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DORR, JOHN R

STATE LEASE - RIVERBEDS M-93416

COUNTY (CODE)	:	Loving(151) ~~Pecos(186)~~ REEVES
RIVER NAME	:	Pecos River
TRACT	:	7
ACRES	:	55±
DEPTH LIMITS	:	
CONTROL NO. (S)	:	01-00341-6; 01-00342-5
LESSEE	:	Dorr John R.
DATE	:	4-4-89
PRIMARY TERM	:	3 yrs.
BONUS	:	$5,775.00
ROYALTY	:	¼
RENTALS	:	$5.00

TERMINATED
Date 4-4-90
Accounting 4-11-90 ng
Legal
Exploration 4-16-90 su

TERMINATED
Date 8-1-88
Accounting
Legal CJB
Exploration
Execution

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Legal
Rental ng
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93416

Garry Mauro
Commissioner
General Land Office

Date
3-17-89

MINERAL LEASE BID APPLICATION

Texas General Land Office ED - 01(2-88) Rev. 2

APPLICANT AGREEMENT

I agree, if awarded a lease on the referenced tract, to comply with all terms and conditions of said lease and with all applicable laws that so govern said lease, as those laws may be amended.

APPLICANT IDENTIFICATION TO APPEAR ON LEASE

Name John R. Dorr

Address P. O. Drawer 31

Pecos, Texas 79772

Telephone (915) 445-4927

AREA DESCRIPTION

County(ies) Loving & Reeves Survey/Area H & G N RR. Co. Survey (If Applicable)

Block/Tsp ______ (If Applicable) ~~Section~~/Tract 7, Pecos River Acres 55±

BID SUBMISSION

Royalty 1/4 one-fourth Rental Per Acre $5.00 Primary Term 3 Yrs.

Cash Bonus Enclosed Five thousand seven hundred seventy five and no/100 -------------------------- (Dollars) $ 5,775.00 **89039368**

Sales Fee Attached Eighty six and 63/100 -- (Dollars) $ 86.63 **89039369**

This Sales Fee is 1- 1/2% of the cash bonus as provided in Section 32.110 of the Natural Resources Code as amended.

MGL. NO.	APPLICANT(S)	BONUS AMOUNT ENCLOSED
28	John R. Dorr	($) 5,775.00

APPLICANT TAX I.D. NUMBER [redacted]

SIGNATURE OF APPLICANT/AGENT John R. Dorr

M - 93416 ①
Bid Form
APR - 4 1989

Lease Form
Revised 02/89

The State of Texas

Austin, Texas

OIL AND GAS LEASE
NO. M-93416

WHEREAS, pursuant to the Texas Natural Resources Code Chapters 32, 33, 51, and Chapter 52, Subchapters A-D and H, (said Code being hereinafter referred to as N.R.C.), and subject to all rules and regulations promulgated by the Commissioner of the General Land Office and/or the School Land Board pursuant thereto, and all other applicable statutes and amendments to said N.R.C., the following area, to-wit:

Tract 7, Pecos River, Loving & Reeves Counties, Texas, containing 55± acres is bound on the East by a line crossing the river perpendicular to its centerline at the Northeast corner of Tract 37, Blk. 1, H&GN RR Co. Survey, Reeves County, Texas, and is bound on the West by a Northeasterly extension of the Northwest line of Tract 35, Blk. 1, H&GN RR Co. Survey, Reeves County, Texas,

was, after being duly advertised, offered for lease on **4th** day of **April, 1989**, at 10:00 o'clock A.M., by the Commissioner of the General Land Office of the State of Texas and the School Land Board of the State of Texas, for the sole and only purpose of prospecting and drilling for, and producing oil and/or gas that may be found and produced from the above described area; and

WHEREAS, after all bids and remittances which were received up to said time have been duly considered by the Commissioner of the General Land Office and the School Land Board at a regular meeting thereof in the General Land Office, on the **4th** day of **April, 1989**, and it was found and determined that **John R. Dorr** whose address is **P.O. Drawer 31, Pecos, Texas 79772** had offered the highest and best bid for a lease of the area above described and is, therefore, entitled to receive a lease thereon:

NOW, THEREFORE, I, Garry Mauro, Commissioner of the General Land Office of the State of Texas, hereinafter sometimes referred to as "Lessor", whose address is Austin, Texas, by virtue of the authority vested in me and in consideration of the payment by the hereinafter designated Lessee, the sum of Five **Thousand Seven Hundred Seventy-five and no/100** Dollars (**$5,775.00**), receipt of which is hereby acknowledged and of the royalties, covenants, stipulations and conditions contained and hereby agreed to be paid, observed and performed by Lessee, do hereby demise, grant, lease and let unto the above mentioned bidder the exclusive right to prospect for, produce and take oil and/or gas from the aforesaid area upon the following terms and conditions, to-wit:

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

2. DELAY RENTALS: If no well be commenced on the land hereby leased on or before the **4th** day of **April, 1990**, this lease shall terminate as to both parties unless the Lessee on or before said date shall pay or tender to the Commissioner of the General Land Office of the State of Texas at Austin, Texas, the sum of **Five and no/100** Dollars (**$5.00**), **per acre**, which shall operate as rental and cover the privilege of deferring the commencement of a well for twelve (12) months from said date. In like manner and upon like payments or tenders the commencement of a well may be further deferred for like periods of the same number of months successively during the primary term hereof.

3. **PRODUCTION ROYALTIES:** Subject to the provisions for royalty reductions set out in subparagraph (E) of this paragraph 3, when production of oil and/or gas is secured, the Lessee agrees to pay or cause to be paid to the Commissioner of the General Land Office in Austin, Texas, for the use and benefit of the State of Texas, during the term hereof:

(A) OIL: As a royalty on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, 1/4 part of the gross production or the market value thereof, at the option of the Lessor, such value to be determined by 1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity in the general area where produced and when run, or 2) the highest market price thereof offered or paid in the general area where produced and when run, or 3) the gross proceeds of the sale thereof, whichever is the greater. Lessee agrees that before any gas produced from the land hereby leased is sold, used or processed in a plant, it will be run free of cost to Lessor through an adequate oil and gas separator of conventional type or other equipment at least as efficient to the end that all liquid hydrocarbons recoverable from the gas by such means will be recovered. Upon written consent of Lessor, the requirement that such gas be run through such a separator or other equipment may be waived upon such terms and conditions as prescribed by Lessor.

(B) NON PROCESSED GAS: As a royalty on any gas (including flared gas), which is defined as all hydrocarbons and gaseous substances not defined as oil in subparagraph (A) above, produced from any well on said land (except as provided herein with respect to gas processed in a plant for the extraction of gasoline, liquid hydrocarbons or other products) 1/4 part of the gross production or the market value thereof, at the option of the Lessor, such value to be based on the highest market price paid or offered for gas of comparable quality in the general area where produced and when run, or the gross price paid or offered to the producer, whichever is greater provided that the maximum pressure base in measuring the gas under this lease contract shall not at any time exceed 14.65 pounds per square inch absolute, and the standard base temperature shall be sixty (60) degrees Fahrenheit, correction to be made for pressure according to Boyle's Law, and for specific gravity according to test made by the Balance Method or by the most approved method of testing being used by the industry at the time of testing.

(C) PROCESSED GAS: As a royalty on any gas processed in a gasoline plant or other plant for the recovery of gasoline or other liquid hydrocarbons, 1/4 part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the Lessor. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease, and on fifty percent (50%) or that percent accruing to Lessee, whichever is the greater, of the total plant production of liquid hydrocarbons, attributable to the gas produced from this lease; provided that if liquid hydrocarbons are recovered from gas processed in a plant in which Lessee (or its parent, subsidiary or affiliate) owns an interest, then the percentage applicable to liquid hydrocarbons shall be fifty percent (50%) or the highest percent accruing to a third party processing gas through such plant under a processing agreement negotiated at arms' length (or if there is no such third party, the highest percent then being specified in processing agreements or contracts in the industry), whichever is the greater. The respective royalties on residue gas and on liquid hydrocarbons shall be determined by 1) the highest market price paid or offered for any gas (or liquid hydrocarbons) of comparable quality in the general area or 2) the gross price paid or offered for such residue gas (or the weighted average gross selling price for the respective grades of liquid hydrocarbons), whichever is the greater. In no event, however, shall the royalties payable under this paragraph be less than the royalties which would have been due had the gas not been processed.

(D) OTHER PRODUCTS: As a royalty on carbon black, sulphur or any other products produced or manufactured from gas (excepting liquid hydrocarbons) whether said gas be "casinghead", "dry" or any other gas, by fractionating, burning or any other processing, 1/4 part of gross production of such products, or the market value thereof, at the option of Lessor, such market value to be determined as follows:

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

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

(E). VARIABLE ROYALTY: (i) Subject to the other provisions of this lease, it is hereby provided that in the event production in paying quantities is established pursuant to the terms of this lease and such production is brought on line and sales thereof are commenced within 12 months of the effective date hereof, the royalty rate provided in paragraph 3 shall be reduced to 20%, and shall apply to each subsequent well drilled and produced on the land covered by this lease. Provided that, if during such 12 month term during which Lessee may earn a reduced royalty rate of 20% as herein provided, Lessee should drill in good faith and complete the first well as a dry hole on the land covered by this lease, Lessee may receive a 3 month extension of the term in which to earn a reduced royalty rate by giving notice to the Commissioner of the General Land Office, commencing drilling operations on an additional well prior to the expiration of such 12 month period and prosecuting diligently and in good faith the drilling of such additional well and completing same so that production in paying quantities is established and so that such production is brought on line and sales thereof are commenced prior to the expiration of such 3 month extension period.

(ii) In the event production in paying quantities is established pursuant to the terms of this lease and such production is brought on line and sales thereof are commenced after the expiration of 12 months from the effective date hereof but prior to the expiration of 24 months from the effective date hereof, the royalty rate provided in paragraph 3 shall be reduced to 22.5% and shall apply to each subsequent well drilled and produced on the land covered by this lease. Provided that, if during such 12 month term during which Lessee may earn a reduced royalty rate of 22.5% as herein provided, Lessee should drill in good faith and complete first well as a dry hole on the land covered by this lease, Lessee may receive a 3 month extension of the term in which to earn a reduced royalty rate by giving notice to the Commissioner of the General Land Office, commencing drilling operations on an additional well prior to the expiration of such 12 month period and prosecuting diligently and in good faith the drilling of such additional well and completing same so that production in paying quantities is established and so that such production is brought on line and sales thereof are commenced prior to the expiration of such 3 month extension period.

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

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

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

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

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

5. **(A) RESERVES, CONTRACTS AND OTHER RECORDS:** Lessee shall annually furnish the Commissioner of the General Land Office with its best possible estimate of oil and gas reserves underlying this lease or allocable to this lease and shall furnish said Commissioner with copies of all contracts under which gas is sold or processed and all subsequent agreements and amendments to such contracts within thirty (30) days after entering into or making such contracts, agreements or amendments. Such contracts and agreements when received by the General Land Office shall be held in confidence by the General Land Office unless otherwise authorized by Lessee. All other contracts and records pertaining to the production, transportation, sale and marketing of the oil and gas produced on said premises, including the books and accounts, receipts and discharges of all wells, tanks, pools, meters, and pipelines shall at all times be subject to inspection and examination by the Commissioner of the General Land Office, the Attorney General, the Governor, or the representative of any of them. The State shall have a first lien upon all oil and gas produced from the area covered by this lease to secure payment of all unpaid royalty and other sums of money that may become due under this lease.

(B) DRILLING RECORDS: Written notice of all operations on a State of Texas lease shall be submitted to the Commissioner of the General Land Office by Lessee or operator five (5) days before spud date, workover, re-entry, temporary abandonment or plug and abandonment of any well or wells. Such written notice to the General Land Office shall include copies of Railroad Commission forms for application to drill, well tests, completion reports and plugging records. Lessee shall supply the General Land Office with any records, memoranda, accounts, reports, cuttings and cores, or other information relative to the operation of the above described premises, which may be requested by the General Land Office, in addition to those herein expressly provided for. Lessee shall have an electrical and/or radioactivity survey made on the bore-hole section, from the base of the surface casing to the total depth of well, of all wells drilled on the above described premises and shall transmit a true copy of the log of each survey on each well to the General Land Office within fifteen (15) days after the making of said survey.

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

6. **DEVELOPMENT:** Notwithstanding any provision of this lease to the contrary, after a well producing or capable of producing oil or gas has been completed on the leased premises, Lessee shall exercise the diligence of a reasonably prudent operator in drilling such additional well or wells as may be reasonably necessary for the proper development of the leased premises and in marketing the production thereon. In the event this lease is in force and effect three (3) years after the expiration date of the primary term it shall then terminate as to all of the leased premises, EXCEPT (1) 40 acres surrounding each oil well capable of producing in paying quantities and 320 acres surrounding each gas well capable of producing in paying quantities (including a shut-in oil or gas well as provided in Paragraph 10 hereof), or a well upon which Lessee is then engaged in continuous drilling or reworking operations, or (2) the number of acres included in a producing pooled unit pursuant to Natural Resources Code Sections 52.151-52.153, or (3) such greater or lesser number of acres as may then be allocated for production purposes to a proration unit for each such producing well under the rules and regulations of the Railroad Commission of Texas, or any successor agency, or other governmental authority having jurisdiction. The acreage retained hereunder as to each well shall, as nearly as practical,

be in the form of a square with the well located in the center thereof, or such other shape as may be approved by the School Land Board. Within thirty (30) days after partial termination of this lease as provided herein, Lessee shall execute and record a release or releases containing a satisfactory legal description of the acreage not retained hereunder. The recorded release, or a certified copy of same, shall be filed in the General Land Office, accompanied by the filing fee prescribed by the General land Office rules in effect on the date the release is filed. If at any time after the effective date of the partial termination provisions hereof, the applicable field rules are changed or the well or wells located thereon are reclassified so that less acreage is thereafter allocated to said well or wells for production purposes, this lease shall thereupon terminate as to all acreage not thereafter allocated to said well or wells for production purposes.

7. **OFFSET WELLS:** If oil and/or gas should be produced in commercial quantities from a well located on land privately owned or on State land leased at a lesser royalty, which well is within one thousand (1,000) feet of the area included herein, or which well is draining the area covered by this lease, the Lessee shall, within sixty (60) days after such initial production from the draining well or the well located within 1000 feet from the area covered by this lease begin in good faith and prosecute diligently the drilling of an offset well on the area covered by this lease, and such offset well shall be drilled to such depth as may be necessary to prevent the undue drainage of the area covered by this lease, and the Lessee, manager or driller shall use all means necessary in a good faith effort to make such offset well produce oil and/or gas in commercial quantities. Only upon the determination of the Commissioner and with his written approval, may the payment of a compensatory royalty satisfy the obligation to drill an offset well or wells required under this Paragraph.

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

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

10. SHUT-IN ROYALTIES: If at the expiration of the primary term or at any time after the expiration of the primary term a well or wells capable of producing oil or gas in paying quantities are located on the leased premises but oil or gas is not being produced for lack of suitable production facilities or a suitable market and the lease is not being maintained in force and effect, then Lessee may pay as a shut-in oil or gas royalty an amount equal to double the annual rental provided in the lease but not less than $1,200 a year for each well capable of producing oil or gas in paying quantities; any shut-in oil or gas royalty must be paid on or before: (1) the expiration of the primary term, (2) 60 days after the lessee ceases to produce oil or gas from the leased premises, or (3) 60 days after lessee completes a drilling and reworking operation in accordance with the lease provisions; whichever date is latest; if the shut-in oil or gas royalty is paid, the lease shall be considered to be a producing lease and the payment shall extend the term of the lease for a period of one year from the end of the primary term or from the first day of the month next succeeding the month in which

production ceased and after that if no suitable production facilities or suitable market for the oil or gas exists, Lessee may extend the lease for four additional and successive periods of one year by paying the same amount each year on or before the expiration of the extended term; if, during the period the lease is kept in effect by payment of the shut-in oil or gas royalty, oil or gas is sold and delivered in paying quantities from a well located within one thousand (1,000) feet of the leased premises and completed in the same producing reservoir or in any case in which drainage is occurring, the right to continue to extend the lease by paying the shut-in oil or gas royalty shall cease, but the lease shall remain effective for the remainder of the year for which the royalty has been paid and for four additional and successive periods of one year each by Lessee paying compensatory royalty at the royalty rate provided in the lease of the value at the well of production from the well which is causing the drainage or which is completed in the same producing reservoir and within one thousand (1,000) feet of the leased premises; the compensatory royalty is to be paid monthly to the Commissioner beginning on or before the last day of the month next succeeding the month in which the oil or gas is sold and delivered from the well located within 1,000 feet of or draining the leased premises and completed in the same reservoir; if the compensatory royalty paid in any 12-month period is in an amount less than the annual shut-in oil or gas royalty, Lessee shall pay an amount equal to the difference within thirty (30) days from the end of the 12-month period; and none of these provisions will relieve Lessee of the obligation of reasonable development nor the obligation to drill offset wells as provided in N.R.C. Section 52.034; however, at the determination of the Commissioner, and with his written approval, the payment of compensatory royalties shall satisfy the obligation to drill offset wells.

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

12. **USE OF WATER; SURFACE:** Lessee shall have the right to use water produced on said land necessary for operations hereunder and solely upon the leased premises; provided, however, Lessee shall not use potable water or water suitable for livestock or irrigation purposes for water flood operations without the prior written consent of Lessor. Subject to its obligation to pay surface damages, Lessee shall have the right to use so much of the surface of the land that may be reasonably necessary for drilling and operating wells and transporting and marketing the production therefrom, such use to be conducted under conditions of least injury to the surface of the land. Lessee shall pay surface damages in an amount set by the General Land Office fee schedule which is effective on the date when the activity requiring the payment of surface damages occurs.

13. **POLLUTION:** In developing this area, Lessee shall use the highest degree of care and all proper safeguards to prevent pollution. Without limiting the foregoing, pollution of coastal wetlands, natural waterways, rivers and impounded water shall be prevented by the use of containment facilities sufficient to prevent spillage, seepage or ground water contamination. In the event of pollution, Lessee shall use all means at its disposal to recapture all escaped hydrocarbons or other pollutant and shall be responsible for all damage to public and private properties.

(A) UPLANDS: Lessee shall build and maintain fences around its slush, sump, and drainage pits and tank batteries so as to protect livestock against loss, damage or injury; and upon completion or abandonment of any well or wells, Lessee shall fill and level all slush pits and cellars and completely clean up the drilling site of all rubbish thereon.

(B) **SUBMERGED LANDS:** No discharge of solid waste or garbage shall be allowed into State waters from any drilling or support vessels, production platform, crew or supply boat, barge, jack-up rig or other equipment located on the leased area. Solid waste shall include but shall not be limited to containers, equipment, rubbish, plastic, glass, and any other man-made non-biodegradable items. A sign must be displayed in a high traffic area on all vessels and manned platforms stating, "Discharge of any solid waste or garbage into State Waters from vessels or platforms is strictly prohibited and may subject a State of Texas lease to forfeiture." such statement shall be in lettering of at least 1" in size.

(C) **RIVERS:** To the extent necessary to prevent pollution, the provisions found in subsections (a) and (b) of this paragraph shall also apply to rivers and riverbeds.

(D) **PENALTY:** Failure to comply with the requirements of this provision may result in the maximum penalty allowed by law including forfeiture of the lease. Lessee shall be liable for the damages caused by such failure and any costs and expenses incurred in cleaning areas affected by the discharged waste.

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

15. **ASSIGNMENTS:** The lease may be transferred at any time. All transfers must reference the lease by the file number and must be recorded in the county where the area is located, and the recorded transfer or a copy certified to by the County Clerk of the county where the transfer is recorded must be filed in the General Land Office within ninety (90) days of the execution date, as provided by N.R.C. Section 52.026, accompanied by the filing fee prescribed by the General Land Office rules in effect on the date of receipt by the General Land Office of such transfer or certified copy thereof. Every transferee shall succeed to all rights and be subject to all obligations, liabilities, and penalties owed to the state by the original lessee or any prior transferee of the lease, including any liabilities to the state for unpaid royalties.

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

17. **FORFEITURE:** If Lessee shall fail or refuse to make the payment of any sum within thirty (30) days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if Lessee should fail to file reports in the manner required by law or fail to comply with rules and regulations promulgated by the General Land Office, the School Land Board, or the Railroad Commission, or refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or knowingly fail or refuse to furnish the General Land Office a correct log of any well, or if Lessee shall knowingly violate any of the material provisions of this lease, or if this lease is assigned and the assignment is not filed in the General Land Office as required by law, the rights acquired under this lease shall be subject to forfeiture by the Commissioner, and he shall forfeit same when sufficiently informed of the facts which authorize a forfeiture, and when forfeited the area shall again be subject to lease to the highest bidder, under the same regulations controlling the original sale of leases. However, nothing herein shall be construed as waiving the automatic termination of this lease by operation of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this lease and all rights thereunder reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

18. **RIVERBED TRACTS:** In the event this lease covers a riverbed, Lessee is hereby specifically granted the right of eminent domain and condemnation as provided for in N.R.C. Sections 52.092-52.093, as a part of the consideration moving to Lessor for the covenants herein made by Lessee.

19. **DRILLING RESTRICTIONS:** In the event this lease covers land leased under the provisions of N.R.C. Chapter 52, Subchapter B, no surface location on this area may be closer than six hundred sixty (660) feet from the center of any navigable ship channel, and special permission from the Commissioner of the General Land Office will be necessary to make any surface location between six hundred sixty (660) feet and two thousand one hundred sixty (2,160) feet from the center of any such navigable ship channel. Also in such event this lease shall be subject to all rules and regulations promulgated by the Commissioner of the General Land Office, and amendments thereto, governing drilling and producing operations on permanent free school lands.

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

21. **FORCE MAJEURE:** Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling operations thereon, or from producing oil and/or gas therefrom, after effort made in good faith, by reason of war, rebellion, riots, strikes, fires, acts of God or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended upon proper and satisfactory proof presented to the Commissioner of the General Land Office in support of Lessee's contention and Lessee shall not be liable for damages for failure to comply therewith (except in the event of lease operations suspended as provided in the rules and regulations adopted by the School Land Board); and this lease shall be extended while and so long as Lessee is prevented, by any such cause, from drilling, reworking operations or producing oil and/or gas from the leased premises; provided, however, that nothing herein shall be construed to suspend the payment of rentals during the primary or extended term, nor to abridge Lessee's right to a suspension under any applicable statute of this State.

22. **RAILROAD COMMISSION HEARINGS ON GAS:** No natural gas or casinghead gas, including both associated and nonassociated gas, produced from the mineral estate subject to this lease may be sold or contracted for sale to any person for ultimate use outside the State of Texas unless the Railroad Commission of Texas, after notice and hearing as provided in Title 3 of the N.R.C., finds that (a) the person, agency, or entity that executed the lease in question does not require the natural gas or casinghead gas to meet its own existing needs for fuel; (b) no private or public hospital, nursing home, or other similar health-care facility in this State requires the natural gas or casinghead gas to meet its existing needs for fuel; (c) no public or private school in this State that provides elementary, secondary, or higher education requires the natural gas or casinghead gas to meet its existing needs for fuel; (d) no facility of the State or of any county, municipality, or other political subdivision in this State requires the natural gas or casinghead gas to meet its existing needs for fuel; (e) no producer of food and fiber requires the natural gas or casinghead gas necessary to meet the existing needs of irrigation pumps and other machinery directly related to this production; and (f) no person who resides in this State and who relies on natural gas or casinghead gas to provide in whole or part his existing needs for fuel or raw material requires the natural gas or casinghead gas to meet those needs. However, the Railroad Commission of Texas may grant exceptions to these provisions as set forth in N.R.C. Section 52.296.

23. **LEASE SECURITY:** Lessee shall take the highest degree of care and all proper safeguards to protect said premises and to prevent theft of oil, gas, and other hydrocarbons produced from said lease. This includes, but is not limited to, the installation of all necessary equipment, seals, locks, or other appropriate protective devices on or at all access points at the lease's production, gathering and storage systems where theft of hydrocarbons can occur. Lessee shall be liable for the loss of any hydrocarbons resulting from theft and shall pay the State of Texas royalties thereon as provided in Paragraph 3 above on all oil, gas or other hydrocarbons lost by reason of theft.

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

IN TESTIMONY WHEREOF, witness the signature of the Commissioner of the General Land Office of the State of Texas under the seal of the General Land Office, this 4th day of April, 1989.

Garry Mauro

COMMISSIONER OF THE GENERAL LAND OFFICE
OF THE STATE OF TEXAS

ORIGINAL SIGNED

APPROVED

Legal ______
Geology Pa?B
Executive ______

OIL AND GAS LEASE NO. M-934120 ②

APR - 4 1989 BY SW.

Garry Mauro
Commissioner
General Land Office

May 2, 1989

John R. Dorr
P.O. Drawer 31
Pecos, TX 79772-0031

Dear Mr. Dorr:

Thank you for your participation in the State of Texas' Oil and Gas lease sale held on April 4, 1989. The sale was a tremendous success. You were the high bidder on the marginal number listed below, that has been assigned the corresponding lease number:

MGL NO. 28, M-93416

Lease agreements for this marginal number are enclosed. The lease will serve as your receipt for the amount of your bid. Also, your contractual and statutory responsibilities to the General Land Office are outlined in the lease agreements. Section 5 (B) requires operators to submit written notice of all drilling, production, and related activities. More specifically, when lessees file various forms with the Texas Railroad Commission and the Department of Energy, they are required to submit copies of these forms to the General Land Office. Examples of these forms are:

W-1, Application to Drill, Deepen, or Plug Back with Plat;
W-2, Oil Well Potential Test, Completion or Recompletion Report and Log;
W-3, Plugging Record;
G-1, Gas Well Back Pressure Test, Completion/Recompletion Report and Log;
G-5, Gas Well Classification Report;
G-10, Gas Well Status Report;
W-10, Oil Well Status Report;
W-12, Inclination Report,
W-15, Cementing Affidavit:
Electrical Logs (any scale and within fifteen days after they are made);
Directional Surveys;
P-12, Certificate of Pooling Authority;
F-1, NGPA Supplemental Application; and
FERC-121, Application for Determination.

Furthermore, it is required that all oil and gas contracts, processing agreements, etc., as well as subsequent amendments, for the sale and/or processing of lease production be submitted to the General Land Office. The contracts, agreements, and amendments should be accompanied by completed briefs (Form MA-5). These briefs (MA-5s) are enclosed with the lease agreements, along with instructions for completion.

Your cooperation in complying with the reporting requirements outlined above will be greatly appreciated, and will contribute to the General Land Office's efforts to effectively manage the State of Texas' oil and gas resources. Failure to comply with these requirements will subject your lease to possible forfeiture.

Please do not hesitate to contact my office if you need any assistance in the future, or if you have questions concerning the State lease that you operate.

Sincerely,

Garry Mauro

Garry Mauro

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

Transmittal letter (3)
M-93416

MAY - 2 1989

Garry Mauro
Commissioner
General Land Office

April 25, 1990

CERTIFIED MAIL # P 532 850 204

Mr. John R. Dorr
P. O. Drawer 31
Pecos, Texas 79772-0031

Re: State Lease M-93416
Tract 7
Pecos River
Loving & Pecos Counties

Dear Mr. Dorr:

Our records indicate that the captioned lease has terminated for failure to pay delay rentals due on April 4, 1990. If you disagree with this assessment, please contact me within 30 days at the address or telephone number listed below.

If applicable, any well on this tract should be plugged and abandoned in accordance with Railroad Commission rules and regulations. The General Land Office will actively oppose any actions to avoid or postpone compliance with these requirements.

Sincerely yours,

Carl Liberty

Carl Liberty, Administrator
Revenue Processing
Energy Resources
(512) 463-5008

CL/NS/vm

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

(4)

MF 93416

ITEM Germ. Letter

TO DOV

FROM DS

DATE 4/25/90

126

JOHN R. DORR
P. O. DRAWER 31
PECOS, TEXAS 79772
May 10, 1990

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

Attention: Nettie Sapp

Re: State Lease M-93416
Tract 7
Pecos River
Loving & Reeves Counties

Dear Nettie:

In reference to your letter of April 25, 1990, my records indicate that a royalty payment was made on the above captioned lease in February 1990. I have discovered that the payment was credited to the old State Lease M-90004.

Enclosed you will find a copy of the daily reports on this well. Please advise me of any further information you may need and I will give your request my immediate attention.

I appreciate your courtesy and will look forward to hearing from you concerning this matter.

Very truly yours,

John R. Dorr

JOHN R. DORR

JRD:bp
encls.

cc: Debra Bozeman

KOCH OIL COMPANY

Division of Koch Industries, Inc.
Post Office Box 2256 Wichita, Kansas 67201
TELEPHONE 316-832-5500

CRUDE OIL PURCHASE STATEMENT

LEASE NO. 0072008

MONTH ENDING 01/31/90

CRUDE

OPERATOR • 189850A:JOHN R DORR
LEASE • 0072008:PECOS RIVER TRACT 7-1
DESCRIPTION • 08 0000030201
FIELD • COGNAC DELAWARE
STATE • TEXAS
COUNTY • REEVES
DISTRICT • 178
PRICECODE • L-23
CHEVRON 1ST PURCHASER

08 0000030201

JOHN R DORR
P O DRAWER 31
PECOS, TX 79772

Keep this copy for your records. Duplicates will not be furnished.

DATE	E C	T C	KOCH OIL TICKET NUMBER	TANK NUMBER	POWER CODE	NET BARRELS	GRAV	PRICE	GROSS VALUE	TRANS PORTATION	OTHER HANDLING	MISC ADJUSTMENT	A C	STATE TAXES	NET VALUE
012090	A	01	178148930049	142829	53TK	17303	34.9	208800	361287	14708-					346579
STATEMENT TOTALS ➧						17303			361287	14708-	00	00		00	346579

STATE TAXES			SUMMARY DATA	TRANSPORTATION & HANDLING	
RATE	EFFECTIVE	AMOUNT		RATE	EFFECTIVE
			TRANSPORTATION	.85000	04/01/86

EC ENTRY CODES:

A. COMPLETED RUN
B. ESTIMATED RUN
C. REVERSE ESTIMATED RUN
D. CORRECTED RUN
E. READS
F. SHOULD READ
G. LISTED IN ERROR
H. OMITTED IN ERROR
I. FRAC OIL CREDIT
J. MISCELLANEOUS

TC TIER CODES:

01 TIER I CRUDE
02 TIER II CRUDE
3D TIER III NEWLY DISCOVERED
3H TIER III HEAVY
3T TIER III INCREMENTAL TERTIARY
07 RECOVERED FRAC OIL
OC CONSOLIDATED
OF FRAC OIL
OH HYDROCARBON
EH EXEMPT HYDROCARBON
OX EXCHANGE
NM NO-MONEY EXCHANGE

AC MISC ADJUSTMENT CODES

1. TEMPORARY MARKET ADJUSTMENT

POWER CODES:

BG BARGE
PL PIPELINE
TK TRUCK

Pecos River Tract #1

4-23-90

M.I.R.U. T.O.H. with 7/8" rods + pump Unset T.A.C. + T.O.H. with 2 7/8" tbg. P.U. 4 3/4" bit, 5 1/2" csg scrapper and 4-3 1/2" D.C. and T.I.H. with 2 7/8" tbg. Drilled out D.V. tool.

~~4-24-90~~

4-24-90

T.I.H. with tbg, RU Halliburton + spotted 200 gal 15% NeFe DI HCl. T.O.H. with tbg. T.I.H. with 4" Bullet "E" gun. Perforated 5482', 5483, 5485, 5486' and 2 holes 5480'. T.I.H. with pkr + 174 jts. 2 7/8" tbg

4-25-90

Acidized perfs with 800 gal 15% NeFe DI HCL using ball sealers. Fraced zone as follows: 4000 gal. x-link gel pad, 11,750 gal x-link gel ramping 1-4#/gal. 20/40 sand, 1200 gal 12/20 sand and flush to top perf

4-26-90

8:15 AM. Well had 300 psi. Opened well to pit + commence flowback @ rate = 500 B/D 2:00 pm choke plugged off on 12/64 with 260 psi tbg pressure. Open + closed choke: 5:45 left choke on 24/64 with 60 psi tbg press recovering frac water with slight gas fumes

4-27-90

8 AM Well flowing to pit on 22/64" choke
Hooked well to flow line + commenced production to tank battery. Left well flowing on 20/64" choke

4-28-90
22½ hr. prod. = 4 B.O., 431 BW

4-29-90
24 hr. prod. = 1.3 B.O., ~~336~~ 458 BW.

4-30-90
24 hour prod: 1.5 BO, ~~143~~ 326 BW

5-1-90
24 hr. prod: 0 BO, 143 BW

5-2-90
Well was dead

5-3-90
~~MI~~ Pulling Unit Unseated packer, Pulled tubing, Ran tubing - Ran pump + rods space out pump. Well pumping by 6 p.m.

5-4-90
? hr. ~~pumped 530 ... BW~~ 3 BO; 530 BW
gas too small to measure

5-5-90
Vandal shut water leg valve, no measurements -.

5-6-90 Still shut.

5-7-90

Fixed problems + got back to work

5-8-90

20 hours, - 374 BW - could not measure oil due to water in STOCK TANK

93416

John Derr

Dated 5-12-90

2-15-90

▶ 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.

8-30201+1

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

Purpose of filing (mark appropriate boxes): ☐ Drill ☐ Deepen (below casing) ☐ Deepen (within casing) ☐ Plug Back ☒ Re-Enter ☐ Directional Well ☐ Sidetrack ☐ Amended Permit (enter permit no. at right & explain fully in Remarks)

Enter here, if assigned: API No. ▶ 42- 389-31672
Permit No. ▶
Rule 37 Case No. ▶

1. Operator's Name (exactly as shown on Form P-5, Organization Report): JOHN R. DORR
3. RRC Operator No.: 224475
4. RRC District No.: 8
5. County of Well Site: Reeves
2. Address (including city and zip code): P. O. Drawer 31, Pecos, Texas 79772
6. Lease Name (32 spaces maximum): Pecos River Tract 7
7. RRC Lease/ID No.: 30201
8. Well No.: 1
9. Total Depth: 5600'
10. Location
- Section 37 Block 1 Survey H&GN RR Co. Abstract No. A-
- This well is to be located 8 miles in a NW direction from Mentone, Texas which is the nearest town in the county of the well site.

11. Distance from proposed location to nearest lease or unit line 150 ft.
12. Number of contiguous acres in lease, pooled unit, or unitized tract 55 (OUTLINE ON PLAT.)

13. FIELD NAME (Exactly as shown on RRC proration schedule). List all established and wildcat zones of anticipated completion. Attach additional Form W-1's as needed to list these zones. One zone per line.	14. Completion depth	15. Spacing pattern (ft.)	16. Density pattern (acres)	17. Number of acres in drilling unit for this well. OUTLINE ON PLAT.	18. Is this acreage assigned to another well on this lease & in this reservoir? If so, explain in Remarks.	19. Distance from proposed location to nearest applied for, permitted, or completed well, this lease & reservoir. (ft.)	20. Oil, gas, or other type well (Specify)	21. No. of applied for, permitted, or completed locations (including this one) on lease in this reservoir. OIL	GAS
Cognac (Cherry Canyon)	5600'	467' 1200'	40	55	No	1st well	Oil	1	-0-

22. Perpendicular surface location from two nearest designated lines:
- Lease/Unit 150' FSL, (Riverbed Lease)
- Survey/Section 12,136 FSWL & 1233' FSEL Sec. 37

If a directional well, show also projected bottom-hole location:
- Lease/Unit Middle of riverbed, 12,604 FSWL, Sec. 37, Blk 1
- Survey/Section 12,604' FSWL & 1175 FSEL Sec 37, Blk 1, H&GN

23. Is this a pooled unit? Yes ☐ ▶ (Attach Form P-12 and certified plat.) No ☒
24. Is item 17 less than item 16 (substandard acreage for any field applied for)? Yes ☐ ▶ (Attach Form W-1A) No ☒
25. Is this wellbore subject to Statewide Rule 36 (hydrogen sulfide area)? Yes ☐ No ☒ If subject to Rule 36, is Form H-9 filed? Yes ☐ No ☒ ▶ If not filed, explain in Remarks.
26. Do you have the right to develop the minerals under any right-of-way that crosses, or is contiguous to, this tract? If not, and if the well requires a Rule 37 or 38 exception, see instructions for Rule 37. Yes ☒ No ☐

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

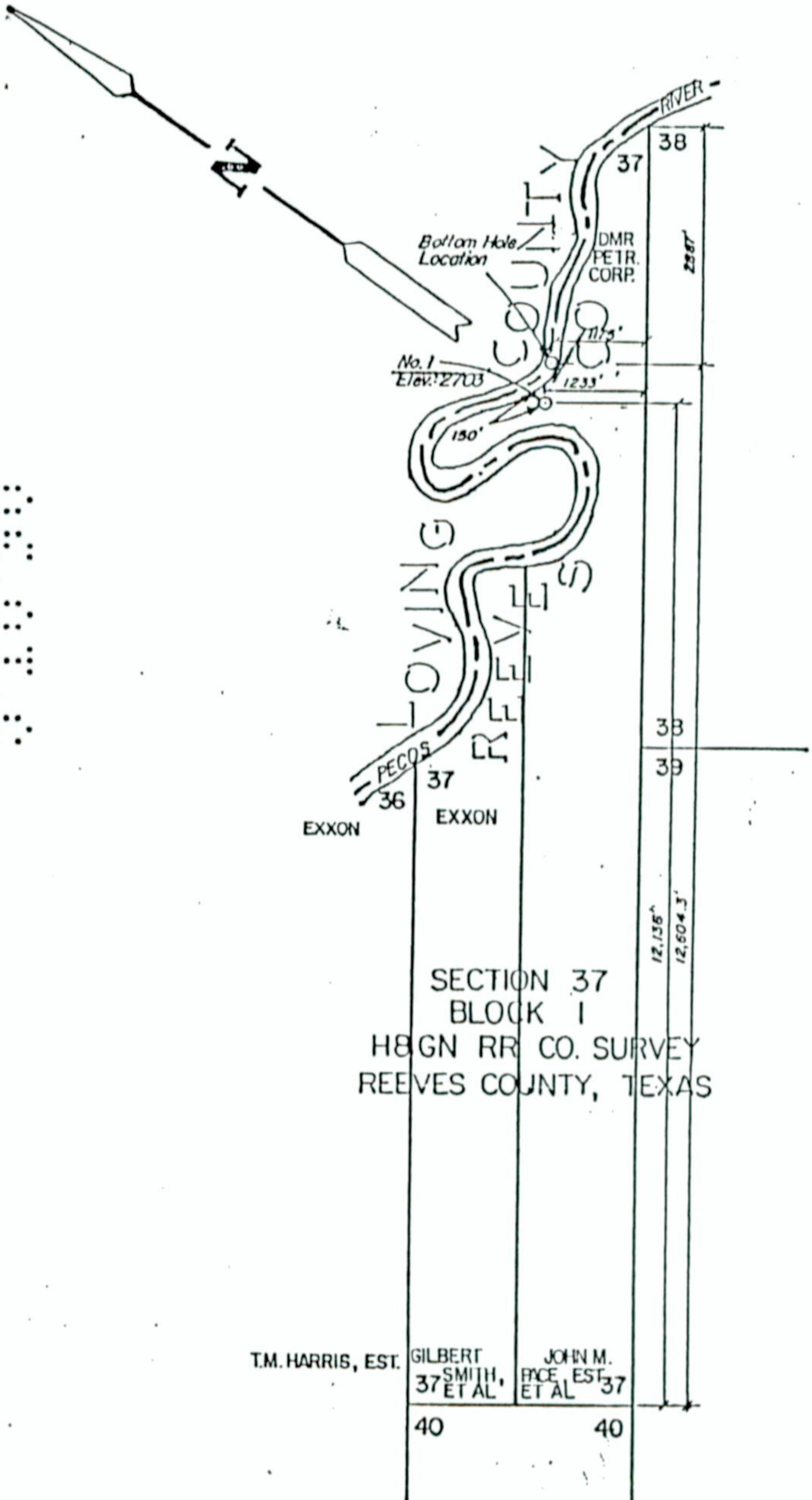
John R. Dorr
Signature — Name and title of operator's representative

Date: 5 (mo.) 15 (day) 90 (yr.) Tel.: 915 (Area Code) 445-4927 (Number)

Remarks
This location will require an Exception to SWR-37

• RRC Use Only •

06-81-6



PLAT OF DMR PETROLEUM CORPORATION'S PECOS RIVER TRACT 7 NO. 1, LOCATED 1233' FROM SOUTHEAST LINE AND 12136' FROM THE SOUTHWEST LINE AND BOTTOM HOLE LOCATION LOCATED 1175' FROM THE SOUTHEAST LINE AND 12604.3 FEET FROM THE SOUTHWEST LINE IN SECTION 37, BLOCK 1, H&GN RR COMPANY SURVEY, REEVES COUNTY, TEXAS.

SCALE: 1" = 2000'
DATE: APRIL 12, 1985

I, Frank X. Spencer, a Registered Public Surveyor of the State of Texas, do hereby certify that the foregoing plat represents a survey as made by me and under my direction, on the ground, on this date and is true and correct to the best of my knowledge.

STATE OF TEXAS
FRANK X. SPENCER
2198
REGISTERED
PUBLIC SURVEYOR

FRANK X. SPENCER
REGISTERED PUBLIC SURVEYOR NO. 2198

May 16, 1990

Railroad Commission of Texas
Capitol Station
P. O. Drawer 12967
Austin, Texas 78711

Re: Exception to Rule 37
John R. Dorr
Pecos River Tract 7 - No.1
Reeves County, Texas

Gentlemen:

We hereby waive any objection to John R. Dorr's request for Rule 37 exception for his proposed re-entry to the Pecos River Tract 7 - No. 1, located 12,136' FSWL and 1233' FSEL Section 37, Block 1, H&GN RR Co. Survey, Reeves County, Texas.

Garry Mauro, Commissioner
General Land Office
1700 North Congress Avenue
Austin, Texas 78701

Revised 4-7-89

DATA SHEET FOR STATEWIDE RULE 10 EXCEPTION APPLICATION

Oil and Gas Docket No. ______________ RRC District 8
(If Applicable)

(1) **Operator:** John R. Dorr, P. O. Drawer 31, Pecos, Texas 79772

(2) **Lease Name and Well Number:** Pecos River Tract 7, Well No. 1

(3) **Field Names** (Indicate oil or gas and special field rules, if any, for each zone, top allowable for a well in each field. Indicate discovery date of each field and depth.

Cognac (Delaware), oil production, gas TSTM, allowable 30 bbls, field discovered August 1985, depth 3860' - 3871'.
Cognac (Cherry Canyon), oil production, gas production, allowable 340 bbls, field discovered March 1983, depth 4900' - 5900'.

(4) Indicate one instance (Operator, Lease, Well Number) wherein the Commission has granted a Statewide Rule 10 Exception for these same zones. There are none (If no previous exception has been granted, a public hearing must be held).

(5) Is this well currently on the Commission's Schedule as a multi-completed well in the zones cited above? no If not, explain well status in detail and indicate if Form W-1 has been filed for zones not on the schedule. Indicate completion date of the subject well in each zone. (see attachments)

(6) Is this a regular location with respect to all zones for which the exception is requested? no

(7) If the answer to Item (6) is "NO", was a Rule 37 permit obtained? yes If so state the Rule 37 Case Number): 99,328 3-6-86

(8) Are Royalty and Working Interests identical with respect to all proposed combined zones in the well? yes

(9) Attach history of subject well including current producing capabilities, current shut-in BHP for each zone. Indicate method of determining BHP. (see attachments)

(10) Indicate estimated daily commingled production. (see attachments)

(11) Attach schematic diagram of current and proposed well completion. Indicate where production tubing will be set. (see attachments)

(12) Attach plat or list identifying offset operators and offset wells completed in the proposed combined zones. Attach letters or waivers from offset operators or indicate date each offset was notified of this request. (see attachments)

(13) Will combined production be artificially lifted? yes

(14) Attach detailed summary as to why this well cannot be produced as a multi-completed well. Also include detailed reasons for desiring the requested exception. (see attachments)

(15) Will cross-flow exist if combined production is permitted? no If cross-flow did exist, would reservoir damage result? no

(16) Present evidence that the fluids from both zones are compatible. (see water compatibility analysis)

(17) Present evidence as to the additional recovery of hydrocarbons which result from down hole commingling. Also present evidence of the estimated recoverable reserves from each zone without commingling. (see attachments)

(18) If commingling is not approved, what action will the operator take. (see attachments)

(19) Indicate the field you request the commingled wellbore be assigned to for proration purposes (For first application in these fields only).
Unsure at this time, need allowable assigned to each field before deciding.

Rule 10 Data Sheet
River Tract No. 1

Note: All answers are provided on the sheet itself when room was available. Other answers will be listed on this and accompaning pages.

ITEM 5

This well is currently not a multi-completed well. It was originally drilled and completed as a Cognac (Delaware) producer in August of 1985. A Rule 37 permit was obtained for original completion in the Delaware Reservoir by Case No. 99,328 dated March 6, 1986. A Rule 37 request for completion into the Cherry Canyon Reservoir is being filed concurrently with this Rule 10 application.

ITEM 9

History of subject well: This well is located 12,136' FSWL and 1233' FSEL of Section 37, Block 1, H&GN Survey, Loving County, Texas. This well was drilled and completed in March of 1986 and has produced to date less than 1000 bbls of oil and an insignificant amount of gas from the Delaware Reservoir. Current producing capabilities are 1 BOPD, 50 BWPD and gas TSTM. The current estimated bottom hole pressure of the Delaware Reservoir is 2000 - 2100 P.S.I. The current estimated bottom hole pressure of the Cherry Canyon reservoir is 2500 - 2600 P.S.I. Bottom hole pressures were determined by measuring static fluid levels after sufficient shut-in time allowed stabilization of same.

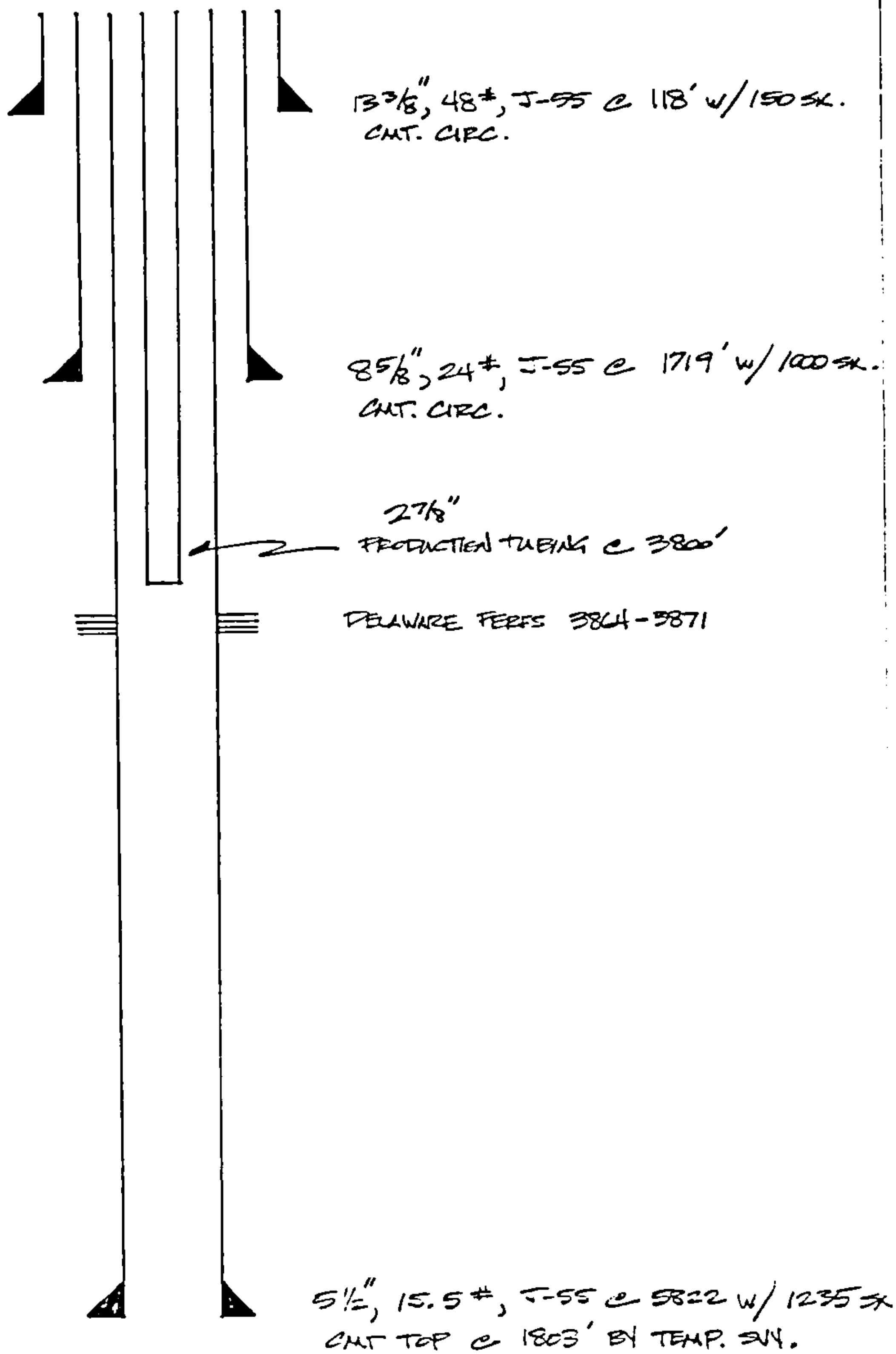
ITEM 10

Estimated daily commingled production will be available after production testing is completed.

RULE 10 DATA SHEET

RIVER TRACT NO. 1

ITEM 11 A "CURRENT COMPLETION STATUS"

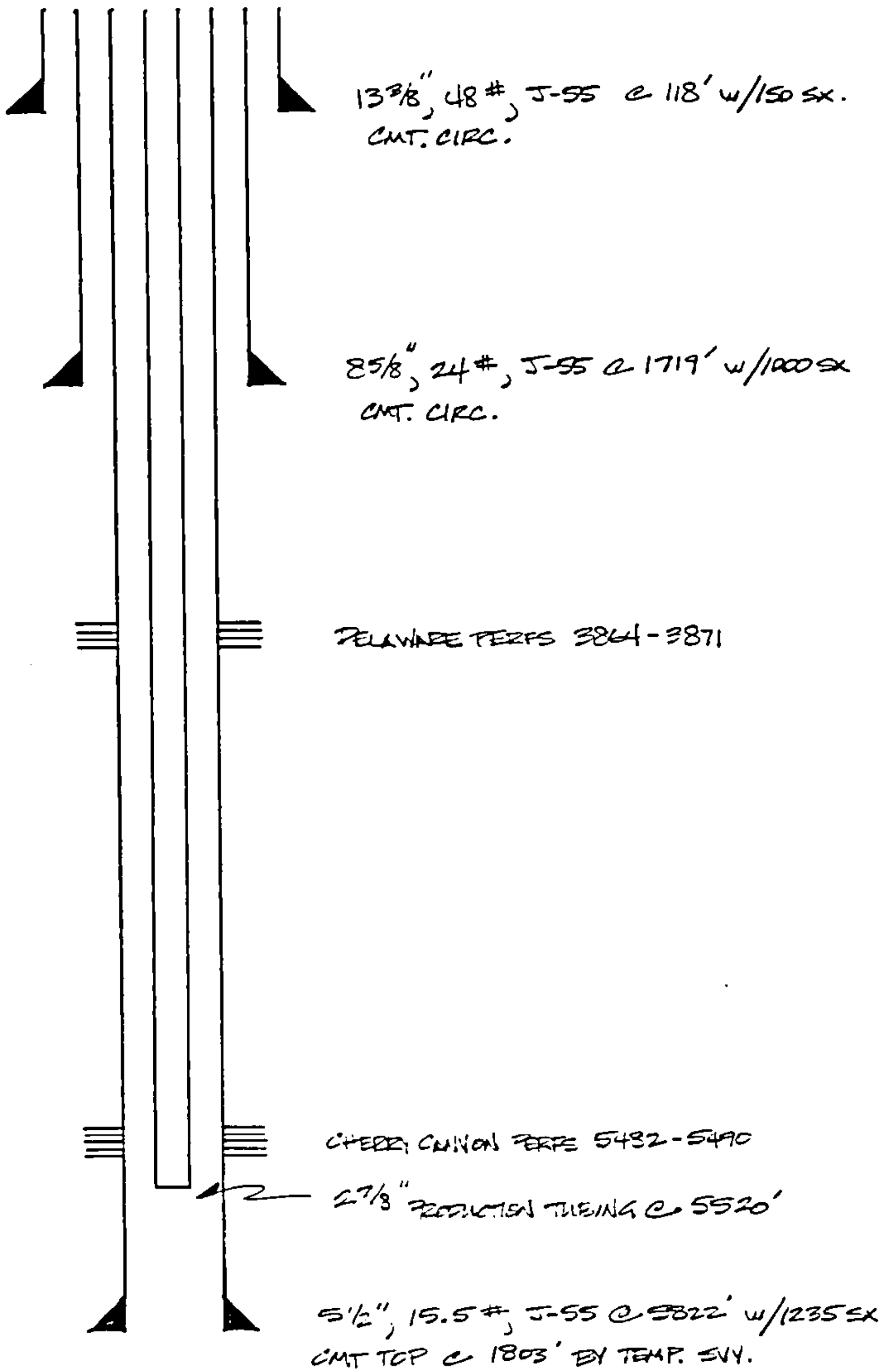


FILE ID DATA SHEET

RIVER TRACT NO. 1

ITEM II B

"PROPOSED COMPLETION STATUS"



Rule 10 Data Sheet
River Tract No. 1

ITEM 12

Only offset operator is Crown resources out of Midland, Texas. Currently all of Crown's wells are shut-in.

ITEM 14

It is not economically or mechanically feasible to "Dual" or "Multi" complete this well. The well is currently equipped with 5 1/2" casing and 2 7/8" tubing. Trying to dual complete this well would necessitate the purchase of two additional strings of tubing and some pack off tools to separate the two zones. This mechanical separation of zones causes unnecessary additional funds to be spent on the completion process whose economics are already marginal at best.

A dual completion of this wellbore would not allow us the ease and flexibility that commingling allows for chemical treatment of both zones. With these zones commingled and production tubing set below the lower zone, we can chemically treat both zones down the tubing - casing annulus. Separating the zones in a dual completion would not allow us to chemically treat in this manner. Therefore, the primary reason for requesting this exception is to prevent premature abandonment of the upper zone and to utilize our existing equipment to recover additional hydrocarbons that might otherwise be uneconomic to recover.

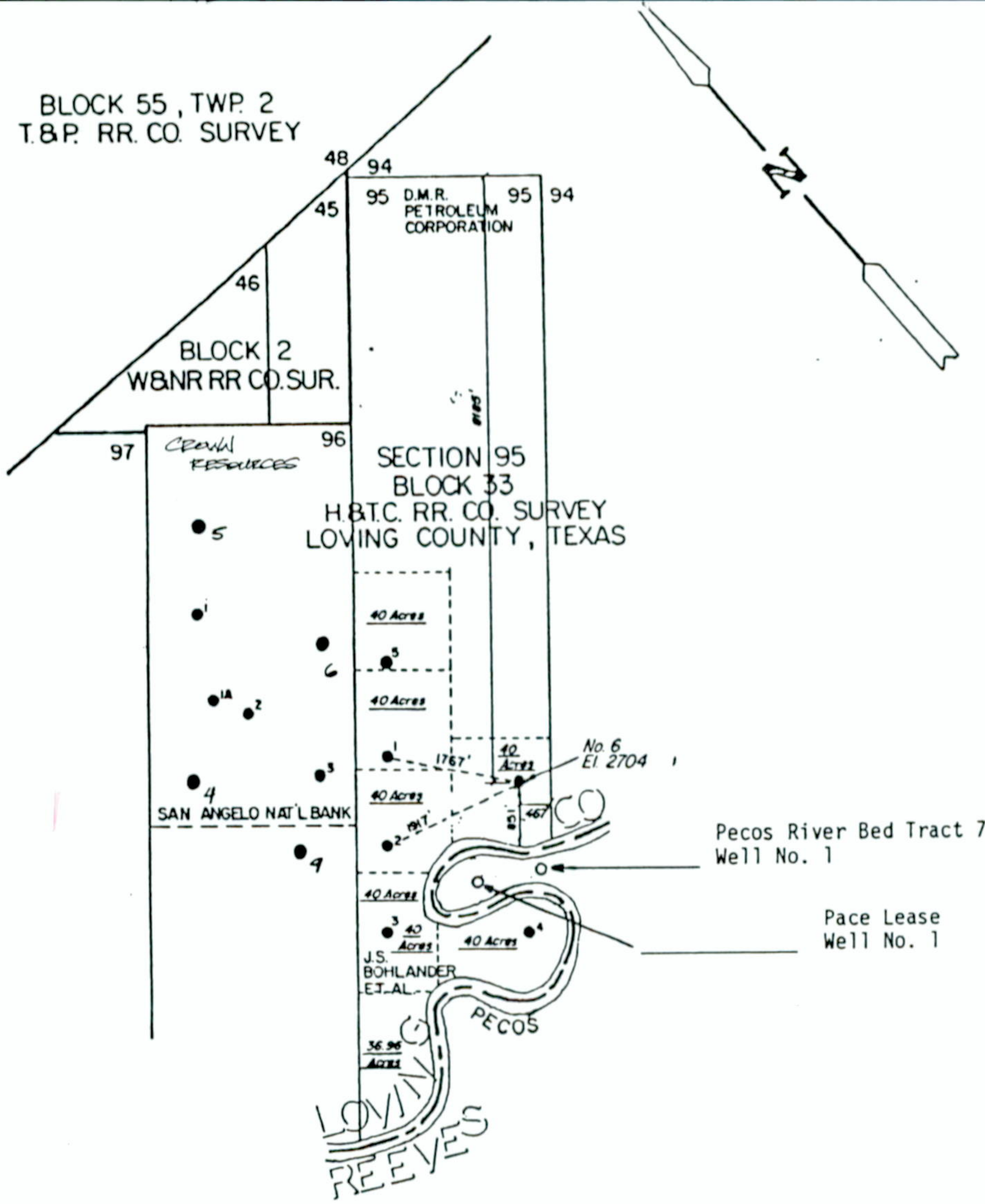
Rule 10 Data Sheet
River Tract No. 1

ITEM 17

Additional reserves will be recovered from the upper zone if commingling is approved. Estimated recoverable reserves from the upper zone without commingling is zero. This zone is uneconomical on its own. The recoverable reserves from the lower zone can not be accurately estimated without sufficient history.

ITEM 18

If commingling is not approved, the upper zone would probably squeezed off in favor of the lower zone.



PLAT OF DMR PETROLEUM CORPORATION'S BOHLANDER WELL NO. 6, LOCATED 6185' FROM THE NORTHEAST LINE AND 467' FROM THE SOUTHEAST LINE OF SECTION 95, BLOCK 33, H&TC RR COMPANY SURVEY, LOVING COUNTY, TEXAS.

SCALE: 1" =2000'
DATE: APRIL 3, 1985

I, Frank X. Spencer, a Registered Public Surveyor of the State of Texas, do hereby certify that the foregoing plat represents a survey as made by me and under my direction, on the ground, on this date and is true and correct to the best of my knowledge.

STATE OF TEXAS
FRANK X. SPENCER
2196
REGISTERED
PUBLIC SURVEYOR

FRANK X. SPENCER
REGISTERED PUBLIC SURVEYOR #2196

JOHN R. DORR, PETROLEUM LAND MANAGEMENT
212 SECURITY STATE BANK BUILDING P.O. DRAWER 31 PECOS, TEXAS 79772
AREA CODE 915 445-4927

May 15, 1990

Railroad Commission of Texas
P. O. Box 12967
Capitol Station
Austin, Texas 78711

Re: John R. Dorr
Exception to SWR-37
Pecos River Tract 7 - No. 1
Request for Waiver

Gentlemen:

John R. Dorr plans to re-enter the Pecos River Tract 7 - No. 1 in the Cognac (Cherry Canyon) Field, Reeves County, Texas at the following location:

12,136' FSWL & 1233' FSEL
Section 37, Block 1, H&GN RR Company Survey

John R. Dorr has a fifty-five (55) acre lease in the Pecos Riverbed which extends from the northwest corner of Section 35 east to the northeast corner of Section 37. The width of the riverbed over this interval varies from two to three hundred feet. The bottom-hole location is 12,604' FSWL of Section 37 in the middle of the riverbed.

It will be noted from the attached plat that the unit acreage for Pecos River Tract 7 - No. 1 is most irregular, stretching along the north edge of the three sections to the south of the river. The bottom-hole location is one hundred feet from each riverbank, making it necessary to apply for a SWR-37 permit.

Please provide me with a form for notification by publication.

Very truly yours,

John R. Dorr

JOHN R. DORR

JRD:bp
encls.

OFFSET OPERATORS &
MINERAL OWNERS
to
JOHN R. DORR
PECOS RIVER TRACT 7-NO.1

Crown Resources
P. O. Box 694
Midland, Texas 79702
Michael Black

The State of Texas
Austin, Texas 78710

Anderson Ranch
P. O. Box 189
Pecos, Texas 79772

Michael Harrison
P. O. Box 189
Pecos, Texas 79772

Numerous Mineral Owners Under Section 35 and 38, Block 1, H&GN RR Co. Survey, Reeves County, Texas

Numerous Mineral Owners Under Sections 95, 96 and 97, Block 33, H&TC RR Co. Survey, Loving County, Texas

6.

M-93416

Reentry Application
well #1
5-19-90

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TEXAS GENERAL LAND OFFICE
P O BOX 12873
AUSTIN TX 78711-2873

ATTN: CARL BONN, Energy Resources
03111

GENERAL LAND OFFICE
AUG 2 9 2005
RECEIVED

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

1. Article Addressed to:

John R. Dorr
PO Drawer 31
Pecos, Texas 79772

MF093416

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X Elsa Ward ☐ Agent ☐ Addressee

B. Received by (*Printed Name*) ELSA WARD

C. Date of Delivery 8 26 05

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

3. Service Type
☒ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? *(Extra Fee)* ☐ Yes

2. Article Number
(Transfer from service label) 7003 2260 0003 0831 2157

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TEXAS GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

August 23, 2005

VIA CRRR#7003 2260 0003 0831 2157

John R. Dorr
PO Drawer 31
Pecos, Texas 79772

RE: Termination of State Lease MF093416
Lease: Pecos River Tract "7" (08-30267)
Reeves County, TX

Dear Mr. Dorr:

A review of our records has determined that the above-referenced lease terminated August 1, 1988 due to non-production. The lease has not been held by timely paid shut-in payments and there is no documentation in this office of any reworking operations. As a result, this lease has terminated under the terms and conditions of the lease and laws of the state as further defined in Title 31 of the Texas Administrative Code ("TAC"). Pursuant to the TAC, a recorded original or certified copy of a Release of the State Oil and Gas Lease must be filed with our office.

In accordance with the provisions of the TAC, if you disagree with this assessment please provide evidence to this office at the address shown below within 30 days of receipt of this letter. Failure to reply or failure to present sufficient evidence of the continuation of the lease will result in the mineral file being endorsed as terminated. You will receive no further communication from this office prior to termination.

Sincerely,

Carl F. Bonn, CPL
Mineral Leasing
Direct Number (512) 463-5407

#1

File No. MF093416

Termination Ltr.

Date Filed: 3-15-06

Jerry E. Patterson, Commissioner

By Carl Bonn