in my office the 30th day of Nov. A.D. 19 81 at 8:30 o'clock A. M. and duly recorded the 2nd day of Dec. A.D. 19 81 at 4:00 o'clock P. M. in the DEED records of said county in volume 413 on page 124.

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)

N0.069

(4)

M ~~Lease~~ 90229
Lease
File dated 6-30-84
Garry Mauro, Commissioner

6.30.84

171

RK PETROLEUM CORP.

P. O. BOX 8528 MIDLAND, TEXAS 79708 (915) 683-4319

June 26, 1984

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

Attn: Robert Cain

RE: Dixieland 2-1 Well
Section 2, Block C-21,
Public School Land Survey,
Reeves County, Texas

Gentlemen:

Enclosed find copies of the Oil and Gas Leases covering the captioned acreage. It is my understanding that the State of Texas has a free royalty under this acreage.

If there is anything else you need, please let me know.

Sincerely,

RK PETROLEUM CORP.

Stephen Kuzmich
Land Manager

SK:sls
Enclosure

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M. F. 90229

CORRESPONDENCE FILE

~~To~~ R K Pet. Corp

From

Dated 6-26-84

Garry Mauro
Commissioner
General Land Office

July 5, 1984

Mr. Stephen Kuzmich, Land Manager
RK Petroleum Corporation
P. O. Box 8528
Midland, Texas 79708

Re: Free Royalty Lease
M-90229; Sec. 2, Blk. C-21, PSL
Reeves County, Texas

Dear Mr. Kuzmich:

The copies of free royalty oil and gas leases covering the captioned tract have been filed in our records under the captioned mineral file number. Please refer to this file number in all future correspondence concerning these leases.

Should you have any further questions, please call

Sincerely,

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

VCM/ma

Stephen F. Austin Building
1700 North Congress Avenue
Austin, Texas 78701
(5[illegible]

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M. F. 90229

CORRESPONDENCE FILE

TO RK Pet Corp

~~From~~

Dated 7-5-84

WITHIN FREE ROYALTY ~~unleased~~ ~~149597~~

- 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
Application for Permit to Drill, Deepen, Plug Back, or Re-Enter

Read Instructions on Back

Form W-1
Rev. 9/1/83
483-060

M-90229

MV
3-28-84

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. 42-389-31488 · Permit 230453 · Rule 37 Case No.

8

1. Operator's Name (exactly as shown on Form P-5, Organization Report)	RK PETROLEUM CORP.
3. RRC Operator No.	687130 ✓
4. RRC District No.	8
5. County of Well Site	REEVES
2. Address (including city and zip code)	P. O. BOX 8528 MIDLAND, TEXAS 79708
6. Lease Name (32 spaces maximum)	RK DIXIELAND 2
7. RRC Lease/ID No.	
8. Well No.	1
9. Total Depth	5400'

N

X

10. Location
- Section 2 Block C-21 Survey P.S.L. Abstract No. A-
- This well is to be located 13 miles in a SE direction from ORLA, TX. which is the nearest town in the county of the well site.

11. Distance from proposed location to nearest lease or unit line 660 ft.

12. Number of contiguous acres in lease, pooled unit, or unitized tract 640 (OUTLINE ON PLAT.)

Permit granted 2-24-84 Becky Miller

13. FIELD NAME (Exactly as shown in 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
WILDCAT	5400'	467-1200'	40	40	NO	------	Oil	1	
00018 001			Code C						

BN

22. Perpendicular surface location from two nearest designated lines:
- Lease/Unit 1980' FNL & 660' FEL
- Survey/Section 1980' FNL & 660' 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.

I certify that information stated in this application is true and complete, to the best of my knowledge.

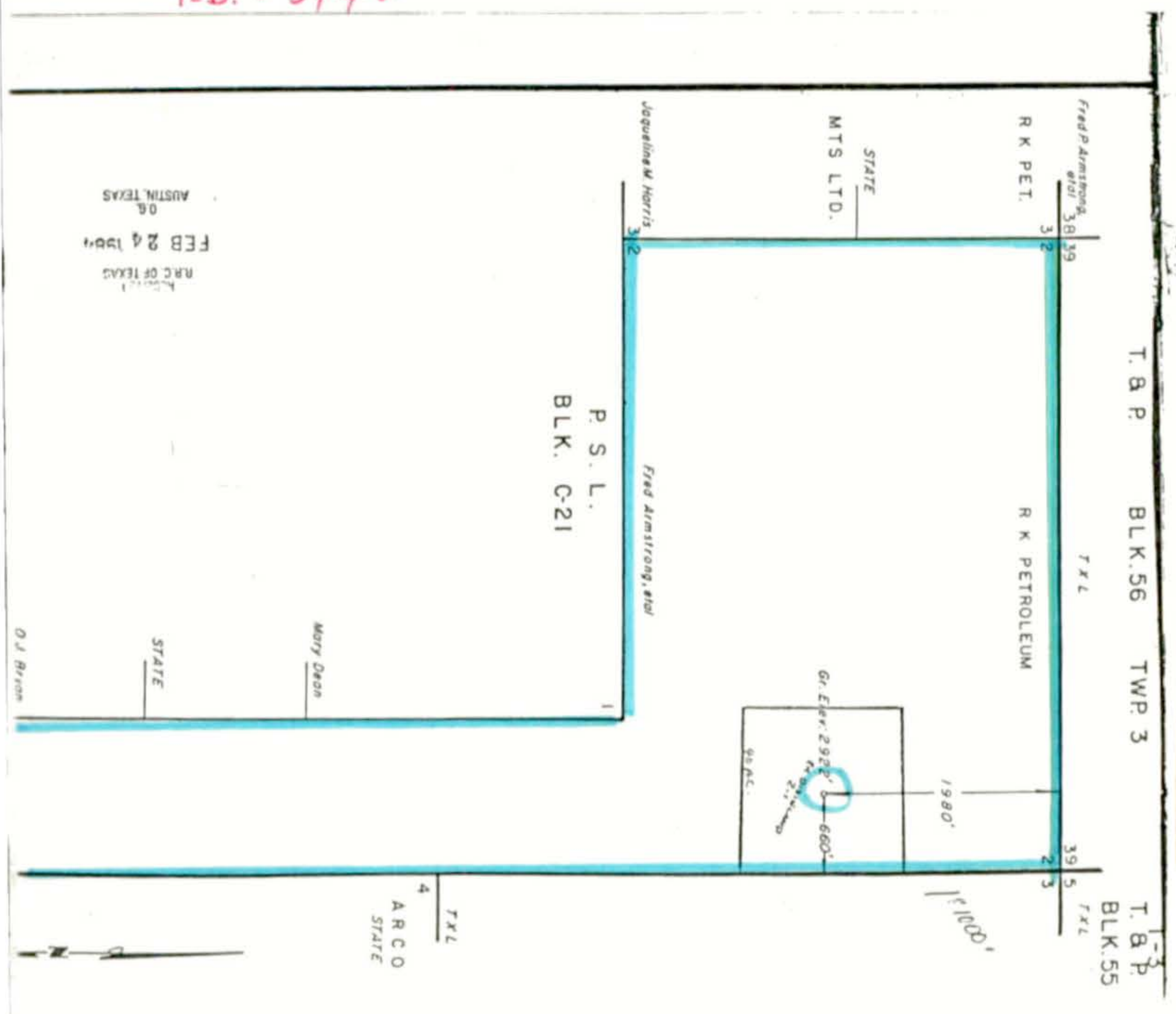
Signature: Mary Yocham — MARY YOCHAM, GEO. ASST.
Name and title of operator's representative
Date: 2- 24- 84 (mo. day yr.) Tel: 915- 683-4319 (Area Code Number)

Remarks
C: 6- -84
CAOF: 1,120 MCFD
Pfs: 3716-3756
T.D.: 5442

• RRC Use Only •
214 FEB 24 84
232527

Statewide PLAT SERVICE
P. O. DRAWER 1807, AUSTIN, TEXAS 78767

3-5-84



RK Petroleum Corp., Midland, No. 1 RK-Dixieland "2", Reeves County Delaware gas discovery, ½-mile southwest of the Cherry Canyon oil opener and lone producer from that pay in the Dixieland multipay field and 14 miles southeast of Orla, was finaled for a calculated, absolute open flow of 1,120,000 cubic feet of gas daily.

Production was through perforations at 3,716-56 feet, which had been acidized with 250 gallons and fractured with 6,000 gallons and 32,300 pounds of sand.

Drilled to 5,442 feet, where 5½-inch casing was set, it is plugged back to 4,600 feet.

5/13/40
W.H.F.

(23)

File 149597

REEVES Abst. 5469 County

SCHOOL LAND

L. A. CASEY

24 miles N. 31° W.

640 Acres

Section No. 2

PUBLIC SCHOOL

Block C-21 Tsp. Cert.

Chap. 271-Acts 1931-42nd Leg. as amended by H.B. 9-Acts 1939-46th Leg

For evidence of ownership see 149600

Land Forfeited 1-2, 1946

Bascom Giles
Commissioner

CORRECT ON MAP FOR 640 ACRES See Field Notes in Pub. Sch. Land Vol. 2, P. 234 11-26-47

Reinstated 11-28, 1947

Bascom Giles
Commissioner.

Patent to Original with M/R

Obligation 11-28-1947

Vol. 202 Page 479-A

Form 424b—S2923-1033-5m

Abst. Vol. 63
Ftd. " Sup. B
Patd. " Sup. C

171

RK PETROLEUM CORP.

P. O. BOX 8528 MIDLAND, TEXAS 79708 (915) 683-4319

July 16, 1984

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

Attn: Robert Caine

RE: Free Royalty Lease
M-90229; Section 2,
Block C-21, PSL,
Reeves County, Texas

Dear Mr. Caine:

In response to your telephone call of July 16, 1984 I have enclosed copies of my June 26, 1984 letter and your letter dated July 5, 1984.

If there is anything else you need, please let me know.

Sincerely,

RK PETROLEUM CORP.

Stephen Kuzmich
Land Manager

SK:sls
Enclosures

RK PETROLEUM CORP.

P. O. BOX 8528 MIDLAND, TEXAS 79708 (915) 683-4319

June 26, 1984

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

Attn: Robert Cain

RE: Dixieland 2-1 Well
Section 2, Block C-21,
Public School Land Survey,
Reeves County, Texas

Gentlemen:

Enclosed find copies of the Oil and Gas Leases covering the captioned acreage. It is my understanding that the State of Texas has a free royalty under this acreage.

If there is anything else you need, please let me know.

Sincerely,

RK PETROLEUM CORP.

Stephen Kuzmich
Land Manager

SK:sls
Enclosure

Garry Mauro
Commissioner
General Land Office

July 5, 1984

Mr. Stephen Kuzmich, Land Manager
RK Petroleum Corporation
P. O. Box 8528
Midland, Texas 79708

Amo West.

Re: Free Royalty Lease
M-90229; Sec. 2, Blk. C-21, PSL
Reeves County, Texas

Dear Mr. Kuzmich:

The copies of free royalty oil and gas leases covering the captioned tract have been filed in our records under the captioned mineral file number. Please refer to this file number in all future correspondence concerning these leases.

Should you have any further questions, please call

Sincerely,

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

VCM/ma

11924 Douglas E. Bell 11932
FNB, Trustee
Billie Cole Robison
Jerry Covington

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

7.

M.F 90229

APPLICATION TO DRILL

WELL # 1

FILED 7-27- 19 84

GARRY MAURO, COMMISSIONER

BY: gd

Linda 92

121
4

RK PETROLEUM CORP.

P.O. BOX 8528 MIDLAND, TEXAS 79708 (915) 683-4319

August 16, 1984

DIXIELAND 2-1
ARNO WEST PROSPECT

RE: Lease No. 3097200
Section 2, Block C-21,
Public School Land Survey,
Reeves County, Texas

Dear Interest Owner:

Enclosed herein please find two (2) copies of RK Petroleum Corp.'s Gas Division Order pertaining to the above captioned lease. Please review this instrument carefully and if the information contained therein is correct you should execute the Division Order in accordance with the Instruction Sheet attached thereto and return one (1) signed copy to RK Petroleum Corp., P. O. Box 8528, Midland, Texas 79708, Attention: Staci L. Street.

If you have any questions in regard to the above, please let me know.

Sincerely,

RK PETROLEUM CORP.

Staci L. Street

Staci L. Street
Land Department

SLS:sm
Enclosures

RK Petroleum Corp.
P. O. Box 8528
Midland, Texas 79708

Lease No.: 3097200
Lease Name: Dixieland 2-1
Location: Section 2, Block C-21,
PSL Survey, Reeves County, Texas
Date: August 15, 1984

DIVISION ORDER-GAS

Each of the undersigned hereby warrants that he is the owner of the interest set out opposite his name on Exhibit "A" attached hereto in the gas produced from the Dixieland 2-1 well, located in:

Section 2, Block C-21, Public School Land Survey,
Reeves County, Texas

The term "gas" as used herein is defined as including all gas, condensate and all liquid hydrocarbons produced from said land which were in a gaseous state in the reservoir from which produced prior to the first withdrawal of any production from such reservoir.

RK Petroleum Corp. is hereby authorized to credit or cause to be credited to the undersigned, as owners of an interest in the proceeds of gas sold from or used off of said land, the respective interests stated and guaranteed to be as set out on Exhibit "A" attached hereto.

The provisions hereof shall be binding upon and shall inure to the benefit of all of the parties who execute this instrument and their heirs, successors and assigns, regardless of whether or not all of the owners above listed shall execute same; provided, however, that no change in ownership, however accomplished, shall be binding upon RK Petroleum Corp. until furnished with a certified copy or copies of recorded instrument or instruments properly evidencing such change. RK Petroleum Corp. shall not be required to make any transfer effective except as of the first day of a calendar month.

RK Petroleum Corp. is hereby relieved of any responsibility in determining when and if the ownership of any interest shall change or revert because of the completion of any limited payment or because of the happening of any other contingency, and RK Petroleum Corp. may make payments to the owners as shown on Exhibit "A" attached hereto as presently owning a particular interest until such time as RK Petroleum Corp. is furnished proper notice in writing of the change or reversion.

Each of the undersigned hereby warrants and guarantees the title to the interest credited to such undersigned owners in accordance with the division of interests as shown on Exhibit "A" attached hereto, as well as all interest hereafter acquired for which he receives payment. In case of any adverse claim of title to such gas or any part thereof, or to net proceeds thereof, or to the land from which such gas is produced, each such owner authorizes RK Petroleum Corp. to withhold payment without any obligation to pay interest on the amount so withheld until the dispute as to the ownership is settled.

When this Division Order as submitted by RK Petroleum Corp. is signed and returned to RK Petroleum Corp. by one or more of the owners herein mentioned, it shall be binding upon RK Petroleum Corp. and upon him or them.

As used in this Division Order, the masculine gender includes the feminine and neuter gender.

WITNESS/ATTEST: OWNER: State of Texas

______________________ ______________________

By:
SS# or Tax ID#: ______________________

GLO copy

Lease No.: 3097200
Lease Name: Dixieland 2-1
Date: August 15, 1984

EXHIBIT "A"

PAYEE	DIVISION OF INTEREST	ADDRESS
State of Texas	.0625000 RI	1700 North Congress Avenue Austin, Texas 78701
Jerry Covington, Trustee	.0312500 RI	c/o Cov, Inc. 505 N. Big Spring Midland, Texas 79701
Billie Cole Roberson	.0351563 RI	P. O. Box 511 Pecos, Texas 79772
RepublicBank First National Midland, Successor Trustee of the Prewitt Childrens 1968 Trust f/b/o Billie Neil Prewitt and Rose Marie Prewitt Powell	.0257812 RI	P. O. Box 270 Midland, Texas 79702
Douglas Earl Bell	.0171875 RI	2508 Springpark Way Richardson, Texas 75081
Jerry Covington, Trustee	.0312500 ORRI	c/o Cov, Inc. 505 N. Big Spring Midland, Texas 79701
Gary Neil Covington	.0156250 ORRI	c/o Cov, Inc. 505 N. Big Spring Midland, Texas 79701
Bruce Kyle Covington	.0156250 ORRI	c/o Cov, Inc. 505 N. Big Spring Midland, Texas 79701
Bill Basil	.0124980 ORRI	4404 Parkhurst Dr. Midland, Texas 79707
Art Schmidt	.0051250 ORRI	#8 Chatham Court Midland, Texas 79705
Clinton J. Kuzmich	.0040010 ORRI	P. O. Box 8528 Midland, Texas 79708
Stephen W. Kuzmich	.0040010 ORRI	P. O. Box 9728 Midland, Texas 79708
*National Cooperative Refinery Association	.2775000 WI	1580 Lincoln Street, Suite 410 Denver, CO 80203
*Texas City Refining, Inc.	.1480000 WI	1010 Lamar, Suite 777 Houston, Texas 77002
R. W. Kuzmich	.0740000 WI	P. O. Box 8207 Midland, Texas 79708
*William Krueger	.0666000 WI	14482 Beach Blvd., Suite W Westminister, CA 92683
*H. S. Barger	.0370000 WI	P. O. Box 2507 Evansville, IN 47714

PAYEE	DIVISION OF INTEREST	ADDRESS
*Richard Glantz	.0340300 WI	3680 Forestcrest Las Vegas, NV 89121
*Robert P. Gwinn	.0222000 WI	Encyclopaedia Britannica Bldg. 310 South Michigan Avenue Chicago, Illinois 60604
*Vernon D. Jarvis Trust	.0222000 WI	1170 Citizens Building Decatur, Illinois 62523
*Southern Triangle Oil Co.	.0185000 WI	201 W. 4th St. Mt. Carmel, Illinois 62863
Art Schmidt	.0148000 WI	#8 Chatham Court Midland, Texas 79705
*Ken Sewell	.0018500 WI	2612 N. Garfield Midland, Texas 79701
*C. E. Roller	.0018500 WI	1200 Shirley Lane Midland, Texas 79701
RK Petroleum Corp.	.0214600 WI	P. O. Box 8528 Midland, Texas 79708

* Upon Prospect Payout, as that term is defined in Paragraph 10 of that certain Letter Agreement dated October 4, 1983, covering the Arno West Prospect, RK Petroleum Corp. shall be entitled to a 25% working interest and these interests shall be reduced to their pro rata part of 75% working interest.

September 5, 1984

R K Petroleum Corp
P.O. Box 8528
Midland, TX 79708

ATTENTION: Staci L. Street

RE: State Lease M-90229
Dixieland 2-1 Lease
Wildcat Field
Reeves Co., TX

Dear Mr. Street:

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

Inasmuch as the statutes provide the royalties the State shall receive, it is felt that it would not be in conformity with the law 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 from this lease, which oil and/or gas shall become your property when the State has been paid for same, as prescribed by law and under the terms and conditions as set out in the lease covering the area in question.

Very truly yours,

Marilyn Logan
Division Order Analyst
Energy Resources
Phone No. (512) 475-2858

ML:dm
Enclosure
Copy of Division Order

M. F. 90229

(8)

CORRESPONDENCE FILE

TO

Division Order

FROM

DATED 9-5-84

m-90229

FILE NO. 5069 JERRY COVINGTON, TR. TO COV, INC.

Producers 88 Revised 3-79

OIL AND GAS LEASE

THIS AGREEMENT, made and entered into this 30th day of October, 19 81, by and between JERRY COVINGTON, TRUSTEE

whose Post Office address is P. O. Box 2333, Midland, Texas 79702, hereinafter called Lessor, and COV, INC., a Texas corporation

whose Post Office address is P. O. Box 2333, Midland, Texas 79702, hereinafter called Lessee,

WITNESSETH:

1. That Lessor, in consideration of -TEN and NO/100 - - - - - - - - - - - - - DOLLARS ($10.00) in hand paid, of the royalties herein provided, and of the covenants and agreements of Lessee hereinafter contained, hereby grants, leases, and lets unto Lessee for the sole and only purpose of exploring, drilling, operating for, and producing oil and gas and of laying pipelines, building tanks, power stations, roads and structures thereon to produce, save, care for, treat, and transport said products from the land leased hereunder only, the following described land situated in REEVES County, State of TEXAS, to-wit:

TRACT 1: All of Section 2, Block C-21, Public School Land, containing 640.00 acres, more or less

TRACT 2: All of Section 14, Block C-21, Public School Land, containing 640.00 acres, more or less

TRACT 3: All of Section 16, Block C-21, Public School Land, containing 640.00 acres, more or less

There is specifically reserved to the State of Texas a free royalty of 1/16 of all oil and gas produced from the land covered by this lease, which royalties shall be paid by Lessee herein, its successors and assigns, and such payments shall be deducted from the royalties provided for in lease paragraph 3 below to be paid to Lessor.

and containing -1920- acres, more or less (hereinafter called said land). It is understood and agreed, however, that Lessee shall pay for damages caused by its operations to growing crops, timber and other improvements on said land.

2. Subject to the other provisions herein contained, this lease shall be for a term of -Five (5)- years from this date (hereinafter 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 to Lessor, 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-eighth (1/8) part of the gross production or the market value thereof, at the option of Lessor, such value to be determined by 1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity for the field where produced and when run, or 2) the highest market price thereof offered or paid for the field where produced and when run, or 3) the gross proceeds of the sale thereof, whichever is 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-eighth (1/8) part of the gross production or the market value thereof, at the option of Lessor, such value to be based on the highest market price paid or offered for gas of comparable quality for the field where produced and when run, or the gross price paid or offered to the producer, whichever is 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-eighth (1/8) part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of Lessor. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease, and on fifty percent (50%) or that percent accruing to Lessee, whichever is 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-eighth (1/8) part of the gross production of such products, or the market value thereof, at the option of Lessor, such market value to be determined as follows:

(1) On the basis of the highest market price of each product 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.

(E) 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.

(F) 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 Lessor, Lessee may recycle gas for gas lift purposes on the leased premises or for the 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.

4. If the actual drilling of a test well is not commenced on said land on or before twelve (12) months from the date of this lease, the lease shall then terminate as to both parties, unless on or before such anniversary date Lessee shall pay or tender to Lessor or to the credit of Lessor in Midland National Bank, Midland, Texas which bank and its successors shall continue as the depository for all rentals payable hereunder, regardless of changes in ownership of delay rentals, the sum of -Five Thousand Seven Hundred Sixty and No/100 - - - - - - - - - - - DOLLARS ($ 5760.00) (hereinafter called rental) which shall cover the privilege of deferring commencement of operations for drilling for a period of twelve (12) months. In like manner, and upon like payments or tenders, operations may be further deferred for like periods of twelve (12) months each during the primary term. The payment or tender of rental may be made by the check or draft of Lessee mailed or delivered to Lessor or to said bank on or before such date of payment. The bonus paid hereunder is consideration for this lease and shall not be allocated as mere rental for a period. Lessee may at any time execute and deliver to Lessor or to the depository above, a release or releases covering any portion or portions of said land and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered, and thereafter the rental payment hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases. Lessee agrees that if at any time the aforesaid delay rental is not paid on or before the date on which same is required to be paid under the terms of this lease, then in said event, the said Lessee shall forthwith execute a release of the land leased hereunder and shall forthwith forward same to Lessor.

5. If oil or gas are discovered on said land, Lessee agrees to further develop said land as a reasonably prudent operator would do in the same or similar circumstances. 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 obligation 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.

6. If, prior to discovery of oil or gas on said land, Lessee should drill a dry hole or holes thereon or if, after discovery of oil or gas, the production thereof should cease from any cause, this lease shall not terminate if Lessee commences additional drilling or reworking operations within thirty (30) days thereafter or (if it be within the primary term) commences or resumes the payment or tender of rental on or before the rental paying date next ensuing. If, at the expiration of the primary term, oil or gas is not being produced from the land then covered hereby but Lessee is then engaged in drilling or reworking operations on some part of the land hereunder, this lease shall not terminate if Lessee does not allow more than thirty (30) days to elapse between the abandonment of one well and the commencement of drilling or reworking operations on another until production is obtained.

7. Lessee shall have, except in the case of water wells, the right to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. In the case of water wells, Lessee shall have the right to remove all property and fixtures therefrom except casing but shall do nothing that will in any way damage said water well or prevent its future use by Lessor. However, if Lessor so elects, Lessee shall remove the casing from and plug and abandon water wells at Lessee's sole expense. Nothing in this paragraph, however, is intended nor shall be construed to give the Lessee hereunder any rights with regard to water on or under the land. When required by Lessor, Lessee shall bury all pipelines below plow depth and no well shall be drilled within two hundred (200') feet of any residence, barn, or other structure now on or placed on said land prior to said drilling without Lessor's written consent.

8. The rights and estate of any party hereto may be assigned in whole or in part. All of the covenants, obligations and considerations of this lease shall extend and be binding upon the parties hereto, their heirs, successors, and assigns. No change or division in the ownership of said land, or of the royalties, rental, or other monies, or the right to receive the same, howsoever effected, shall be binding upon the then record owner of this lease until thirty (30) days after such record owner has been furnished notice of such change or division, supported by copies of the documents evidencing such change or division. If any such change in ownership occurs by reason of the death of the owner, Lessee may, nevertheless, pay or tender such royalties, rental or other monies, to the credit of the decedent in the depository bank named above. Lessee shall notify Lessor of any assignment of Lessee's rights hereunder, stating the name and current mailing address of the assignee, and shall furnish a copy of such assignment within sixty (60) days of its recording in the county records.

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

10. Lessor hereby warrants and agrees to defend the title to said land by, through, and under Lessor, but not otherwise. Lessee, at its option, may discharge any tax lien upon said land; and, in the event Lessee does so, Lessee shall have the right to apply rentals and royalties accruing hereunder to reimburse such payment.

11. All royalties which are not taken in kind as provided herein, shall be due and payable to the Lessor in the following manner: Royalty on oil shall be due and payable on or before the 1st day of the second month succeeding the month of production, and royalty on gas shall be due and payable on or before the 28th day of the second month succeeding the month of production. Each royalty payment shall be accompanied by a check stub, schedule, summary or other remittance advice showing by assigned lease number the amount of royalty being paid. Any royalty not paid or 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 Lessor's right of forfeiture as provided by law. The Lessor shall have and hereby retains a first lien upon all oil and gas produced from the leased premises, ~~oXXXXXXXXXXXXXh~~, to secure the payment of all unpaid royalty and other sums of money that may become due hereunder to the Lessor.

12. Upon the written request of Lessor a copy of all contracts under which gas is sold or processed hereunder shall be promptly furnished Lessor, as well as all subsequent agreements and amendments to such contracts. The books, accounts and all other records pertaining to production, transportation, sale and marketing of oil and/or gas produced hereunder shall during regular business hours, be subject to inspection and examination by Lessor. Lessor shall have the right to be present at any regularly scheduled inspection of meters and other equipment located on the leased premises, ~~XXXXXXXXXXXXXXX~~ provided for in the terms of any gas contract entered into by Lessee, his heirs, successors, and assigns, and any gas purchaser.

13. In the event oil and/or gas is being produced in paying quantities from the above described land, ~~oXXXXXXXXXXXXXh~~, on the date that is the first anniversary of the expiration of the primary term of this lease, this lease shall ipso facto terminate on said date as to all depths below, but not above, the base of the deepest formation from which oil and/or gas is then being produced, and Lessee agrees to execute and deliver to Lessor a recordable release of this lease as to all depths below the base of said formation.

14. This lease shall be subject to all federal and state laws, executive orders, rules or regulations, and to all orders, rules and regulations of all federal or state officers, agencies, boards and commissions which relate to or affect performance of the express or implied covenants of this lease and this lease shall not be forfeited for failure of Lessee to comply with the express or implied covenants of this lease if such compliance is prevented by or if such failure results from compliance with any such rule, order or regulation.

15. Where gas from a well located on the lease premises, ~~or lands pooled therewith~~, completed as a commercial producer of gas only, or gas and condensate or distillate only, is not sold because of a lack of a market therefor, Lessee shall pay or tender as royalty, by a valid check or draft of Lessee, to the party entitled to receive royalty under this lease or to their credit in Midland National Bank, Midland, Texas, on or before sixty (60) days after the date on which the well is shut-in, and annually thereafter, a shut-in gas well royalty payment in the amount hereinafter provided. If such payment is properly and timely made, it will be considered that gas is being produced from the above described land in accordance with the terms of this lease within the meaning of paragraph numbered 2 of this lease; provided, however, this lease may not be continued in force by the making of shut-in gas well royalty payments as herein provided for a period longer than two(2) years after the expiration of the primary term hereof. The amount of the shut-in gas well royalty payment as hereinbefore provided shall be a sum of money equal to five(5) times the annual rental provided for herein.

16. Lessor, at his sole cost, risk and expense shall have access at all times to the location, rig and derrick floor of any well drilled or re-entered on lands covered by this lease, ~~or lands pooled therewith~~, and, upon request by Lessor, shall be furnished copies of all well data. All well information furnished to Lessor under the terms of this paragraph shall be held confidential and not disclosed to any third party without permission of Lessee.

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

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

Jerry Covington

Jerry Covington, Trustee

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

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 capacity therein stated.

Given under my hand and seal of office, this the ______ day of ______ A.D. 19 ____

Notary Public in and for
County, Texas

STATE OF TEXAS
COUNTY OF MIDLAND

Before me, the undersigned authority, on this day personally appeared Jerry Covington, known to me to be the person ___ whose name ___ ~~ax~~/is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed and in the capacity therein stated.

Given under my hand and seal of office, this the 30th day of October A.D. 19 81

Aleasha K. Friedrichs

Notary Public in and for Midland
County, Texas

ALEASHA FRIEDRICHS - NOTARY PUBLIC
MY COMMISSION EXPIRES 2/7/84

Filed for record on the 30th day of Nov. A.D. 1981 at 8:30A. M.
Duly recorded on the 2nd day of Dec. A.D.1981 at 4:00P. M.
BY Binnie Jo Freeman DEPUTY
CATHERINE ASHLEY, COUNTY CLERK,
REEVES COUNTY, TEXAS.

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 Jerry Covington, Tr. to COV, Inc.

as the same appears of record in my office in book 413 page 124-Deed Record

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

this 21st day of August 19 85

Catherine Ashley Clerk,

By Juana Jaquez Juana Jaquez Deputy.

9

M 91229
[illegible]
File [illegible] 8-29-89
[illegible] ssioner

9-50-92

No. 3334 THE FIRST NATIONAL BANK OF MIDLAND, TRUSTEE OF PREWITT CHILDREN 1968 TRUSTS TO HYLE C. DOSS

ARNO - WEST

TX - 3016 - 02

m-90229

FNB TR. OGL Fixed Term.

OIL AND GAS LEASE

THE STATE OF TEXAS

COUNTY OF MIDLAND

THIS LEASE, made and entered into this 13th day of July 1982 by and between THE FIRST NATIONAL BANK OF MIDLAND, Trustee of the Prewitt Children 1968 Trust for the benefit of Billie Neil Prewitt and Rose Marie Prewitt Powell

whose post office address is Box 270, Midland, Texas 79702, hereinafter called Lessor, and Hyle C. Doss

whose post office address is P.O. Box 2417, Midland, TX 79702

hereinafter called Lessee,

WITNESSETH:

1. Lessor, in consideration of a sufficient and valuable consideration to it in hand paid, of the royalties herein provided, and of the covenants and agreements of Lessee hereinafter contained, hereby grants, leases, and lets unto Lessee for the sole and only purpose of exploring, drilling, operating for, and producing oil and gas, and laying pipelines, building tanks, power stations, roads, and structures thereon, to produce, save, care for, treat, and transport said products from the land leased hereunder, only the following described land situated in Reeves County, State of Texas, to wit:

Section 2, Block C-21, Public School Land Survey

and containing --640-- acres, more or less (hereinafter called said land).

2. Subject to the other provisions herein contained, this lease shall be for a term of ---------THREE-------- years from this date (called primary term), and as long thereafter as oil or gas, either or both, is produced from said land hereunder.

3. Lessee shall deliver to Lessor, free of cost, in the tanks or at the transmission pipelines (as distinguished from gathering pipelines) to which wells may be connected, an equal ----1/5------- part of all oil, gas, and associated hydrocarbons produced and saved from said land in a condition ready for sale or transmission, or, at the option of Lessor, said part of the market value of all oil, gas and associated hydrocarbons produced and saved from said premises, provided that on gas sold at the well in a bona fide transaction between the Lessee and a party not controlled by the Lessee, the amount realized from such sale will be treated as being the market value.

4. This is a prepaid lease, and no delay rentals are payable hereunder.

5. If the primary term has otherwise expired, but prior to the discovery of oil or gas on said land, Lessee should drill and complete a dry hole or holes thereon, or if, after discovery of oil or gas, the production thereof should cease from any cause, this lease shall not terminate if Lessee commences reworking or additional drilling operations within sixty (60) days thereafter. If, at the expiration of the primary term, oil or gas is not being produced on said land, but Lessee is then engaged in actual drilling operations or the reworking of any well on said land, this lease shall remain in force, in accordance with its terms, so long as drilling or reworking operations are prosecuted (whether on the same or different wells) with no cessation of more than sixty (60) consecutive days, and if they result in production, so long thereafter as oil or gas is produced from said land hereunder.

6. Lessee shall have free use of oil, gas and water from said land, except water from Lessor's wells and tanks, for drilling operations (but not for repressuring, pressure maintenance, compression of produced gas, cycling, or secondary or tertiary recovery operations) and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during the term hereof and for six (6) months after the expiration hereof to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When requested by Lessor, Lessee shall bury pipelines below plow depth. No well shall be drilled nearer than two hundred (200) feet to any structure now on said premises without the written consent of Lessor.

7. The rights and estate of any party hereto may be assigned in whole or in part. All covenants, obligations and considerations for this lease shall extend to and be binding upon the parties, hereto, their heirs, successors and assigns. No change or division of ownership of said land, or of the royalties, or the right to receive the same, howsoever effected, shall be binding upon the then record owner of this lease until thirty (30) days after such record owner has been furnished notice of such change or division, supported by copies of the documents evidencing such change or division. If such change in ownership occurs by reason of the death of the owner, Lessee may nevertheless pay or tender such royalties to the credit of the decedent in The First National Bank of Midland, Attention: Trust Department, Trust No. 699/700 subject to the right of said Bank to decline to receive same. Lessee shall notify Lessor of any assignment of Lessee's rights hereunder, stating the name and current mailing address of the assignee and shall furnish a copy of such assignment within sixty (60) days of its recording in the county records.

8. In the event production of oil and/or gas is established on said lands and the primary term has otherwise expired, Lessee, his heirs, successors, or assigns, shall continuously develop the leased premises to the density prescribed by the field rules established for the area by the lawful authority, with no more than one hundred eighty (180) days elapsing between the completion of operations for the drilling of one well and the commencement of operations for the drilling of the next well in each instance. For the purpose hereof, operations for the drilling of a well commence when new hole is being made below the cellar with rotary tools, and are completed on the earliest of (1) official potential test, (2) plugging and abandonment, or (3) the lapse of thirty (30) days without making of new hole. Failure to comply with said development program shall result in the termination of this lease, except as to the acreage at the time constituting the production or proration units upon which there are located wells producing oil and/or gas in paying quantities, and the termination of this lease as to formation and depths below the base of the formation including the deepest operating commercial completion on each producing unit. Lessee shall promptly execute and record an appropriate release, furnishing a copy of the recorded release to Lessor.

9. If Lessor owns an interest in said land less than the entire and undivided fee simple estate therein, the royalties herein provided shall be paid to Lessor in the proportion which Lessor's interest bears to the entire undivided fee simple title therein.

~~FNB TR.~~ OGL
Pooling Stipulations

THE FIRST NATIONAL BANK OF MIDLAND, MIDLAND, TEXAS,
TRUST DIVISION
OIL AND GAS LEASE POOLING STIPULATION

This pooling stipulation is attached to and incorporated in the accompanying oil and gas lease executed by THE FIRST NATIONAL BANK OF MIDLAND.

Lessee, its successors and assigns, at its option, at any time and from time to time, without Lessor's joinder or further consent, is hereby given the right and power to pool the land or any interest covered by this lease, or any portion thereof, as to oil, gas condensate, or distillate, or any of them, or either of them, with any other land, interests, lease, or leases, or any of them, adjacent to the leased land, when in Lessee's judgment it is necessary to do so to efficiently develop or operate said premises in compliance with the spacing rules prescribed by competent authority. Lessee may pool the acreage or interests above described, or any portion thereof, as above provided, as to oil or gas in any one or more strata, and units so formed need not conform in size or area with the unit or units into which the lease is pooled or combined, as to any other stratum or strata, and oil units need not conform as to area with gas units. Lessee shall execute in writing and file for record in the county or counties where such land is situated an instrument designating and describing the pooled acreage, furnishing a copy thereof to Lessor. Such pooling and designation may be accomplished either before or after a well or wells are drilled or completed on the unit. Production within the acreage so pooled shall not serve to perpetuate this lease as to acreage outside such pooled unit. Acreage outside such pooled unit shall be segregated, and treated as a separate lease, with the same terms and provisions as otherwise set out in the lease to which this stipulation is attached. In lieu of the royalties specified elsewhere in said lease, Lessor shall receive from a unit so formed only such portion of the royalties stipulated in said lease as the amount of the surface acres above described so placed in the unit bears to the total surface acres so pooled in the particular unit involved. Shutin gas royalties with respect to unit shutin gas wells shall be payable in accordance with the provisions, and in the amounts set forth in said lease. Delay rentals, if any, specified in said lease, shall be payable in respect of the segregated acreage not included in pooled units in accordance with the area thereof.

10. This lease is given and granted without warranty, expressed or implied. Lessee, at its option, may discharge any tax or other lien upon said land; and, in the event Lessee does so, be subrogated to such lien, and have the right to apply royalties accruing hereunder to reimburse such payment.

11. If gas from a well on the leased premises, classified as a gas well by lawful authority, is not being produced, because of a lack of an adequate market therefor, Lessee may pay or tender as royalty, by a valid check or draft of Lessee, to The First National Bank of Midland, Attention; Trust Department, Trust No. 699/700, or its successor in interest, on or before sixty (60) days after the date on which the well is shut in, and annually thereafter, a shutin gas well royalty payment in the amount hereinafter provided. If such payment is properly and timely made, it will be considered that gas is being produced from the above described land in accordance with the terms of this lease within the meaning of paragraph numbered 2 of this lease; provided, however, this lease may not be continued in force by the making of shutin gas well royalty payments, as herein provided, for a period of longer than two (2) years after the expiration of the primary term hereof. The amount of shutin gas well royalty payment payable sixty (60) days from the date on which the well is shut in shall be a sum computed at --------TWO---------- Dollars ($--2.00--) per acre for the number of acres subject to this lease for the first annual payment, and shall be -------FOUR------ Dollars ($--4.00--) per acre for the subsequent years. Payment of shutin gas royalty shall not impair or extend the continuous development provisions of Section 8 hereof.

12. All royalty payments hereunder shall be made to Lessor addressed as follows: The First National Bank of Midland, P.O. Box 270, Midland, Texas 79702, Attention: Trust No. 699/700. The Trust number may be changed at Lessor's sole option, and the change shall be used by Lessee for all purposes upon thirty (30) days' prior written notice thereof.

13. The following special stipulations are attached to this lease and here referred to and incorporated herein:

POOLING STIPULATION ATTACHED HERETO.

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

The First National Bank of Midland, Trustee of the Prewitt Children 1968 Trusts for the benefit of Billie Neil Prewitt and Rose Marie Prewitt Powell

ATTEST: Jean Wilson
Trust Officer

BY: Robert R. Sykes
Robert R. Sykes, Assistant Vice President and Trust Landman
Trust # 699, Fed. I.D. #: [redacted]
700

CORPORATION ACKNOWLEDGEMENT

THE STATE OF TEXAS
COUNTY OF MIDLAND

BEFORE ME, the undersigned authority, on this day personally appeared Robert R. Sykes known to me to be the person whose name is subscribed to the foregoing instrument, as Assistant Vice President and Trust Landman of The First National Bank of Midland, a corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, This the 13th day of July A.D. 19 82.

My Commission Expires 8/7/85

Brenda D. Niblett
Notary Public in and for State of Texas
Brenda D. Niblett

SINGLE ACKNOWLEDGEMENT

THE STATE OF TEXAS
COUNTY OF ____________

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

known to me to be the person ___ whose name ___ is/are subscribed to the foregoing instrument and acknowledged to me that ___ he/they executed the same for the purposes and considerations therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, This the ______ day ____________ A.D. 19___

Notary Public in and for ____________

Filed for record on the 25th day of August, A.D. 1982 at 11:30 A.M.
Duly recorded on the 30th day of August, A.D. 1982 at 4:00 P.M.

BY Catherine Ashley ~~DEPUTY~~ CATHERINE ASHLEY, COUNTY CLERK, REEVES COUNTY, TEXAS.

ID

M 80229
Oil & Gas Lease
File dated 8-29-85
Garry Mauro, Commissioner

FOR SALE BY STAFFORD-LOWDON CO. FORT WORTH 28237

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 The First National Bank of Midland, Trustee of Prewit Children 1968 Trusts to Hyle C. Doss

as the same appears of record in my office in book 424 page 160-Deed Record

Given under my Hand and Seal of said Court, at office in Pecos, Texas this 21st day of August 1985.

Catherine Ashley Clerk,

By Juana Jaquez Deputy.

VOL 425 PAGE 86

m-90229

FILE NO. 3603 DOUGLAS EARL BELL TO HYLE C. DOSS

ARNO-WEST

TX-3016-01

PRODUCERS 88-REV. TEX. [illegible]

OIL, GAS AND MINERAL LEASE

THIS AGREEMENT made and entered into the 4th day of May, 19 82, by and between DOUGLAS EARL BELL, Leasing his separate property whose address is 2508 Springpark Way, Richardson, Texas 75081

hereinafter called "Lessor" (whether one or more), and HYLE C. DOSS of Midland, Texas hereinafter called "Lessee".

WITNESSETH: That, for and in consideration of the sum of Ten and No/100-- Dollars ($ 10.00), receipt of which is hereby acknowledged, and of the royalties herein provided and the agreements of Lessee herein contained, Lessor does hereby grant, lease and let exclusively unto Lessee, its successors and assigns, all of the land hereinafter described, together with any reversionary rights therein for the purpose of exploring by geological, geophysical and all other methods, and of drilling, producing and operating wells or mines for the recovery of oil, gas and other hydrocarbons, and all other minerals or substances, whether similar or dissimilar, that may be produced from any well or mine on the leased premises, including primary, secondary, tertiary, cycling, pressure maintenance methods of recovery, and all other methods, whether now known or unknown, with all incidental rights thereto, and to establish and utilize facilities for surface and subsurface disposal of salt water, and to construct, maintain and remove roadways, tanks, pipelines, electric power and telephone lines, power stations, machinery and structures thereon, to produce, store, transport, treat and remove all substances described above, and the products therefrom, together with the right of ingress and egress to and from said land across any other land now or hereafter owned by Lessor. The land hereby leased is situated in the County of Reeves State of Texas, and is described as follows:

Section 2, Block C-21, Public School Land Survey in Reeves County, Texas

This lease covers all of the land described above, ~~[illegible]~~. The bonus money paid for this lease is in gross, and not by the acre, and shall be effective to cover all such land irrespective of the number of acres contained therein, but the land included within this lease is estimated to comprise 640 acres, whether actually more or less, and such land is hereinafter referred to as the "leased premises".

TO HAVE AND TO HOLD the leased premises for a term of (3) years from the date hereof, hereinafter called "primary term", and as long thereafter as oil, gas or other hydrocarbons, or other minerals or leased substances, or either or any of them, are produced from the leased premises or from lands with which the leased premises are pooled or unitized.

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

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

2. Royalty On Gas. Lessee shall pay to Lessor as royalty on gas, including casinghead gas or other gaseous substances produced from said land and sold on or off the premises, 1/5 of the net proceeds at the well received from the sale thereof, provided that on gas used off the premises or by Lessee in the manufacture of gasoline or other products therefrom, the royalty shall be the market value at the well of 1/5 of the gas so used; as to all gas sold by Lessee under a written contract, the price received by Lessee for such gas shall be conclusively presumed to be the net proceeds at the well or the market value at the well for the gas so sold.

3. Royalty On Other Substances. Lessee shall pay to Lessor, as royalty on any substances covered by this lease other than oil and gas and the products thereof which Lessee may elect to produce, save and market from the leased premises, 1/5 of the proceeds received by Lessee from the sale thereof after deducting the processing costs, except that the royalty on sulphur shall be One Dollar ($1.00) per long ton marketed.

4. Shut - In Gas Royalty. If at any time, or from time to time, either before or after the expiration of the primary term of this lease, there is any gas well on the leased premises or on lands with which the leased premises are pooled or unitized and which is capable of producing in paying quantities, but which is shut in before or after production therefrom, such well shall be considered under all provisions of this lease as a well producing gas in paying quantities and this lease shall remain in force in like manner as though gas therefrom was actually being sold or used. In such event, Lessee covenants and agrees to pay Lessor, as royalty, the sum of Six Hundred Forty and No/100------------------ Dollars ($ 640.00) per annum for the period commencing on the date such well is actually shut in, unless this lease is being maintained in force and effect by some other provision hereof, in which event, such period shall commence on the date this lease ceases to be maintained in full force and effect by some other provision hereof. Payment or tender shall be made to Lessor, or deposited to the credit of Lessor in the depository bank named in this lease. The first payment shall be due and payable on or before ninety (90) days after the date such well is shut in, or ninety (90) days from the date this lease ceases to be maintained in force by some other provision hereof. Unless gas from such well is produced and sold or used prior thereto, except temporary sales, or use for lease operations, subsequent payments shall be due annually thereafter on the anniversary date of the period for which such prior payment was made. No additional payments shall be required if there is more than one shut-in gas well on the leased premises or on lands with which the leased premises are pooled or unitized. The term "gas well" shall include wells capable of producing natural gas, condensate, or any gaseous substance, and wells classified as gas wells by any governmental authority having jurisdiction.

5. Delay Rental. If operations for drilling or mining on the leased premises, or on lands with which the leased premises are pooled or unitized, are not commenced on or before one (1) year from the date of this lease, as set forth above, this lease shall terminate as to both parties unless on or before one (1) year from the date of this lease, Lessee shall pay or tender to the Lessor a rental of Six Hundred Forty and No/100---------------- Dollars ($ 640.00), which shall cover the privilege of deferring commencement of such drilling or mining operation for a period of twelve (12) months from the expiration of said one (1) year period. In like manner and upon like payments or tenders annually, the commencement of such operations may be deferred for successive periods of the same number of months, during the primary term. Payments or tenders may be made to the Lessor or to the Lessor's credit in the Citizens Bank at Richardson, Texas which bank or any successor thereof shall continue to be the agent for the Lessor and the Lessor's successors and assigns. If such bank or any successor thereof shall fail, liquidate, or be succeeded by another bank, or for any reason fail or refuse to accept rental, the rental paying date for any year shall be extended until the expiration of thirty (30) days after Lessor shall have delivered to Lessee a recordable instrument making provision for another method of payment or tender and any depository charge shall be the liability of the Lessor. The payment or tender of rental may be made by check or draft of Lessee, mailed or delivered to said bank or Lessor, or to any Lessor if more than one, on or before the rental paying date. Mailing of rental on or before the rental paying date shall be deemed a timely tender thereof and shall preclude the termination of this lease.

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

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

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

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

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

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

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

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

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

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

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

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

Douglas Earl Bell
Douglas Earl Bell SS[redacted]

THE STATE OF TEXAS
County of Dallas

Before me the undersigned authority, on this day personally appeared Douglas Earl Bell
Douglas Earl Bell

known to me to be the identical 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.

Given under my hand and seal of office this the 16th day of May A.D. 1982

Jean D. Nielson
Notary Public in and for Dallas County, Texas

NOTARY PUBLIC ... COUNTY OF DALLAS, TEXAS

My Commission Exp: 6-10-85

THE STATE OF TEXAS
County of ______________

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

known to me to be the identical 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.

Given under my hand and seal of office this the ________ day of ______________, A.D. 19____

Notary Public in and for ______________ County, Texas

THE STATE OF TEXAS
County of ______________

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

known to me to be the identical 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.

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 10th day of Sept., A.D. 1982 at 11:00A.M.
Duly recorded on the 13th day of Sept., A.D. 1982 at 4:00P.M.

BY Billie Jo Foreman DEPUTY

CATHERINE ASHLEY, COUNTY CLERK,
REEVES COUNTY, TEXAS.

M 91225

File dated 5-29-87

Garry Mauro, Commissioner

(11)

FOR SALE BY STAFFORD-LOWDON CO. FORT WORTH 26237

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, Gas and Mineral Lease from Douglas Earl Bell to Hyle C. Doss

as the same appears of record in my office in book 425 page 86-Deed Record

Given under my Hand and Seal of said Court, at office in Pecos, Texas this 21st day of August 1985.

Catherine Ashley Clerk,

By Juana Jaquez Juana Jaquez Deputy.

m - 90229

FILE NO. 1467 BILLIE COLE ROBERSON TO TERRY L. BURKHOLDER

ARNO WEST 13641 5-7

PRODUCERS 88
11-69

OIL, GAS AND MINERAL LEASE

THIS AGREEMENT, made this 8th day of April 1983 between

Billie Cole Roberson

whose address is P. O. Box 511 Pecos, Texas 79772

Lessor (whether one or more), and Terry L. Burkholder, Lessee,

whose address is P. O. Box 511 Pecos, Texas 79772, WITNESSETH:

1. Lessor in consideration of Ten and no/100 -- Dollars ($10.00) in hand paid, and of the agreements of Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee, for the purpose, by any means or methods, of testing for formations or structures and prospecting and drilling for, mining, and producing oil, gas, distillate, condensate, uranium, thorium, salt, sulphur and all other minerals, whether similar or dissimilar to those mentioned, injecting salt water, other fluids, and gas, into subsurface strata, storing minerals and fluids, laying pipe lines, dredging canals, building, using and maintaining roads, bridges, docks, tanks, power stations, telephone and electric transmission lines, and other structures and facilities including houses for employees, necessary for producing, saving, caring for, treating, processing, and transporting minerals and conducting said operations, the following land in Reeves County, Texas, together with all land or interests therein owned by Lessor adjoining or contiguous to such following described land, whether in the same or different surveys, to-wit:

All of Section 2, Block C-21, PSL Survey.

For determining the amount of any rental or shut-in gas royalty payment hereunder, the leased premises shall be treated as comprising 640 acres, whether there be more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of ~~XXXXXXXXXXXXXXXX~~ three (3) years from 7/5/83 (hereinafter called "primary term"), and as long thereafter as oil, gas, condensate, sulphur or any other mineral is produced hereunder or from the land above described, or any operations (as hereinafter defined) are conducted, any payment is made, or any condition exists, which as hereinafter provided continues this lease in force.

3. The royalties reserved by Lessor, and which shall be paid by Lessee, are (a) on oil, including but not limited to distillate and condensate recovered by ordinary field separators, one-eighth (1/8th) of that produced and saved from the leased premises, the same to be delivered at the wells or to the credit of Lessor in the pipe line to which the wells may be connected, or in the absence of a pipeline connection to the transporter receiving Lessee's oil, and at the same price received by Lessee; provided, however, Lessee may from time to time purchase such royalty oil, paying therefor the market value at the wells in the field or area for oil (crude) having the same or nearest to the same gravity, or at (but not more than) the price received by Lessee for Lessee's oil; (b) On gas (which term includes casinghead gas and other gaseous or vaporous substances) used by Lessee off the premises for any purpose, including the manufacture of gasoline or the extraction of sulphur or any other product, the market value at the well of one-eighth (1/8th) of the gas so used, and on gas sold by Lessee, one-eighth (1/8th) of the net proceeds derived from the sale thereof computed at the contract price fixed in any gas sales contract, either short or long term, entered into in good faith by Lessee, except that where the Federal Power Commission assumes jurisdiction of such sales, then the royalty on gas shall be one-eighth (1/8th) of the net proceeds computed on the basis of the rates at which such sales are from time to time unconditionally certificated or approved by the Federal Power Commission, provided that the term "net proceeds" as herein used shall mean the proceeds remaining after deducting all severance and production taxes together with all costs and expenses actually incurred by the Lessee in gathering, transporting, treating, processing and compressing the gas so sold under the terms of said gas sales contract or Federal Power Commission order; (c) on sulphur produced as such and marketed, One Dollar ($1.00) per long ton (2240 lbs.); (d) on all other minerals produced or mined one-tenth (1/10th) in kind of the crude products or crude ore to be delivered at the wellhead or at the point at which a mined product or ore reaches the surface, or, at Lessee's election, one-tenth (1/10th) of the value (at the wellhead or at the point at which a mined product or ore reaches the surface) of the crude product or crude ore produced or mined and marketed. During any period (whether before or after the expiration of the primary term hereof) while there is a gas well or wells completed hereunder and gas is not being sold or used and the well or wells are shut in and there is no current production or operations on said leased premises sufficient to keep this lease in force, Lessee may pay or tender as royalty an amount (which shall be the same regardless of the number of shut in wells) per half year, equal to one-half the annual rental hereafter provided, and it will be considered that gas is being produced, for all purposes of this lease during any period for which such payment is made or tendered; such amount for the first half year to be payable within ninety (90) days following the shutting in of the first well or, if the lease is then otherwise being maintained in force, within six months following a cessation of production or operations, and for subsequent periods semi-annually in advance thereafter. Each such royalty payment or tender may be made by check or draft of Lessee to the parties entitled to receive royalties in the same manner as provided for "rental" payments under Paragraph Four (4) hereof. Within the meaning hereof, the term gas well or wells shall include wells capable of producing natural gas, condensate, distillate or any gaseous substance, and wells classified or capable of being classified as gas wells by any governmental authority. Lessee shall have free use of oil, distillate, condensate, gas and water from the leased premises, except water from Lessor's wells and tanks, for all operations hereunder. Lessor shall have the privilege at his risk and expense or using gas from any well, producing gas only, on the leased premises for stoves and inside lights in the principal dwelling thereon out of any surplus gas not needed for operations hereunder.

4. If operations are not commenced hereunder on or before one year from this date, this lease shall then terminate as to both parties unless Lessee on or before the expiration of said period shall pay or tender to Lessor, or to the credit of Lessor in Security State Bank at Pecos, Texas 79772 or any successor bank, the sum of Six hundred forty and no/100 -- Dollars ($640.00), hereinafter called "rental", which shall extend for twelve (12) months the time within which operations may be commenced. Thereafter, annually, in like manner and upon like payments or tenders the commencement of operations may be further deferred for periods of twelve (12) months each during the primary term. Payment or tender of rental may be made by check or draft of Lessee delivered or mailed to the authorized depository bank or to Lessor (at address last known to Lessee) on or before such date for payment, and the payment or tender will be deemed made when the check or draft is so delivered or mailed. If said named or successor bank (or any other bank which may, as hereinafter provided, have been designated as depository) should fail or liquidate or for any reason refuse or fail to accept rental, Lessee shall not be held in default for failure to make such payment or tender of rental until sixty days after Lessor shall deliver to Lessee a proper recordable instrument naming another bank to receive such payments or tenders. The above named or successor bank or any other bank which may be designated as depository shall be Lessor's agent. Operations hereunder shall be deemed to be commenced when the first material is placed on the leased premises or when the first work is done thereon which is necessary for such operations.

5. If during the primary term and before there has been a discovery of any mineral on the leased premises Lessee should drill a dry hole or fail in any exploratory attempt to establish production hereunder, this lease shall not be terminated thereby if Lessee commences further operations, or commences or resumes the payment or tender of rentals on or before the rental paying date, if any, next ensuing after sixty (60) days after the completion of the dry hole or failure of such exploratory attempt, or, if there be no rental paying date, commences further operations before the expiration of the primary term. If after the discovery of any mineral or any two or more of them the production thereof should cease from any cause, this lease shall not be terminated thereby if within sixty (60) days thereafter production of any mineral or minerals is restored or Lessee commences additional operations, or, if it be within the primary term, Lessee commences or resumes the payment or tender of rentals on or before the rental paying date, if any, next ensuing after sixty (60) days following such cessation of production. If at the expiration of the primary term no mineral is being produced on the leased premises but Lessee is engaged in operations thereon, or shall have completed a dry hole (or other operations) thereon within sixty (60) days prior to the end of the primary term, this lease shall remain in force so long as operations (whether on the same well or mine or on different wells or mines successively) are continuously prosecuted and, if they result in the production of a mineral, so long thereafter as any mineral is produced hereunder from the leased premises. All operations hereunder shall be deemed to be continuously prosecuted if not more than sixty (60) days shall elapse between the completion of operations on any well or mine and the commencement or resumption of operations on the same or another well or mine.

6. Lessee shall have the right at any time until one year after the expiration of this lease to remove all fixtures and other property placed by Lessee on the leased premises, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines below ordinary plow depth in cultivated land. Lessee shall pay Lessor for damages to Lessor's growing crops caused by Lessee's operations. No well shall be drilled within two hundred (200) feet of any residence, barn or irrigation well now on said land without Lessor's consent. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land and within three hundred thirty (330) feet of and draining the leased premises, Lessee agrees to drill such offset wells as a reasonably prudent operator would drill under the same or similar circumstances.

7. Lessee is hereby granted the right and power, to be exercised at its option at any time or times, to pool or combine the acreage covered by this lease, or any portion thereof or any undivided interest covered thereby, as to oil and gas, or either of them, with other land, lease or leases, or any portion thereof, as to whole or undivided interests therein and regardless of ownership thereunder, in the immediate vicinity thereof, when in Lessee's judgment it is necessary or advisable to do so in order properly to explore or develop and operate said leased premises. Units pooled for oil hereunder shall not exceed 40 acres each in area, plus a tolerance of 10% thereof, and units pooled for gas hereunder shall not exceed in area 640 acres each, plus a tolerance of 10% thereof, provided that if governmental authority, State or Federal, prescribes, allows or permits larger spacing or proration units for the development or operation of the field in which the unit is located or allocates a producing allowable based in whole or in part on acreage per well, then any such unit may embrace as much additional acreage as may be so prescribed, allowed or permitted or that may be used in such allocation or allowable. Any unit formed hereunder need not conform in size or area to any other unit; and units may be created hereunder to embrace all strata or any stratum or strata. The pooling in one or more instances shall not exhaust the rights of Lessee hereunder to pool this lease or portions thereof into other units or to reform units. Lessee shall file for record in the county where the unit is situated a written designation and description of each unit formed or reformed hereunder, and such instrument shall specify the effective date of the unit. Lessee wholly at its option may exercise its pooling option either before or after commencing operations for or completing an oil or gas well on acreage included in the unit, and any unit may include, but is not required to include, land or leases upon which a well producing or capable of producing oil or gas in paying quantities has theretofore been completed, or upon which operations have theretofore been commenced. Operations upon or production from any part of the pooled unit which includes all or a portion of the land covered by this lease, regardless of whether such operations were commenced or such production was secured before or after the execution of this lease, or the instrument designating the pooled unit, shall be considered as operations upon or production from the land covered by this lease, whether or not the well or wells be located on the premises covered by this lease, and the entire acreage constituting such unit or units, as to oil and gas, or either of them, as herein provided, shall be treated for all purposes as if the same were included in this lease, except that the royalty on production from the unit shall be as below provided. In respect to production from the unit, Lessee shall pay Lessor,

in lieu of other royalties thereon, only such portion of the royalty stipulated in Paragraph 1 above as the amount of his acreage placed in the unit, or his royalty interest therein on an acreage basis, bears to the total acreage in the unit. A unit established hereunder shall be valid and effective for all purposes of this lease even though there may be mineral, royalty, overriding royalty, or leasehold interests in lands within the unit which are not effectively pooled or unitized. Any unit established by Lessee hereunder may be dissolved by Lessee at the completion of a dry hole or the cessation of production and/or operations on said unit, as the case may be. The production from an oil well will be considered as production from the lease or oil pooled unit from which it is producing, and not as production from a gas pooled unit; and production from a gas well will be considered as production from the lease or gas pooled unit from which it is producing, and not from an oil pooled unit.

8. The rights of either party hereunder may be assigned or sublensed in whole or in part and the provisions hereof shall extend to their heirs, successors, sublessees, and assigns. However, no change or division in ownership of the lands, rentals, or royalties, shall enlarge the obligations or diminish the rights of Lessee. No change or division in such ownership shall be binding on Lessee until sixty (60) days after the Lessee shall have been furnished by registered mail with the original or a certified copy of the recorded instrument or instruments evidencing same. In the event of assignment or sublease hereof in whole or in part, liability for breach of any obligation hereunder shall rest exclusively upon the owner of this lease or of a portion thereof or of an interest therein who commits such breach. In the event of the death of any person entitled to rentals hereunder, Lessee may pay or tender such rentals to the authorized depository bank to the credit of the estate of the deceased until such time as Lessee is furnished proper evidence of the appointment and qualification of an executor or administrator of the estate or, if there be none, then until Lessee is furnished evidence satisfactory to it as to the heirs or devisees of the deceased. In event of assignment or sublease of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportionable among the several leasehold owners (including sublessees) ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners (including sublessees).

9. Lessee may at any time and from time to time execute and deliver to Lessor or file for record a release or releases of this lease as to any part or all of said land or of any mineral or horizon thereunder, and thereby be relieved of all obligations as to the released acreage or interest. If this lease is so released as to all minerals and horizons under a portion of said land, the delay rental and other payments computed in accordance therewith shall thereupon be reduced in the proportion that the acreage released bears to the acreage which was covered by this lease immediately prior to such release.

10. In the event Lessor, either before or after production has been secured, considers that Lessee has failed to perform or to comply with any of the expressed or implied obligations of this agreement, Lessor shall notify Lessee in writing alleging specifically the respect in which Lessor considers Lessee has so failed to perform or comply, and Lessee shall have sixty (60) days after receipt of any such notice within which to remedy, or commence to remedy, any such default so alleged by Lessor. The delivery of said notice to Lessee and the lapse thereafter of sixty days shall be precedent to the bringing of any action by Lessor under this agreement. Neither the delivery of any such notice nor the performance thereafter by Lessee of any act aimed to remedy any default alleged by Lessor in any said notice shall be deemed an admission or presumption that Lessee is in default as to such obligation and there shall be no cancellation of this agreement, in whole or in part, for failure by Lessee to remedy or commence to remedy any default alleged by Lessor until the existence of such default by Lessee has been finally declared judicially and until a reasonable time thereafter has been allowed to remedy such default.

11. When operations or production are delayed or interrupted by lack of water, labor or material, or by fire, storm, flood, war, rebellion, insurrection, riot, strike, differences with workmen, or failure of carriers to transport or furnish facilities for transportation or lack of market in the field for the minerals produced, or as a result of any Federal or State law, or of some order, rule, regulation, requisition or necessity of any government or governmental authority, or any official acting thereunder, or as the result of any cause whatsoever beyond the control of Lessee, the time of such delay or interruption shall not be counted against Lessee and this lease shall remain in force during such delay or interruption and ninety (90) days thereafter, anything in this lease to the contrary notwithstanding.

12. Lessor hereby warrants and agrees to defend the title to said land. If Lessor owns less interest than the entire fee or mineral estate (even though this lease purports to cover only such lesser interest) the rentals, royalties or other payments to be paid Lessor shall be reduced proportionately. Lessee at its option may discharge any tax, mortgage, or other lien upon said land either in whole or in part, and thereby be subrogated to such lien with the right to enforce same and apply rentals and royalties toward satisfying same.

13. Whenever used in this lease, the word "operations" shall mean any one or more of the following operations, including all work necessary or incidental thereto: drilling, testing, completing, reworking, recompleting, deepening, side-tracking, plugging back, or repairing of a well in search for or in an endeavor to obtain or restore production of oil, gas, sulphur or other mineral, excavating a mine, or the production of oil, gas, sulphur or other mineral, whether or not in paying quantities.

14. Should any one or more of the parties above named as Lessor fail to execute this lease, it shall nevertheless be binding upon all such parties who do execute it as Lessor. The word "Lessor" as used in this lease means the party or parties who execute this lease (including any counterparts) as Lessor, although not named above.

NOTWITHSTANDING ANYTHING TO THE CONTRARY HEREIN:

15. This lease shall cover only oil, gas and other liquified and gaseous hydrocarbons together with other associated produced mined or refined as by-products of or in connection with oil and gas production only, including carbon dioxide.

16. The royalties to be paid by Lessee on oil and gas is one-foruth (1/4th) and wherever the number one-eighth (1/8th) appears the same is hereby amended to read one-fourth (1/4th).

17. Lessor recognizes that the State of Texas is, under the provisions of Section 4 of Article 5421-C of the Revised Civil Statutes of the State of Texas, entitled to the free royalty therein stipulated on oil, gas and other minerals that may be produced from the lands hereinbefore described, and by these presents authorized the Lessee or any Assignee thereof to deduct from the royalty recited to be payable or deliverable to Lessor under the provisions hereof, any royalty to which the State of Texas is entitled.

18. Lessor shall have the right and option (but not the obligation) to take in kind and separately market all of Lessor's royalty oil or gas, unless within sixty (60) days after receipt by Lessee of written notice from Lessor of the proposed sale of such royalty oil or gas to a bona fide third party purchaser (including the price and all other terms of such proposed sale) Lessee or his nominee shall elect to purchase such royalty oil or gas for the same price and other terms as offered by such third party purchaser. If Lessee or his nominee does not elect to meet such third party offer to purchase within said sixty (60) day period, then Lessor shall be free to contract such oil or gas to such third party purchaser on the same terms specified in said written notice. Lessor shall reimburse Lessee for all costs for metering and handling royalty oil or gas so separated and marketed or taken in kind. In the event Lessor takes in kind, Lessor and Lessee. shall enter into a mutually acceptable gas balancing agreement.

19. It is understood and agreed that upon the expiration of the primary term hereof, Lessee shall thereafter conduct a continuous drilling program on the lands covered by this lease, and this lease shall remain in full force and effect during such time as said continuous drilling program is being conducted by Lessee. "Continuous Drilling Program" is defined herein to mean the continuous development of the leased premises by Lessee with no more than 120 days elapsing between the completion of one well and the commencement of actual drilling operations of a succeeding well. For purposes of interpretation of this provision, a well should be determined to be completed on the day Lessee releases the drilling rig used to drill such well, or the date such rig is moved off the location, whichever date occurs first, and a well should be determined to be commenced when such well is spudded. The termination of rights hereunder shall be the sole liability or penalty for the failure to drill any well or wells acquired or permitted hereunder. Upon cessation of such continuous drilling program this lease shall terminate as to all lands covered hereby, except as to each well capable of producing oil or gas in paying quantities, together with the proration unit (to be selected by Lessee) allocated thereto by the Railroad Commission of Texas as of the date of such termination from the surface down to a depth of one hundred feet (100') below the deepest producing formation. Thereafter, Lessee shall promptly execute and deliver to Lessor a release of this lease as to all lands covered hereby, save and except to each such producing proration unit, and to all depths of such producing proration units except from the surface down to the depth of one hundred feet (100') below the deepest producing formation.

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

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

LESSOR

SINGLE ACKNOWLEDGEMENT

THE STATE OF TEXAS,

COUNTY OF

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

Billie Cole Roberson

BILLIE COLE ROBERSON [redacted]

LESSOR

SINGLE ACKNOWLEDGEMENT

THE STATE OF TEXAS,

COUNTY OF REEVES

Before me, the undersigned authority, on this day personally appeared Billie Cole Roberson

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 14th day of April A.D. 1983

Andi Thornburg (Andi Thornburg)

Commission expires 3/28/84 Notary Public in and for Reeves County, Texas

Filed for record on the 11th day of May A.D. 1983 at 10:47A. M.

Duly recorded on the 11th day of May A.D. 1983 at 4:00P. M.

BY Billie Jo Freeman DEPUTY

CATHERINE ASHLEY, COUNTY CLERK, REEVES COUNTY, TEXAS.

R

M

File dated

Garry Mauro, Commissioner

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, Gas and Mineral Lease from Billie Cole Roberson to Terry L. Burkholder

as the same appears of record in my office in book 432 page 4-Deed Record

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

this 21st day of August 19 85

Catherine Ashley Clerk,

By Juana Jaquez Deputy.
Juana Jaquez

Garry Mauro
Commissioner
General Land Office

October 16, 1985

Ms. Staci L. Street
RK Petroleum Corp.
P. O. Box 8528
Midland, Tx 79708

RE: Free Royalty Leases
1. State Lease No. M-89937 fro Texas Pythian Home, Inc. to Don L. Bradshaw;
2. Amendment to Oil, Gas and Mineral Lease (#1 above);
3. State Lease No. M-89938 from Otis C. Coles, Jr., et us to RK;
4. State Lease No. M-89938 from Otis C. Coles, Jr., et al to RK;
5. State Lease No. M-90229 from Jerry Covington, Trustee to Co, Inc.;
6. State Lease No. M-90229 from Prewit Trust to Hyle C. Doss;
7. State Lease No. M-90229 from Douglas Earl Bell to Hyle C. Doss; and
8. State Lease No. M-90229 from Billie Cole Roberson to Terry Burkholder.

Dear Ms. Street:

The copies of free royalty oil and gas leases covering the captioned tracts have been filed in our records under the captioned mineral file numbers. Please refer to these file numbers in all future correspondence concerning these leases.

Should you have any further questions, please call.

Sincerely,

J. Daryl Morgan
Oil and Gas Section
Legal Division
512 475-4246

JDM/agg

13

M. F. 91229

CORRESPONDENCE FILE

TO RK Pot. Tax.

From

Dated 10.26.83

Within FREE Royalty M-90229

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
Application for Permit to Drill, Deepen, Plug Back, or Re-Enter

Form W-1
Rev. 9/1/83
483-060

▶ Read Instructions on Back

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. ▶ 42-389-31675 Permit No. ▶ 279932

1. Operator's Name (exactly as shown on Form P-5, Organization Report): RK Petroleum Corp.	3. RRC Operator No.: 687130	4. RRC District No.: 8	5. County of Well Site: Reeves	Rule 37 Case No. ▶
2. Address (including city and zip code): P. O. Box 8528, Midland, Texas 79708	6. Lease Name (32 spaces maximum): RK Dixieland 2	7. RRC Lease/ID No.: Gas Well Ident.No. 111085	8. Well No.: 2	9. Total Depth: 3800'

10. Location • Section 2 Block C-21 Survey PSL
• Abstract No. A-
• This well is to be located 13 miles in a SE direction from Orla, TX.
which is the nearest town in the county of the well site

X

11. Distance from proposed location to nearest lease or unit line 1000 ft.
12. Number of contiguous acres in lease, pooled unit, or unitized tract 640 (OUTLINE ON PLAT)

Granted 9/11/85

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
Dixieland, SW (Bell Canyon Gas)	3800'	467-1200'	40	40	No	1700' SW	Gas		2
25024 150									

22. Perpendicular surface location from two nearest designated lines.
• Lease/Unit 1000' FSL & 2640' FEL
• Survey/Section 2640' FNL & 2640' 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.

I certify that information stated in this application is true and complete, to the best of my knowledge.

Signature: Mary Yocham — Mary Yocham, Geo. Asst.
Name and title of operator's representative

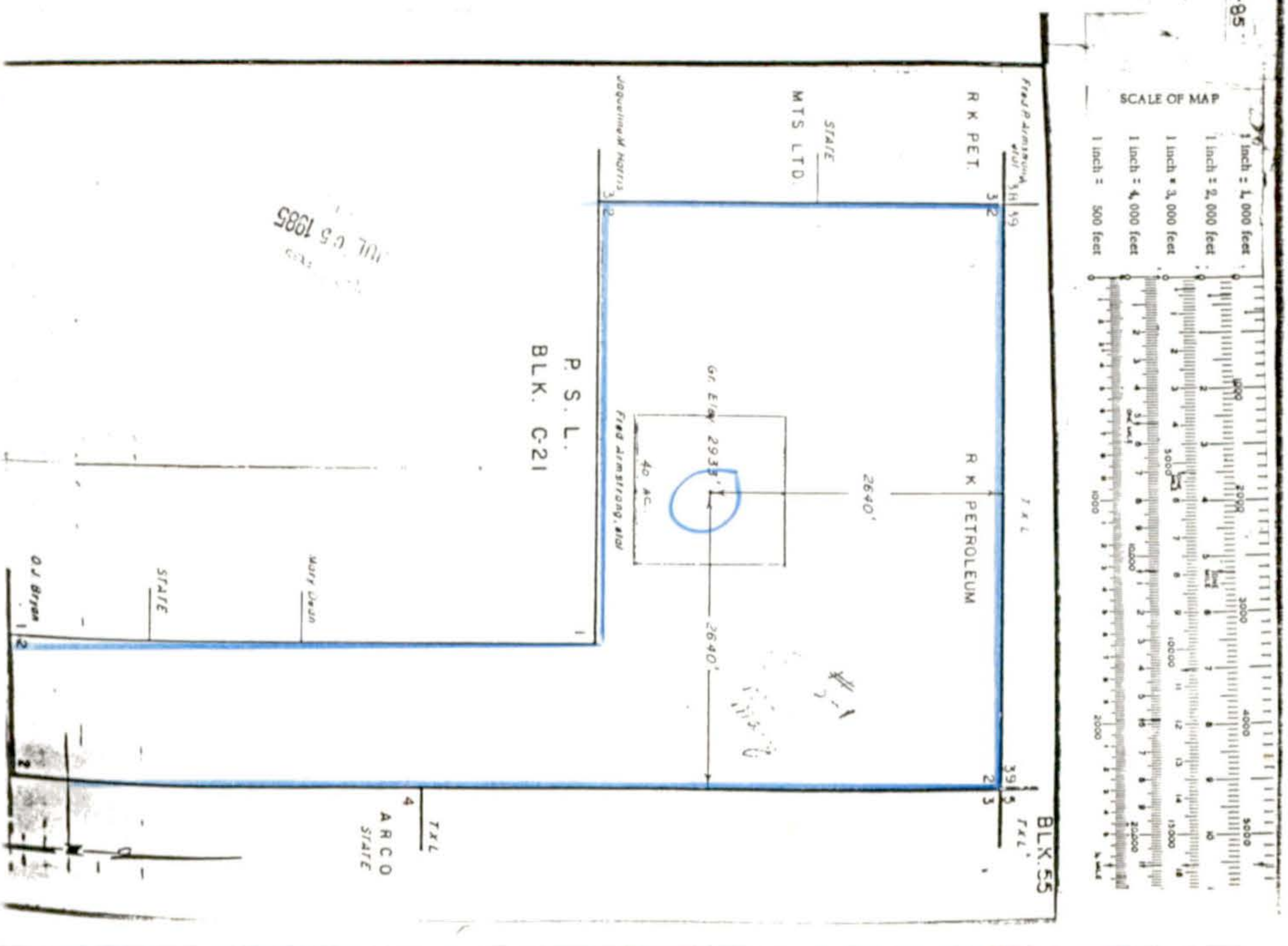
Date: 7 (mo.) 3 (day) 1985 (yr.) Tel. 915 (Area Code) 683-4319 (Number)

Remarks
Plugged: 9/6/85
TD: 3825'

227077 JUL 05 85 ✓ RRC Use Only • 289323

Statewide PLAT SERVICE
P. O. DRAWER 1867, AUSTIN, TEXAS 78767

7-19-85



*** OIL AND GAS DIVISION ***   INQUIRY

PLUGGING DATA

TYPE/WELL(O/G/D/S): D   API NUMBER: 389 31675

DIST: Ø8   LEASE/ID: ______   WELL #:   2

FIELD NAME: DIXIELAND, SW (BELL CANYON GAS)

LEASE NAME: DIXIELAND 2

OPER NAME: R K PETROLEUM CORP.

DRILL PERM ISSUED: Ø7 / 11 / 85   PERMIT #:   279932

DRILL COMPLETED: Ø7 / 25 / 85   WELL PLUGGED: Ø9 / Ø6 / 85

DATE W-3 FILED: 11 / Ø1 / 85   TOTAL DEPTH: 3825

WAS THIS A MULTIPLE COMPLETION? N

	PLUG 1	PLUG 2	PLUG 3	PLUG 4	PLUG 5	PLUG 6	PLUG 7	PLUG 8
BOTT DEP:	1395	12Ø						
SACK CEM:	75	1Ø						
CALC TOP:	1392	1						
TOP/PLUG:								
TYPE CEM:	C,RET	C						

* SCREEN OPTIONS: 17=PLUG CAS/TUB/PERFS, 18=WATER/LOGS/REMARKS *

* SELECT OPTION: ___ (Ø1=RETURN TO MENU, ØØ=HELP AND OTHER OPTIONS) *

DEPRESS ENTER TO SEE PLUG CASING/TUBING/PERFS

(14)

M.F 90229

APPLICATION TO DRILL

WELL # 2

FILED 7-29-86 19

GARRY MAURO, COMMISSIONER

BY: TP

MINERAL FILE # 90229 INITIATING DIVISION Revenue Processing

EXPIRATION/DELAY RENTAL TERMINATION WORKSHEET

(1) RENTALS DATE RECEIVED 6-26-89 DATE FORWARDED 6-26-89 RENTAL ANALYST N. [illegible]

Expiration: Lease date 4-8-83 Primary term 5 yrs

If unitized, complete unit information in Delay/Rental Section

and

Forward to Maps

Delay Rental: Payment received? ______

If NO, Forward to Maps.

If YES, complete below & forward to Legal:

amt. received ______ amt. due ______

date received ______ date due ______

Comments: ______

If lease unitized:

Unit acres ______

Non-unit acres ______

Unit acres to be terminated ______

Non-unit acres to be terminated ______

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(2) MAPS DATE RECEIVED ______ DATE FORWARDED ______ MAP ANALYST ______

Are new well locations shown on map or unposted W-1's?

Gas well shown on N. Map

[illegible]

[illegible]

[illegible]

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(3) GEOLOGY DATE RECEIVED__________ DATE FORWARDED__________ GEOLOGIST__________

Do W-1 Files show new well locations?______________________

If Yes call operator

Spud date:______________ Comments:______________________

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(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:______________________

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(12) M-90229
Actg. Memo
6-26-89