



F291847

M

F

0

9

5

8

2

3

UNION PACIFIC RESOURCES

2414 58.55 UNIT ACRES

STATE LEASE - RIVERBED

M-95823

2525 80.35 UNIT ACRES

Term
2-1-98

171.90 NON-UNIT AC.

✓
TERMINATED

7-19-04

Accounting

CJB

Legal

Expenses Port.

Partnership

CJB-AS

COUNTY (CODE)
SURVEY
BLOCK
TOWNSHIP
SECTION (S)
PART
ACRES
DEPTH LIMITS
BASE FILE (S)
CONTROL NO. (S)
CONTROL NO. (S)

BRAZOS (21) WASHINGTON (239)
BRAZOS RIVER
N/A
N/A
3
SEE LEASE
310 APPROX. ~~2~~ 58.55
N/A
N/A
01-00076-7 (BRAZOS)
01-00078-5 (WASHINGTON)

LESSEE
DATE
PRIMARY TERM
BONUS (\$)
ROYALTY
RENTAL (\$)
VARIABLE ROYALTY

UNION PACIFIC RESOURCES
04-05-94
THREE (3) YRS.
31,000.00
1/4
5.00
YES

RENTALS

LL

LEASE
ADMIN.

ELIAS

MINERAL
MAPS

ⓧ

3,-



291847

MF 095823

Contents of Mineral File Number: MF-095823

1. Bid Form	4-05-94
2. Lease	4-05-94
3. Transmittal Letter	5-5-94
4. Delay Rental payment	3-6-95
5. Pooling Committee Rpt	4-29-96
6. Pooling Agreement	4-29-96
7. Appl. to Drill well #1	4-29-96
8. Pooling Committee Rpt	1-23-97
9. Pooling Agreement	1-23-97
10. Appl. to Drill well # 1-H	1-23-97
11. Completion Rpt well # 1-H	1-23-97
12. Rental payment	3-25-96
13. Division Order	3-5-97
14. Assignment	7-13-98
15. Ltr	7-23-98
16. Review Summary	3-19-01
17. Emails	1-30-02
18. Partial Termin Ltr	12/14/02
19. Partial Termin Ltr	12-11-02
20. Emails	1-16-02
21. Email from Anadarko	10-16-03
22. Fax from Anadarko + ^{rework} rework reports on H.H. Moore Unit well # 1	10-16-03

Scanned sm 1/25/16



95823

APRIL 5, 1994

MINERAL LEASE BID APPLICATION

Texas General Land Office ED - CA-040(8-93)

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 (type/print)

Name Union Pacific Resources Company
Address P.O. Box 7
City Ft. Worth State TX Zip 76101-0007
(Include +4 Code)
Telephone (817) 877-7234

AREA DESCRIPTION

County(ies) Brazos & Washington Survey/Area Brazos River Tract 3
(If Applicable)
Block/Tsp. _____ Section/Tract 3 Acres 310.00
(If Applicable)

BID SUBMISSION

94044792
(A) Cash Bonus Enclosed (\$) 31,000.00 (type/print amount below)
Thirty one thousand dollars and zero cents
(B) Sales Fee Attached (\$) 465.00 **94044793** (type/print amount below)
four hundred sixty five dollars and zero cents
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.

35

APPLICANT (same as above)

Union Pacific Resources Company

BONUS AMOUNT ONLY (A)

(Do Not include sales fee)

(\$) 31,000.00

APPLICANT TAX I.D. #

[REDACTED]

SIGNATURE OF AGENT

(type/print below)

Ginny Markley
Ginny Markley

(1.)
ELIÁS

BID FORM
M-95B23
4-05-94

...

The State of Texas



Austin, Texas

OIL AND GAS LEASE
NO. M-95823

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 3, BRAZOS RIVER, BRAZOS & WASHINGTON COUNTIES, TEXAS, CONTAINING APPROXIMATELY 310 ACRES IS BOUND ON THE NORTHWEST BY A NORTHERLY EXTENSION OF THE EAST LINE OF THE PETER & WILLIAM KERR SURVEY, A-69, AND IS BOUND ON THE SOUTHEAST BY AN EASTERLY EXTENSION OF SOUTH LINE OF THE WM. S. BROWN SURVEY, A-18, BOTH SURVEYS BEING LOCATED IN WASHINGTON COUNTY,

was, after being duly advertised, offered for lease on the 5th day of April, 1994, 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 5th day of April, 1994, and it was found and determined that Union Pacific Resources Company whose address is P.O. Box 7, Fort Worth, TX 76101-0007 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 Thirty-one Thousand and No/100 Dollars (\$31,000.00), receipt of which is hereby acknowledged and of the royalties, covenants, stipulations and conditions contained and hereby agreed to be paid, observed and performed by Lessee, do hereby demise, grant, lease and let unto 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. RESERVATION:** There is hereby excepted and reserved to Lessor the full use of the property covered hereby and all rights with respect to the surface and subsurface thereof for any and all purposes except those granted and to the extent herein granted to Lessee, together with the rights of ingress and egress and use of said lands by Lessor and its mineral lessees, for purposes of exploring for and producing the minerals which are not covered, or which may not be covered in the future, under the terms of this lease, but which may be located within the surface boundaries of the leased area. All of the rights in and to the leased premises retained by Lessor and all of the rights in and to the leased premises granted to Lessee herein shall be exercised in such a manner that neither shall unduly interfere with the operations of the other.
- 2. TERM:** Subject to the other provisions hereof, this lease shall be for a term of three (3) years from the effective date hereof (herein called "primary term") and as long thereafter as oil or gas is produced in paying quantities from said area.
- 3. DELAY RENTALS:** If no well be commenced on the land hereby leased on or before the anniversary date of this lease, 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 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.
- 4. PRODUCTION ROYALTIES:** Subject to the provisions for royalty reductions set out in subparagraph (E) of this paragraph 4, 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, $\frac{1}{4}$ 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) $\frac{1}{4}$ 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, $\frac{1}{4}$ 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, $\frac{1}{4}$ 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 eighteen (18) months of the effective date hereof, the royalty rate provided herein 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 eighteen (18) 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 three (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 three (3) 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 three (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 eighteen (18) months from the effective date hereof but prior to the expiration of thirty-six (36) months from the effective date hereof, the royalty rate provided herein shall be reduced to 22.5% and shall apply to each subsequent well drilled and produced on the land covered by this lease.

(F) NO DEDUCTIONS: Lessee agrees that all royalties accruing to Lessor under this lease shall be without deduction for the cost of producing, transporting, and otherwise making the oil, gas and other products produced hereunder ready for sale or use.

(G) 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.

(H) **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.

(I) **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.

5. **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 sixty (60) days overdue. Affidavits and supporting documents which are not filed when due shall incur a penalty in an amount set by the General Land Office administrative rule which is effective on the date when the affidavits or supporting documents were due. The Lessee shall bear all responsibility for paying or causing royalties to be paid 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.

6. (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.

(B) **DRILLING RECORDS:** Written notice of all operations on this 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. Copies of well tests, completion reports and plugging reports shall be supplied to the General Land Office at the time they are filed with the Texas Railroad Commission. 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.

7. **RETAINED ACREAGE:** 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.

(A) **VERTICAL:** In the event this lease is in force and effect two (2) years after the expiration date of the primary or extended 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 11 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.

(B) **HORIZONTAL:** In the event this lease is in force and effect two (2) years after the expiration date of the primary or extended term it shall further terminate as to all depths below 100 feet below the total depth drilled (hereinafter "deeper depths") in each well located on each unit retained in Paragraph 7 (A) above, unless on or before two (2) years after the primary or extended term Lessee pays an amount equal to one-half (1/2) of the bonus originally paid as consideration for this lease (as specified on page 1 hereof). If such amount is paid, this lease shall be in force and effect as to such deeper depths, and said termination shall be delayed for an additional period of two (2) years and so long thereafter as oil or gas is produced in paying quantities from such deeper depths covered by this lease.

(C) **IDENTIFICATION AND FILING:** The surface 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 and/or depths 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 Lessee fails or refuses to execute and record such release or releases within ninety (90) days after being requested to do so by the General Land Office, then the Commissioner at his sole discretion may designate by written instrument the acreage and/or depths to be released hereunder and record such instrument at Lessee's expense in the county or counties where the lease is located and in the official records of the General Land Office and such designation shall be binding upon Lessee for all purposes. 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.

8. **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 one thousand (1,000) 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.

9. **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 during the primary term hereof and 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 commences or resumes the payment of the annual delay rental in the same manner as provided in 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 herein 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 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 shut-in provisions hereof.

10. **CESSATION, DRILLING, AND REWORKING:** If, after the expiration of the primary term, production of oil or gas from the leased premises, after once obtained, should cease from any cause, this lease shall not terminate if Lessee commences additional drilling or reworking operations within sixty (60) days after such cessation, and this lease shall remain in full force and effect for so long as such operations continue in good faith and in workmanlike manner without interruptions totaling more than sixty (60) days. If such drilling or reworking operations result in the production of oil or gas, the lease shall remain in full force and effect for so long as oil or gas is produced from the leased premises in paying quantities or payment of shut-in oil or gas well royalties or payment of compensatory royalties is made as provided herein or as provided by law. If the drilling or reworking operations result in the completion of a well as a dry hole, the lease will not terminate if the Lessee commences additional drilling or reworking operations within sixty (60) days after the completion of the well as a dry hole, and this lease shall remain in effect so long as Lessee continues drilling or reworking operations in good faith and in a workmanlike manner without interruptions totaling more than sixty (60) days. Lessee shall give written notice to the General Land Office within thirty (30) days of any cessation of production.

11. **SHUT-IN ROYALTIES:** For purposes of this paragraph, "well" means any well that has been assigned a well number by the state agency having jurisdiction over the production of oil and gas. If at any time after the expiration of the primary term of a lease that, until being shut in, was being maintained in force and effect, a well capable of producing oil or gas in paying quantities is located on the leased premises, but oil or gas is not being produced for lack of suitable production facilities or a suitable market, 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. To be effective, each initial 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 following 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 more successive periods of one (1) year by paying the same amount each year on or before the expiration of each shut-in year. 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 maintain 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. The Lessee may maintain the lease for four more successive years by Lessee paying compensatory royalty at the royalty rate provided in the lease of the market value of production from the well 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 following the month in which the oil or gas is produced from the well causing the drainage or that is completed in the same producing reservoir and located within one thousand (1,000) feet of the leased premises; 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 the Commissioner's written approval, the payment of compensatory royalties shall satisfy the obligation to drill offset wells.

12. **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.

13. **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.

14. **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.

15. **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.

16. **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.

17. **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.

18. **LIEN:** In accordance with N.R.C. Section 52.136, 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. By acceptance of this lease, Lessee grants the State, in addition to the lien provided by N.R.C. Section 52.136 and any other applicable statutory lien, an express contractual lien on and security interest in all leased minerals in and extracted from the leased premises, all proceeds which may accrue to Lessee from the sale of such leased minerals, whether such proceeds are held by Lessee or by a third party, and all fixtures on and improvements to the leased premises used in connection with the production or processing of such leased minerals in order to secure the payment of all royalties or other amounts due or to become due under this lease and to secure payment of any damages or loss that Lessor may suffer by reason of Lessee's breach of any covenant or condition of this lease, whether express or implied. This lien and security interest may be foreclosed with or without court proceedings in the manner provided in the Title 1, Chapter 9 of the Texas Business and Commerce Code. Lessee agrees that the Commissioner may require Lessee to execute and record such instruments as may be reasonably necessary to acknowledge, attach or perfect this lien. Lessee hereby represents that there are no prior or superior liens arising from and relating to Lessee's activities upon the above-described property or from Lessee's acquisition of this lease. Should the Commissioner at any time determine that this representation is not true, then the Commissioner may declare this lease forfeited as provided herein.

19. **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.

20. **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.

21. **APPLICABLE LAWS AND DRILLING RESTRICTIONS:** This lease shall be subject to all rules and regulations, and amendments thereto, promulgated by the Commissioner of the General Land Office governing drilling and producing operations on Permanent Free School Land, payment of royalties, and auditing procedures, and shall be subject to all other valid statutes, rules, regulations, orders and ordinances that may affect operations under the provisions of this lease. Without limiting the generality of the foregoing, Lessee hereby agrees, by the acceptance of this lease, to be bound by and subject to all statutory and regulatory provisions relating to the General Land Office's audit billing notice and audit hearings procedures. Said provisions are currently found at 31 Texas Administrative Code, Chapter 4, and Texas Natural Resources Code Sections 52.135 and 52.137 through 52.140. In the event this lease covers land franchised or leased or otherwise used by a navigation district or by the United States for the purpose of navigation or other purpose incident to the operation of a port, then Lessee shall not be entitled to enter or possess such land without prior approval as provided under Section 61.117 of the Texas Water Code, but Lessee shall be entitled to develop such land for oil and gas by directional drilling; provided, however, that no surface drilling location may be nearer than 660 feet and special permission from the Commissioner of the General Land Office is necessary to make any surface location nearer than 2,160 feet measured at right angles from the nearest bulkhead line or from the nearest dredged bottom edge of any channel, slip, or turning basin which has been authorized by the United States as a federal project for future construction, whichever is nearer.

22. **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.

23. **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.


24. **RAILROAD COMMISSION HEARINGS ON GAS:** No natural gas or casinghead gas, including both associated and non-associated 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.

25. **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 herein on all oil, gas or other hydrocarbons lost by reason of theft.

26. **REDUCTION OF PAYMENTS:** If, during the primary term, a portion of the land covered by this lease is included within the boundaries of a pooled unit that has been approved by the School Land Board in accordance with Natural Resources Code Sections 52.151-52.153, or if, at any time after the expiration of the primary term or the extended term, this lease covers a lesser number of acres than the total amount described herein, payments that are made on a per acre basis hereunder shall be reduced according to the number of acres pooled, released, surrendered, or otherwise severed, so that payments determined on a per acre basis under the terms of this lease during the primary term shall be calculated based upon the number of acres outside the boundaries of a pooled unit, or, if after the expiration of the primary term, the number of acres actually retained and covered by this lease.

27. **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, effective this 5th day of April, 1994.


COMMISSIONER OF THE GENERAL LAND OFFICE
OF THE STATE OF TEXAS

APPROVED

Contents _____
Legal _____
DC _____
SD _____
Exec _____



2.

OIL AND GAS LEASE NO. M-95B23

DATE 4-05-9A BY ELLS



May 12, 1994

Ms. Ginny Markley
Union Pacific Resources Company
P.O. Box 7
Fort Worth, TX 76101-0007

Dear Ms. Markley:

Thank you for your participation in the State of Texas Oil and Gas Lease Sale held on the 5th day of April, 1994. 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. 35

M-95823

The lease agreement for this marginal number is enclosed. The lease will serve as your receipt for the amount of your bid. Also, your contractual and statutory responsibilities to the Texas General Land Office are outlined in the lease agreement. Section 6(B) requires operators to submit written notice of all drilling, production, and related activities. More specifically, when a lessee files various forms with the Texas Railroad Commission and the Department of Energy, they are required to submit copies of these forms to the Texas 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;
Electrical Logs (any scale and within fifteen (15) days after they are made);
Directional Surveys;
P-12, Certificate of Pooling Authority
F-1, NGPA Supplemental Application; and
FERC-121, Application for Determination

When production is secured from this lease, it is required that monthly production/royalty reports (GLO Forms 1,1a,2,2a) be submitted to the Texas General Land Office outlining production/disposition activities for the month. If you are not familiar with the required forms and procedures, please call the Royalty Management Division of the General Land Office at (512)463-5042 and request the Oil and Gas reports and payment procedures booklet.

Lessees should contact the coding agency of the Texas General Land Office Resource Management Division for updates and any additional information prior to drilling.

Your cooperation in complying with the reporting requirements outlined above will be greatly appreciated, and will contribute to the Texas 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 at (512)463-5022 if you need any assistance in the future, or if you have questions concerning the state lease that you operate.

Sincerely,


Garry Mauro
Texas Land Commissioner

GM/DP/1h

Enclosure

Garry Mauro
Commissioner
Texas General Land Office

Stephen F. Austin Building
1700 North Congress Avenue
Austin, Texas 78701-1495
(512) 463-5256

3.

MF-95823

Transmittal HV

5-5-94

PLEASE DETACH AND SIGN THIS RECEIPT COPY AND RETURN
IN THE ENCLOSED SELF-ADDRESSED STAMPED ENVELOPE

Union Pacific Resources

LESSOR: ST OF TX M-95823

IF CORRESPONDENCE IS REQUIRED, PLEASE MAKE
REFERENCE TO THE LEASE NUMBER BELOW.

CHECK NO. 129325

LEASE DATE	STATE	COUNTY OR PARISH	RECORDING	FOR PERIOD		TRACT	COMPANY LEASE NUMBER	
				MOS.	BEGINNING			
04/05/94	TX	WASHINGTON	V750 P397	12	04/05/95	01	TX2 72414	

TAXID: ST TX M-95823
ST OF TX M-95823
1700 NORTH CONGRESS

STEPHEN F AUSTIN BLDG
AUSTIN TX 78701

~~\$1,550.00~~

95040396



121

PLEASE SIGN BELOW AND RETURN

RECEIVED BY _____

Date _____

PLEASE DIRECT ALL

- **telephone** inquiries to VOICE MAIL BOX (817) 877-7077
- **mail** address/I.D. # changes and inquiries to:
ATTN: OBLIGATIONS
Mail Station 3110
P.O. Box 7
Fort Worth, TX 76101-007

LESSOR: ST OF TX M-95823

IF CORRESPONDENCE IS REQUIRED, PLEASE MAKE
REFERENCE TO THE LEASE NUMBER BELOW.

CHECK NO. 129325

LEASE DATE	STATE	COUNTY OR PARISH	RECORDING	FOR PERIOD		TRACT	COMPANY LEASE NUMBER	
				MOS.	BEGINNING			
04/05/94	TX	WASHINGTON	V750 P397	12	04/05/95	01	TX2 72414	

④

95823
Delay Rental Lynet.
3-6-95

95823

2414

DO NOT DESTROY

Inertive

7-19-04

GLO-36-10-84

-MEMO-

Operator UPRC

Unit Name H. H. MOORE

County Brazos/Washington

Effective Date 2-6-96

Unitized for: Oil Gas Oil & Gas

1. M.F. No. 095823

Area Riverbed Tr. _____

Sec. _____ Blk. _____ Survey _____

58.55

$$\frac{1039.59}{.056324} \times .225 = \frac{01.2672}{.012672} \%$$

2. M.F. No. _____

Area _____ Tr. _____

Sec. _____ Blk. _____ Survey _____

_____ x _____ . _____ %

3. M.F. No. _____

Area _____ Tr. _____

Sec. _____ Blk. _____ Survey _____

_____ x _____ . _____ %

4. M.F. No. _____

Area _____ Tr. _____

Sec. _____ Blk. _____ Survey _____

_____ x _____ . _____ %

REMARKS:

Keyd M.T. 3-7-97

2414

Inactive
7-19-04

POOLING COMMITTEE REPORT

TO: SCHOOL LAND BOARD

DATE: February 6, 1996

OPERATOR: Union Pacific Resources Company COUNTY: Brazos & Washington

UNIT NAME: H.H. Moore Unit No. 1 FIELD: Giddings (Austin Chalk-3)

STATE LEASE(S) IN UNIT

Lease *Type	State Number	State Royalty	Expiration Date	Term Year	Acres	Acres In Unit	Lessee of Record
SF	M-95823	1/4 **	4/5/97	3	310	58.55	UPRC

** Subject to royalty reduction clause in the state lease

- * RAL = Relinquishment Act
- * SF = State Fee
- * FR = Free Royalty

PRIVATE ACRES: 981.04

STATE ACRES: 58.55

TOTAL UNIT ACRES: 1039.59

Unitized for: Depth(s): Well Location:

Oil _____ See Remarks State Land _____

Gas _____ Formation: Private Land x

Both x See Remarks

Participation: Railroad Commission Rules:

Basis Surface acreage Spacing 1,160 Acres

State Acreage 5.63% Acreage Factor 100%

State Unit Royalty 1.27%

Agree to drill to density of field rules: Yes x No _____

Holds only acreage included in the unit past primary term: Yes x No _____

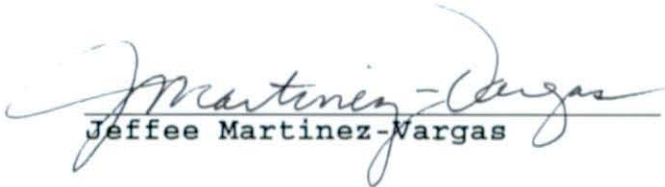
Satisfactory geological data furnished: Yes x No _____

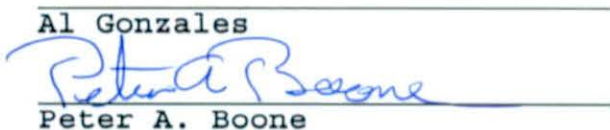
REMARKS:

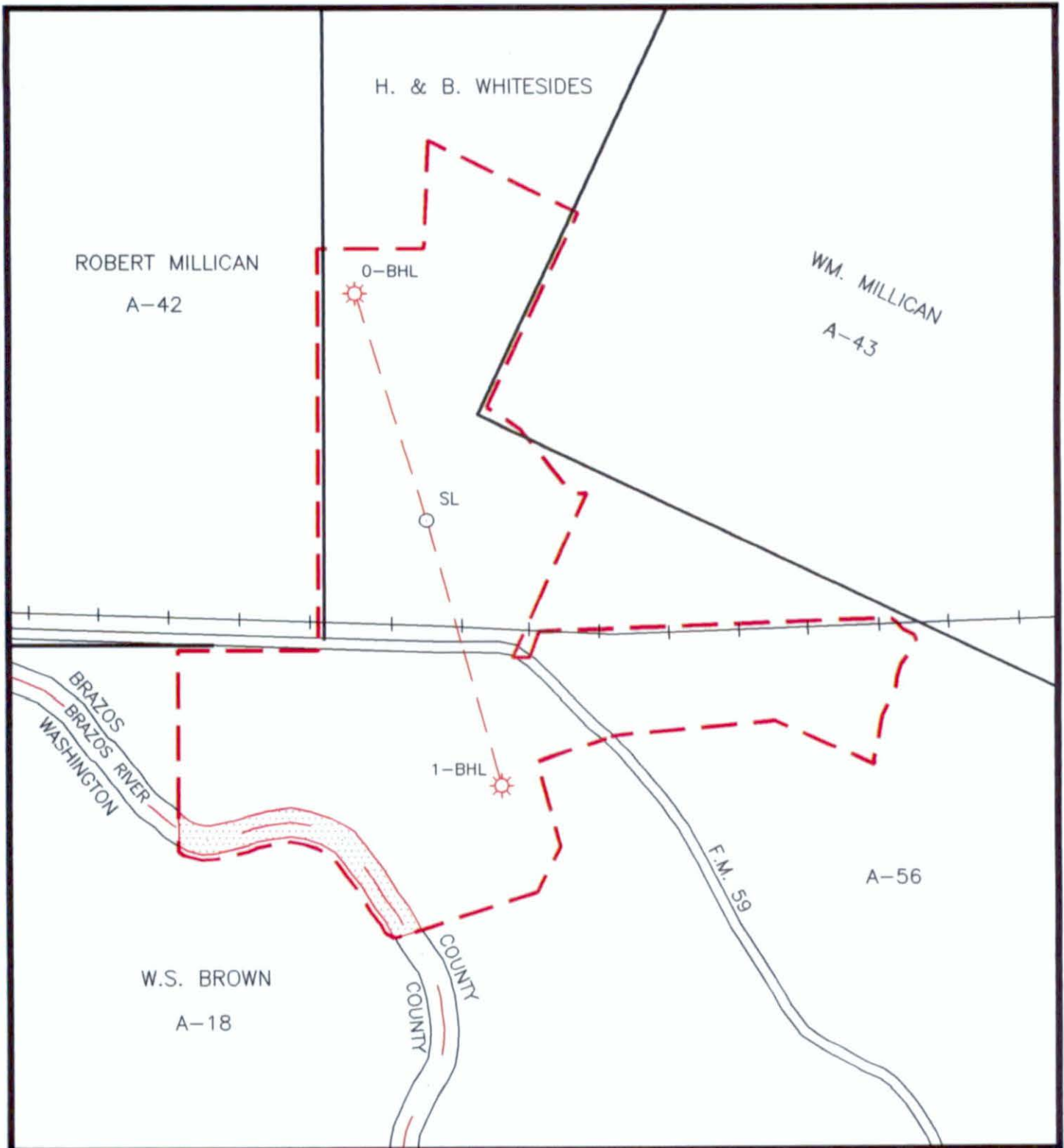
- . Union Pacific Resources Company is requesting permanent oil and gas pooling of the Austin Chalk Formation defined as the stratigraphic interval or its correlative equivalent occurring from 13,110 feet MD to 17,253 feet MD as shown on UPRC's H.H. Moore Unit #1 Dual Induction Density Neutron well log.
- . The applicant completed a dual lateral horizontal gas well in the Austin Chalk Formation on January 10, 1996. The initial potential indicated the well is capable of producing 10,000 mcf of gas per day.
- . If the unit is approved, the applicant will have earned a royalty reduction to 22.5%, making the state's unit royalty participation 1.27%.
- . Horizontal severance is provided for in the state lease. The state will participate from date of first production.
- . APPROVAL BY THE SCHOOL LAND BOARD IN NO WAY RATIFIES ANY OF THE STATE LEASES INCLUDED IN THIS PROPOSED UNIT.

POOLING COMMITTEE RECOMMENDATION:

- . The Pooling Committee recommends Board approval of a permanent oil and gas unit, under the above stated provisions.


Jeffee Martinez-Margas

Al Gonzales

Peter A. Boone



1-96/KB/96-6/G

UNION PACIFIC RESOURCES COMPANY
H.H. MOORE UNIT WELL NO.1
GIDDINGS (AUSTIN CHALK)
M-95823
BRAZOS AND WASHINGTON COUNTIES

⑤ M-95823

Pooling Comm: Fee Rpt

FILED: 4-29-96

Unit # 2414
Inactive 7-19-04

POOLING AGREEMENT
UNION PACIFIC RESOURCES COMPANY
H. H. MOORE UNIT NO. 1
BRAZOS AND WASHINGTON COUNTIES, TEXAS

dtd 2-6-96

THIS AGREEMENT is entered into by and between the Commissioner of the General Land Office, on behalf of the State of Texas, as "Lessor" and Union Pacific Resources Company, herein referred to as "Lessee", and such other interested parties as may join in the execution hereof, the undersigned parties herein collectively referred to as the "parties", in consideration of the mutual agreements hereinafter set forth and other valuable considerations, the receipt and sufficiency of which are hereby acknowledged, and for the purposes and upon the terms and conditions which follow:

PURPOSES:

1.

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

UNIT DESCRIPTION:

2.

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

MINERAL POOLED:

3.

The mineral pooled and unitized ("pooled mineral") hereby shall be oil and gas including all hydrocarbons that may be produced from an oil well or a gas well as such wells are recognized and designated by the Railroad Commission of Texas or other state regulatory agency having jurisdiction of the drilling and production of oil and gas wells. The pooled mineral shall extend to those depths underlying the surface boundaries of the pooled unit in the Austin Chalk Formation defined as the stratigraphic interval or its correlative equivalent occurring from 13,110 feet measured depth to 17,253 feet measured depth as shown on the Dual Induction Density Neutron well log of the Union Pacific Resources Company, H. H. Moore Unit No. 1 Well ("unitized interval").

POOLING AND EFFECT:

4.

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

- (a) The unit, to the extent as above described, shall be operated as an entirety for the exploration, development and production of the pooled mineral, rather than as separate tracts.
- (b) All drilling operations, reworking or other operations with respect to the pooled mineral on land within the unit shall be considered as though the same were on each separate tract in the unit, regardless of the actual location of the well or wells thereon, for all purposes under the terms of the respective leases or other contracts thereon and this Agreement. In the event the unitized area covered by this Agreement is maintained in force by drilling or reworking operations conducted on a directional well drilled under the unitized area from a surface location on adjacent or adjoining lands not included within the boundaries of the unitized area, such operations shall be considered to have been commenced on the unitized area when drilling is commenced on the adjacent or adjoining land for the purpose of directionally drilling under the unitized area and production of oil or gas from the unitized area through any directional well surfaced on adjacent or adjoining land or drilling or reworking of any such directional well shall be considered production or drilling or reworking operations, as the case may be, on the unitized area for all purposes under this Agreement. Nothing in this Agreement is intended or shall be construed as granting to Lessee any leasehold interest, easements, or other rights in or with respect to any such adjacent or adjoining land in addition to any such leasehold interests, easements, or other rights which the lessee, operator or other interest owner in the unitized area may have lawfully acquired from the state or others.
- (c) Production of the pooled mineral from the unit allocated to each separate tract, respectively, as hereinafter provided, shall be deemed to have been produced from each such separate tract in the unit, regardless of the actual location of the well or wells thereon, for all purposes under the terms of the respective leases or other contracts thereon and this Agreement.
- (d) All rights to the production of the pooled mineral from the unit, including royalties and other payments, shall be determined and governed by the lease or other contract pertaining to each separate tract, respectively, based upon the production so allocated to such tract only, in lieu of the actual production of the pooled mineral therefrom. Provided that, payments that are made on a per acre basis shall be reduced according to the number of acres pooled and included herein, so that payments made on a per acre basis shall be calculated based upon the number of acres actually included within the boundaries of the pooled unit covered by this Agreement.
- (e) A shut-in oil or gas well located upon any land or lease included within said unit shall be considered as a shut-in oil or gas well located upon each land or lease included within said unit; provided, however, that shut-in oil or gas well royalty shall be paid to the State on each State lease wholly or partially within the unit, according to the terms of such lease as though such shut-in oil or gas well were

located on said lease, it being agreed that shut-in royalties provided in each State lease shall not be shared with other royalty owners.

- (f) Notwithstanding any other provision hereof, it is expressly agreed that each State lease may be maintained in force as to areas lying outside the unitized area described in Exhibit "B" only as provided in each such lease without regard to unit operations or unit production. Neither production of the pooled mineral, nor unit operations with respect thereto, nor the payment of shut-in royalties from a unit well, shall serve to hold any State lease in force as to any area outside the unitized area described in Exhibit "B" regardless of whether the production or operations on the unit are actually located on the State lease or not. "Area" as used in this paragraph shall be based upon surface acres to the end that, except as may otherwise be provided in each State Lease, the area inside the surface boundaries of the pooled unit, if held, will be held as to all depths and horizons.
- (g) If the Railroad Commission of Texas (or any other Texas regulatory body having jurisdiction) shall adopt special field rules providing for oil and/or gas proration units of less than 1039.59 acres, then Lessee agrees to either (1) drill to the density permitted by the Railroad Commission, (2) make application to the School Land Board of the State of Texas to reform the unit to comply with Railroad Commission unit rules, or (3) make application to the School Land Board of the State of Texas for such remedy as may be agreeable to the Board.
- (h) This Agreement shall not relieve Lessee from the duty of protecting the State leases described in Exhibit "A" and the State lands within the boundaries of the pooled unit described in Exhibit "B" from drainage from any well situated on privately owned land, lying outside the unitized area described in Exhibit "B", but, subject to such obligation, Lessee may produce the allowable for the entire unit as fixed by the Railroad Commission of Texas or other lawful authority, from any one or more wells completed thereon.
- (i) There shall be no obligation to drill internal offset to any other well on separate tracts within the pooled unit, nor to develop the lands within the boundaries thereof separately, as to the pooled mineral.
- (j) Should this Agreement terminate for any cause, in whole or in part, the leases and other contracts affecting the lands within the unit, if not then otherwise maintained in force and effect, shall remain and may be maintained in force and effect under their respective terms and conditions in the same manner as though there had been production or operations under said lease or contract and the same had ceased on the date of the termination of this Agreement.

ALLOCATION OF PRODUCTION:

5.

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

TAKING ROYALTY IN KIND:

6.

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

FULL MARKET VALUE:

7.

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

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

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

EFFECTIVE DATE:

8.

Upon execution by the Commissioner of the General Land Office of the State of Texas this Agreement shall become effective as of February 6, 1996; however, it is agreed that the State will participate in production from the Unit well or wells on a unitized basis from the date the pooled mineral was or is first produced.

CERTIFICATE

I, Linda K. Fisher, Secretary of the School Land Board of the State of Texas, do hereby certify that at a meeting of the School Land Board duly held on the 6th day of February, 1996, the foregoing instrument was presented to and approved by said Board under the provisions of Subchapter E, Chapter 52, of the Natural Resources Code, all of which is set forth in the Minutes of the Board of which I am custodian.

IN TESTIMONY WHEREOF, witness my hand this the 6th day of March, 1996.

Linda K. Fisher
Secretary of the School Land Board

STATE OF TEXAS

COUNTY OF TARRANT

This instrument was acknowledged before me on MARCH 1, 1996, by Carolyn J. David as Attorney-in-Fact of Union Pacific Resources Company, a DELAWARE corporation, on behalf of said corporation.

Carol A. Cook
Notary Public in and for the
State of Texas



EXHIBIT "A"

Attached to and made a part of that certain "Pooling Agreement, Union Pacific Resources Company, H.H. Moore Unit #1, Brazos and Washington Counties, Texas".

LESSOR: Melanie Moore Kolby, et al TX1-61147
LESSEE: Union Pacific Resources Company
DATED: December 7, 1993
RECORDED: Memorandum, Volume 2117, Page 285, Official Records, Brazos County, Texas

LESSOR: Charles Moore Frede, Agent TX1-61149
LESSEE: Union Pacific Resources Company
DATED: December 7, 1993
RECORDED: Memorandum, Volume 2031, Page 186, Official Records, Brazos County, Texas

LESSOR: Robert Harry Moore, et al TX1-61150
LESSEE: Union Pacific Resources Company
DATED: December 7, 1993
RECORDED: Memorandum, Volume 2031, Page 188, Official Records, Brazos County, Texas

LESSOR: Tannie Orlando, et ux TX1-60555
LESSEE: Union Pacific Resources Company
DATED: October 21, 1993
RECORDED: Volume 1995, Page 276, Official Records, Brazos County, Texas

LESSOR: Robert Harry Moore, et al TX1-63299
LESSEE: Union Pacific Resources Company
DATED: December 7, 1993
RECORDED: Memorandum, Volume 2161, Page 34, Official Records, Brazos County, Texas

LESSOR: Charles L. Rotello, Ind & as Trustee TX1-73326
LESSEE: Chesapeake Operating, Inc.
DATED: April 1, 1994
RECORDED: Volume 2088, Page 83, Official Records, Brazos County, Texas

LESSOR: Charles L. Rotello, et ux TX1-73327
LESSEE: Chesapeake Operating, Inc.
DATED: April 1, 1994
RECORDED: Volume 2088, Page 91, Official Records, Brazos County, Texas

LESSOR: Joyce Ann Moore Frede TX1-75945
LESSEE: Union Pacific Resources Company
DATED: June 13, 1995
RECORDED: Memorandum, Volume 2406, Page 40, Official Records, Brazos County, Texas

LESSOR: State of Texas TX2-72414
LESSEE: Union Pacific Resources Company
DATED: April 5, 1994
RECORDED: Volume 2202, Page 81, Official Records, Brazos County, Texas

Exhibit "B" attached to and made a part of that certain "Pooling Agreement, Union Pacific Resources Company, H.H. Moore Unit #1, Brazos and Washington Counties, Texas".

H. H. Moore Unit Well No. 1
1039.59 Acre Unit
Union Pacific Resources Company
H. & B. Whitesides Survey, A-56
W. M. Millican Survey, A-43
Brazos County, Texas
Washington County, Texas

Field notes of a 1039.59 acre tract or parcel of land, lying and being situated in the H. & B. Whitesides Survey, Abstract No. 56 and in the W. M. Millican Survey, Abstract No. 43, Brazos and Washington Counties, Texas, and consisting of the following tracts:

All of the called 110 acre - Tract 1 and all of the called 56.2 acre - Tract 2 in the deed recorded in Volume 855, Page 328, of the Official Records of Brazos County, Texas;

All of the called 57.17 acre tract described in the deed recorded in Volume 855, Page 328, of the Official Records of Brazos County, Texas;

All of the called 105.35 acre tract described in the deed recorded in Volume 2117, Page 286, of the Official Records of Brazos County, Texas;

All of the called 0.828 acre tract described in the deed recorded in Volume 1318, Page 38, of the Official Records of Brazos County, Texas;

All of the called 1.842 acre tract described in the deed recorded in Volume 1318, Page 43, of the Official Records of Brazos County, Texas;

Part of the called 468.389 acre - 2nd Tract (and $\frac{1}{2}$ of the adjoining right-of-way of the Atchison, Topeka & Santa Fe Railroad) described in the deed recorded in Volume 417, Page 541, of the Deed Records of Brazos County, Texas;

All of the called $106\frac{3}{4}$ acre - 2nd Part, 4th Tract of 3rd Tract described in the deed recorded in Volume 118, Page 482, of the Deed Records of Brazos County, Texas, (see 1st Tract - Volume 417, Page 541);

Part of the called 200 acre - Parcel 28 - 1st Tract (and $\frac{1}{2}$ of the adjoining right-of-way of the Atchison, Topeka & Santa Fe Railroad), part of the called 100 acre - Parcel 28 - 2nd Tract (and $\frac{1}{2}$ of the adjoining right-of-way of the Atchison, Topeka & Santa Fe Railroad), part of the called 213.33 acre - Parcel 30 - Tract 1 (and $\frac{1}{2}$ of the adjoining right-of-way of the Atchison, Topeka & Santa Fe Railroad) and part of the called 100 acre - Parcel 25 - Tract 2 described in the deed recorded in Volume 1752, Page 229, of the Official Records of Brazos County, Texas;

Part of the called 148 acre tract described in the deed recorded in Volume 19, Page 63, same being part of the Parcel 28 - 3rd Tract described in the deed recorded in Volume 1752, Page 229, of the Official Records of Brazos County, Texas, (Note - this includes all of the called 5.4 acre tract described as a Save and Except tract in the deed recorded in Volume 1379, Page 202, of the Official Records of Brazos County, Texas);

All of the called 53.2 acre - Tract One (less the abovementioned 5.4 acre tract) and all of the called 2.93 acre - Tract Two described in the deed recorded in Volume 1379, Page 202, of the Official Records of Brazos County, Texas;

H. H. Moore Unit Well No. 1
1039.59 Acre Unit
Union Pacific Resources Company
H. & B. Whitesides Survey, A-56
W. M. Millican Survey, A-43
Brazos County, Texas
Washington County, Texas
Continued - Page 2

And a portion of the Brazos River as covered by the Oil & Gas Lease No. M-95823 from The State of Texas to Union Pacific Resources Company, as recorded in Volume 2202, Page 81, of the Official Records of Brazos County, Texas, and said 1039.59 acre tract being more particularly described as follows:

BEGINNING at a large crosstie marking the northwest corner of the beforementioned 57.17 acre tract;

THENCE S 65° 01' 03" E along the northeast line of the beforementioned 57.17 acre tract and the beforementioned 56.2 acre tract for a distance of 2381.54 feet to the northeast or east corner of the 56.2 acre tract in the common line between the beforementioned Whitesides and Millican Surveys;

THENCE S 24° 38' 31" W along said common survey line, same being the southeast or east line of the beforementioned 56.2 acre tract, at a distance of 269.06 feet, pass a railroad rail found, continue on for a total distance of 3030.88 feet to the south or southeast corner of the 56.2 acre tract in the center of Big Creek, from which a railroad rail found bears N 72° 58' 18" E - 65.54 feet;

THENCE along the center of Big Creek as located in September 1995, as follows:

S 57° 22' 48" E	for a distance of 77.92 feet,
S 57° 12' 14" E	for a distance of 494.67 feet,
S 42° 00' 15" E	for a distance of 739.60 feet,
S 38° 07' 00" E	for a distance of 236.29 feet,
S 24° 12' 35" E	for a distance of 81.16 feet,
S 54° 07' 36" E	for a distance of 149.67 feet,
S 72° 57' 11" E	for a distance of 116.24 feet,
N 70° 28' 46" E	for a distance of 91.00 feet to the east corner the beforementioned 105.35 feet to the east corner of the beforementioned 105.35 acre tract;

THENCE S 24° 06' 45" W along the southeast line of the beforementioned 105.35 acre tract, the beforementioned 0.828 acre tract and the beforementioned 1.842 acre tract, at a distance of 26.42 feet, pass a 4" iron pipe with axle found in fence line, continue on for a total distance of 2118.40 feet to a ½" iron rod found (bent) in the north right-of-way line of the beforementioned Atchison, Topeka and Santa Fe Railroad;

THENCE S 24° 04' 18" W across said railroad, across FM No. 159, and along the northwest line of the called 1 acre tract described in the deed recorded in Volume "Z", Page 221, of the Deed Records of Brazos County, Texas, for a distance of 324.02 feet to the reconstructed south corner of the 1 acre tract;

H. H. Moore Unit Well No. 1
1039.59 Acre Unit
Union Pacific Resources Company
H. & B. Whitesides Survey, A-56
W. M. Millican Survey, A-43
Brazos County, Texas
Washington County, Texas
Continued - Page 3

THENCE along the reconstructed lines of the beforementioned 1 acre tract as follows:

N 87° 17' 20" E for a distance of 212.00 feet and corner near the center of FM No. 159,
N 24° 04' 18" E for a distance of 212.00 feet of the southeast right-of-way line of the Atchison, Topeka and Santa Fe Railroad, same being the north corner of the 1 acre tract;

THENCE N 02° 42' 40" W for a distance of 50.00 feet to the centerline of the right-of-way of the Atchison, Topeka and Santa Fe Railroad;

THENCE N 87° 17' 20" E along the centerline right-of-way of the Atchison, Topeka and Santa Fe Railroad, for a distance of 4988.62 feet to the center of Big Creek;

THENCE along the meanders of the center of Big Creek as called for in the beforementioned 213.33 acre tract, as follows:

S 52° 52' 40" E for a distance of 78.06 feet,
S 52° 52' 40" E for a distance of 118.61 feet,
S 48° 22' 40" E for a distance of 135.56 feet,
S 77° 22' 40" E for a distance of 95.56 feet,
S 31° 22' 40" E for a distance of 90.00 feet,
S 25° 37' 20" W for a distance of 164.44 feet,
S 37° 37' 20" W for a distance of 305.00 feet,
S 10° 37' 20" W for a distance of 291.67 feet,
S 25° 07' 20" W for a distance of 270.56 feet,
S 20° 07' 20" W for a distance of 302.22 feet,
S 04° 33' 23" W for a distance of 261.62 feet,
S 22° 08' 01" W for a distance of 65.07 feet,
S 12° 05' 32" E for a distance of 57.04 feet,
S 06° 06' 00" W for a distance of 132.13 feet,
S 64° 23' 38" W for a distance of 14.72 feet,
S 00° 52' 25" E for a distance of 45.46 feet to the most easterly southeast corner of the 213.33 acre tract;

THENCE N 65° 57' 40" W along the most easterly southwest line of the beforementioned 213.33 acre tract for a distance of 1542.88 feet and corner;

THENCE S 83° 31' 07" W across the beforementioned 100 acre tract - Parcel 25 - Tract 2 for a distance of 2274.24 feet to the center of the pavement of FM No. 159;

THENCE through the interior of the beforementioned 213.33 acre tract as follows:

S 70° 39' 22" W for a distance of 1167.52 feet,
S 16° 28' 34" E for a distance of 1304.55 feet;

H. H. Moore Unit Well No. 1
1039.59 Acre Unit
Union Pacific Resources Company
H. & B. Whitesides Survey, A-56
W. M. Millican Survey, A-43
Brazos County, Texas
Washington County, Texas
Continued - Page 4

THENCE S 29° 10' 16" W across the beforementioned 148 acre tract for a distance of 723.37 feet to a $\frac{5}{8}$ " iron rod found at a crosstie fence corner marking the south corner of the beforementioned 5.4 acre tract;

THENCE S 71° 16' 47" W along the southeast line of the beforementioned 53.2 acre tract, at a distance of 1493.67 feet, pass an 8" creosote post fence corner, continue on across the Brazos River for a total distance of 2144.41 feet to the southwesterly bank of the Brazos River (Washington County side);

THENCE along the southerly and southwesterly bank (Washington County side) of the Brazos River, as located in September, 1995, as follows:

N 51° 00' 22" W for a distance of 84.73 feet,
N 59° 08' 14" W for a distance of 228.09 feet,
N 71° 41' 00" W for a distance of 330.07 feet,
N 36° 01' 14" W for a distance of 316.04 feet,
N 12° 42' 31" E for a distance of 223.59 feet,
N 89° 45' 14" W for a distance of 87.15 feet,
N 00° 26' 03" E for a distance of 185.06 feet,
N 47° 04' 03" W for a distance of 208.18 feet,
N 06° 21' 38" E for a distance of 109.71 feet,
N 30° 32' 25" W for a distance of 176.33 feet,
N 77° 59' 06" W for a distance of 489.55 feet,
N 88° 25' 58" W for a distance of 258.85 feet,
S 73° 27' 47" W for a distance of 279.57 feet,
S 54° 48' 55" W for a distance of 356.90 feet,
S 64° 32' 08" W for a distance of 389.63 feet,
N 57° 45' 35" W for a distance of 397.99 feet and corner;

THENCE N 00° 35' 49" W across the Brazos River and along the reconstructed west line of the beforementioned 106 $\frac{3}{4}$ acre tract for a distance of 2886.46 feet to the reconstructed northwest corner of the 106 $\frac{3}{4}$ acre tract near the centerline of FM No. 159;

THENCE N 89° 24' 11" E along the reconstructed north line of the beforementioned 106 $\frac{3}{4}$ acre tract, along or near the center of FM No. 159 for a distance of 1952.78 feet to the northeast corner of the 106 $\frac{3}{4}$ acre tract in the west line of the beforementioned 200 acre tract - Parcel 28 - 1st Tract, from which a crosstie fence corner in the fenced south line of FM No. 159 bears S 00° 35' 49" E - 25.16 feet;

THENCE N 10° 34' 00" W across the beforementioned FM No. 159 and the beforementioned Atchison, Topeka and Santa Fe Railroad for a distance of 216.32 feet to the northwest right-of-way line of said railroad in the common line between the beforementioned Whitesides Survey and the Robt. Millican Survey, Abstract No. 42;

H. H. Moore Unit Well No. 1
1039.59 Acre Unit
Union Pacific Resources Company
H. & B. Whitesides Survey, A-56
W. M. Millican Survey, A-43
Brazos County, Texas
Washington County, Texas
Continued - Page 5

THENCE N 01° 16' 13" E along said common survey line and across the beforementioned 468.389 acre tract for a distance of 1506.97 feet to the southwest corner of the beforementioned 105.35 acre tract at the centerline intersection of two turn rows;

THENCE along the westerly line of the beforementioned 105.35 acre tract and the beforementioned 110 acre tract same being the most northerly east line of the beforementioned 468.389 acre tract, as follows:

N 00° 29' 40" W for a distance of 698.88 feet to a nail found,
N 75° 52' 09" W for a distance of 35.81 feet to a railroad rail found,
N 01° 06' 24" W for a distance of 1489.87 feet to a 40" stump (burned),
N 00° 56' 41" W for a distance of 1113.41 feet to a railroad rail found,
N 05° 36' 27" E for a distance of 227.98 feet to the center of Big Creek, same being the northeast corner of the beforementioned 468.389 acre tract,
N 01° 35' 40" E for a distance of 447.26 feet to the northwest corner of the 110 acre tract, from which a railroad rail found bears S 89° 25' 06" W - 94.4 feet;

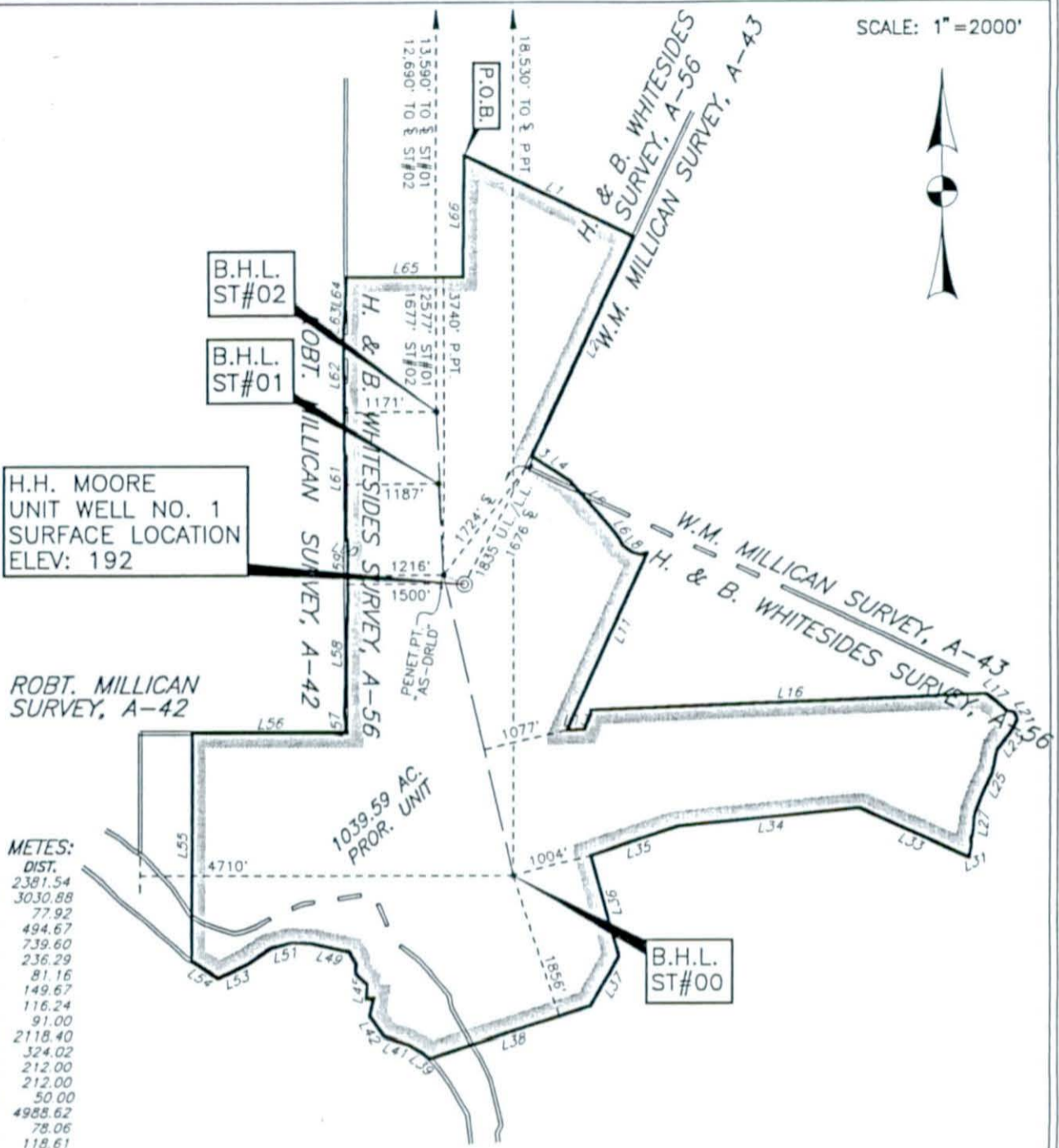
THENCE N 89° 25' 06" E along the north line of the beforementioned 110 acre tract, adjacent to a turn row for a distance of 1478.95 feet to the northeast corner of the 110 acre tract in the west line of the beforementioned 57.17 acre tract, from which a large crosstie bears N 89° 25' 06" E - 1.7 feet;

THENCE N 00° 07' 59" W along the west line of the beforementioned 57.17 acre tract for a distance of 1539.16 feet to the **PLACE OF BEGINNING**, containing 1039.59 acres of land, more or less.

Bearings based on True North, as obtained by Solar Observation.

Prepared 2/23/96

kes96-01b:hhrmoore1.039



UNIT PERIMETER METES:

LINE	BEARING	DIST.
1	S 65°01'03"E	2381.54
2	S 24°38'31"W	3030.88
3	S 57°22'48"E	77.92
4	S 57°12'14"E	494.67
5	S 42°00'15"E	739.60
6	S 38°07'00"E	236.29
7	S 24°12'35"E	81.16
8	S 54°07'36"E	149.67
9	S 72°57'11"E	116.24
10	N 70°28'46"E	91.00
11	S 24°06'45"W	2118.40
12	S 24°04'18"W	324.02
13	N 87°17'20"E	212.00
14	N 24°04'18"E	212.00
15	N 02°42'40"W	50.00
16	N 87°17'20"E	4988.62
17	S 52°52'40"E	78.06
18	S 52°52'40"E	118.61
19	S 48°22'40"E	135.56
20	S 77°22'40"E	95.56
21	S 31°22'40"E	90.00
22	S 25°37'20"W	164.44
23	S 37°37'20"W	305.00
24	S 10°37'20"W	291.67
25	S 25°07'20"W	270.56
26	S 20°07'20"W	302.22
27	S 04°33'23"W	261.62
28	S 22°08'01"W	65.07
29	S 12°05'32"E	57.04
30	S 06°06'00"W	132.13
31	S 64°23'38"W	14.72
32	S 00°52'25"E	45.46
33	N 65°57'40"W	1542.88
34	S 83°31'07"W	2274.24
35	S 70°39'22"W	1167.52
36	S 16°28'34"E	1304.55
37	S 29°10'16"W	723.37
38	S 71°16'47"W	2144.41
39	N 51°00'22"W	84.73
40	N 59°08'14"W	228.09
41	N 71°41'00"W	330.07
42	N 36°01'14"W	316.04
43	N 12°42'31"E	223.59
44	N 89°45'14"W	87.15
45	N 00°26'03"E	185.06
46	N 47°04'03"W	208.18
47	N 06°21'38"E	109.71
48	N 30°32'25"W	176.33
49	N 77°59'06"W	489.55
50	N 88°25'58"W	258.85
51	S 73°27'47"W	279.57
52	S 54°48'55"W	356.90
53	S 64°32'08"W	389.63
54	N 57°45'35"W	397.99
55	N 00°35'49"W	2886.46
56	N 89°24'11"E	1952.78
57	N 10°34'00"W	216.32
58	N 01°16'13"E	1506.97
59	N 00°29'40"W	698.88
60	N 75°52'09"W	35.81
61	N 01°06'24"W	1489.87
62	N 00°56'41"W	1113.41
63	N 05°36'27"E	227.98
64	N 01°35'40"E	447.26
65	N 89°25'06"E	1478.95
66	N 00°07'59"W	1539.16

H.H. MOORE UNIT WELL NO. 1			
TRACT	ACREAGE IN UNIT	LEASE	VOL/PAGE
1	61.37	CHARLES LEE ROTELLO, INDIV.&TR.	2088/83
2	57.68	CHARLES LEE ROTELLO, et ux	-
3	112.74	CHARLES LEE ROTELLO, INDIV.&TR.	2088/83
4	104.01	MELANIE MOORE KOLBY	2117/285
5	0.83	MELANIE MOORE KOLBY ROBERT HARRY MOORE, et ali	2117/285
6	1.92	ROBERT HARRY MOORE, et ali	-
7	102.03	ROBERT HARRY MOORE	-
8	103.71	ROBERT HARRY MOORE	-
9	386.86	JOYCE ANN MOORE FREDE	-
10	49.89	TANIE & GERALDINE ORLANDO	1995/276
11	58.55	THE STATE OF TEXAS (BRAZOS RIVER) LEASE NO. M-95823	2202/81
1039.59		ACRE UNIT	

EXHIBIT "A"
H.H. MOORE UNIT WELL NO. 1
UNION PACIFIC RESOURCES COMPANY
H. & B. WHITESIDES SURVEY, A-56
W.M. MILLICAN SURVEY, A-43
BRAZOS COUNTY, TEXAS
WASHINGTON COUNTY, TEXAS

PRORATION UNIT PLAT
 PREPARED: 02/12/96

⑥ M-95823

Pooling Agreement

FILED: 4-29-96

4 3 8

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division

Form W-1
Rev. 3/93

Return each W-1 with plat and applicable 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. Box 12967
Austin, Texas 78711-2967

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

File a copy of W-1 and plat in RRC District Office

Read Instructions on Back

EFFECTIVE SEPT. 1, 1991, PERMIT APPLICATION FEE WILL VARY
ACCORDING TO THE TOTAL DEPTH SHOWN IN ITEM NO. 9 BELOW.
0-2000' - \$1000. 2001' - 4000' - \$125
4001' - 9000' - \$150 9001' or deeper - \$200

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

Enter here, if assigned: API No. _____
 Permit No. _____
 Rule 37 Case No. _____

Operator's Name (exactly as shown on Form P-5, Organization Report) 3. RRC Operator No. 4. RRC District No. 5. County of Well Site
 Union Pacific Resources Company 876645 03 Washington

2. Address (including city and zip code) 6. Lease Name (32 spaces maximum) 7. RRC Lease/ID No. 8. Well No. 9. Total Depth
 P.O. Box 7 MS 3006 MOORE, H. H. UNIT 1 13,500-8000'
 Fort Worth, TX 76101-0007

10. Location
 • Section _____ Block _____ Survey _____ H. & B. Whitesides _____ Abstract No. 56
 • This well is to be located _____ 17.5 _____ miles in a SE direction from College Station, Tx.
 which is the nearest town in the county of the well site.

11. Distance from proposed location to nearest lease or unit line 639 ft. 12. Number of contiguous acres in lease, pooled unit, or unitized tract 982.48 (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
Giddings (Austin Chalk-3)	13,500-8000'	467 / 1200	160/80	982.48	No	N/A	Oil	1	0
Giddings (Austin Chalk, Gas)	13,500-8000'	467 / 1200	160 / 80	982.48	No	N/A	Gas	0	1

22. Perpendicular surface location from two nearest designated lines:
 • Lease/Unit 1500' FWL & 1835' FNL If a directional well, show also projected bottom-hole location:
 • Survey/Section 1500' FWL & 1676' FNL • Lease/Unit 500' FWL & 639' FNL
 • Survey/Section 500' FWL & 11650' FNL

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 files? 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

REMARKS
 Penetration Point Location: Same as Surface Location
 BHL (ST01): 600' FEL & 1598' FSL
 5165' FWL & 18,663' FNL

I certify that information stated in this application is true and complete, to the best of my knowledge.
Wanda Bartell / Wanda Bartell / Regulatory Analyst
 Signature Name and title of operator's representative
 Date: 9-21-95 (817) 877-7941
 mo. day yr. Tel: Area Code Number



DESIGNATION OF UNIT

H.H. MOORE #1

STATE OF TEXAS

§

COUNTY OF BRAZOS

§

§

KNOW ALL MEN BY THESE PRESENTS:

The undersigned, being the owners of valid and subsisting oil, gas, and mineral leases listed in Exhibit "A", attached hereto and made a part hereof, insofar as said oil, gas, and mineral leases cover and affect the land depicted on Exhibit "B", attached hereto and made a part hereof, do, by virtue of the authority conferred by the terms of such oil, gas, and mineral leases and all amendments and corrections thereto, hereby pool, consolidate, combine, and unitize said oil, gas, and mineral leases, the leasehold rights, overriding royalty, and royalty interests therein and thereunder, for the purpose of drilling for, development, and production of oil, gas, and liquid hydrocarbons (including condensate, distillate, and other liquids). The unit (hereinafter "Unit") shall be comprised of the land depicted on the Plat attached hereto as Exhibit "B".

If at any time any tract of land or interest within the Unit is not properly pooled or unitized hereby or is not otherwise committed to the Unit, such fact shall not affect, terminate, impair, or invalidate the Unit as to any interest properly pooled or unitized hereby or otherwise.

This Designation of Unit covers all production from the land and depths described on the attached Exhibit "B" which is produced from any well drilled to the unitized interval underlying the Unit area. Production from the Unit shall be allocated proportionately among all of the tracts within the Unit in the proportion which the number of surface acres in each of such tracts bears to the total number of surface acres in the Unit.

The undersigned reserves the right to amend this Designation of Unit from time to time, and at any time, in order to correct any error herein or to include in this Unit any newly acquired interests within the Unit boundaries or to enlarge or reduce the Unit area in accordance with the applicable rules and regulations of any governmental regulatory body or agency having jurisdiction insofar as such right is granted in the subject leases, by appropriate amendments or instruments.

By execution of this Designation of Unit, the undersigned do not exhaust their right to pool the leases and lands hereinabove described with other leases and lands as to any other minerals, horizon, or strata covered thereby, and they expressly reserve to themselves, their assignees, or successors in interest, the right and power to pool or unitize the above described leases and lands with any other leases, lands, horizons, or strata in the vicinity and so far as the power, right, and authority to do so is granted in the subject leases and various agreements and so long as such power and authority is exercised in accordance with applicable rules and regulations of any governmental regulatory body or agency having jurisdiction.

This instrument may be executed as one document signed by all parties, or parties named herein may join herein by execution of a counterpart or ratification, with the same effect as if all parties executed this instrument. Executed signature pages from different originals of this instrument may be combined to form a single original instrument for recording purposes. The failure of any one or more persons owning an interest in the Unit to execute this instrument or a counterpart or ratification thereof shall not in any manner affect the validity of same as to the parties who do execute this instrument. This Unit may not be ratified or joined in by any party who is not named hereinbelow without the consent of the parties hereto.

The Unit hereby created shall be effective as of the date of first production from the Unit, or from the date operations are commenced anywhere on the Unit, whichever occurs first, and shall remain in force as long as the pooled minerals are being produced from the Unit, or so long as the leases covering the Unit are maintained in force by payment or tender of shut-in royalties or by other means, in accordance with the terms of said leases.

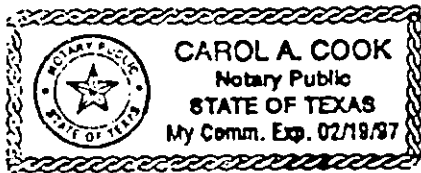
IN WITNESS WHEREOF, this Designation of Unit is executed on this 10 day of JANUARY, 1996.

UNION PACIFIC RESOURCES COMPANY

By: Carolyn J. David BR 9011
Its: Attorney-in-Fact ✓

STATE OF TEXAS
COUNTY OF TARRANT

This instrument was acknowledged before me on the 10th day of JANUARY, 1996, by Carolyn J. David, Attorney-in-Fact of UNION PACIFIC RESOURCES COMPANY, a Delaware corporation, on behalf of said corporation.



Carol A. Cook
Notary Public in and for the
State of Texas
My commission expires: _____

Law Department Approved
DESUNIT.1

EXHIBIT "A"

Attached to and made a part of that certain "Designation of Unit - H. H. Moore #1 dated January 10, 1996

LESSOR: Melanie Moore Kolby, et al TX1-61147
LESSEE: Union Pacific Resources Company
DATED: December 7, 1993
RECORDED: Memorandum, Volume 2117, Page 285, Official Records, Brazos County, Texas

LESSOR: Charles Moore Frede, Agent TX1-61149
LESSEE: Union Pacific Resources Company
DATED: December 7, 1993
RECORDED: Memorandum, Volume 2031, Page 186, Official Records, Brazos County, Texas

LESSOR: Robert Harry Moore, et al TX1-61150
LESSEE: Union Pacific Resources Company
DATED: December 7, 1993
RECORDED: Memorandum, Volume 2031, Page 188, Official Records, Brazos County, Texas

LESSOR: Tannie Orlando, et ux TX1-60555
LESSEE: Union Pacific Resources Company
DATED: October 21, 1993
RECORDED: Volume 1995, Page 276, Official Records, Brazos County, Texas

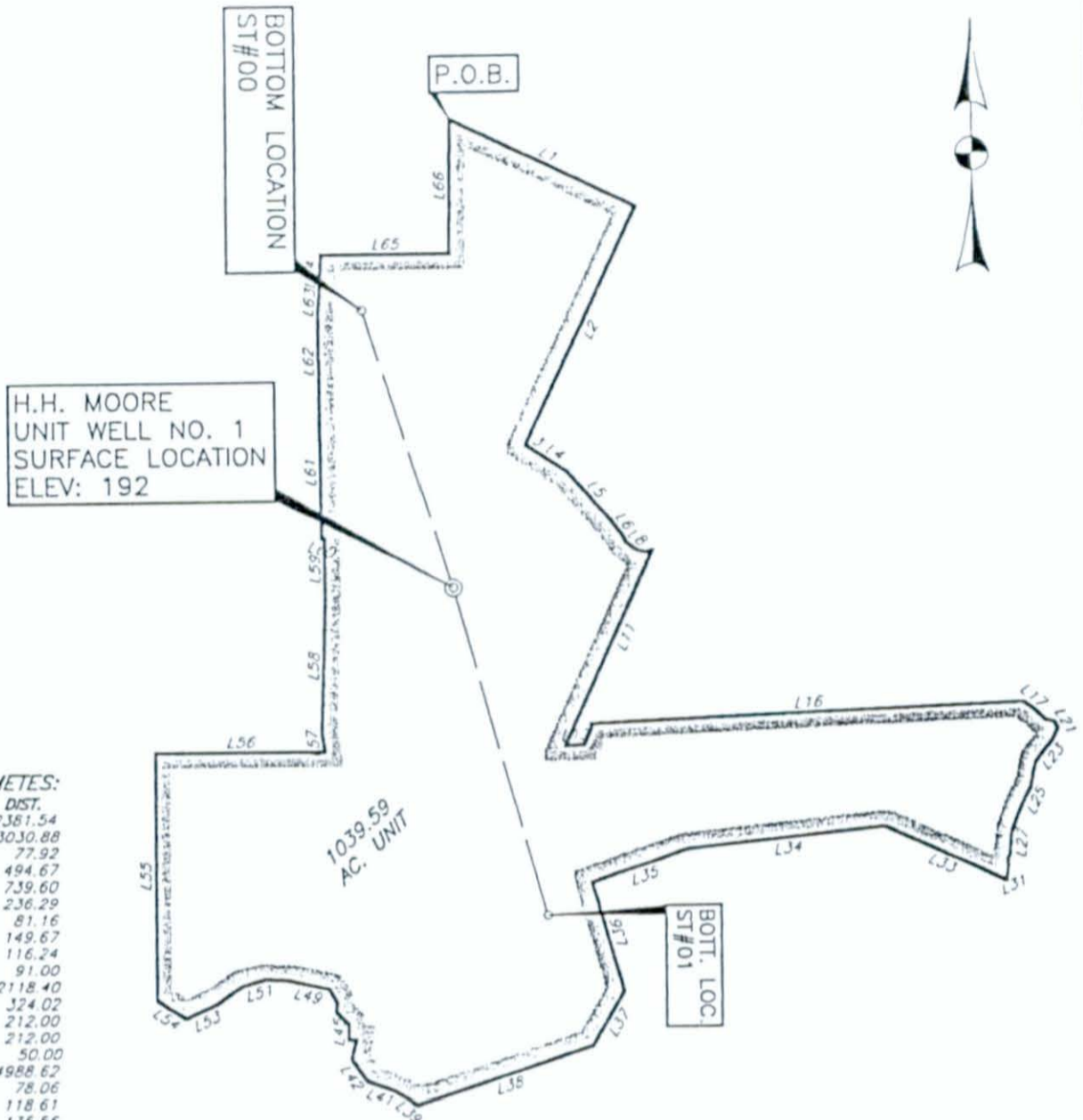
LESSOR: Robert Harry Moore, et al TX1-63299
LESSEE: Union Pacific Resources Company
DATED: December 7, 1993
RECORDED: Memorandum, Volume 2161, Page 34, Official Records, Brazos County, Texas

LESSOR: Charles L. Rotello, Ind & as Trustee TX1-73326
LESSEE: Chesapeake Operating, Inc.
DATED: April 1, 1994
RECORDED: Volume 2088, Page 83, Official Records, Brazos County, Texas

LESSOR: Charles L. Rotello, et ux TX1-73327
LESSEE: Chesapeake Operating, Inc.
DATED: April 1, 1994
RECORDED: Volume 2088, Page 91, Official Records, Brazos County, Texas

LESSOR: Joyce Ann Moore Frede TX1-75945
LESSEE: Union Pacific Resources Company
DATED: June 13, 1995
RECORDED: Memorandum, Volume 2406, Page 40, Official Records, Brazos County, Texas

LESSOR: State of Texas TX2-72414
LESSEE: Union Pacific Resources Company
DATED: April 5, 1994
RECORDED: Volume 2202, Page 81, Official Records, Brazos County, Texas



UNIT PERIMETER METES:

LINE	BEARING	DIST.
1	S 65°01'03"E	2381.54
2	S 24°38'31"W	3030.88
3	S 57°22'48"E	77.92
4	S 57°12'14"E	494.67
5	S 42°00'15"E	739.60
6	S 38°07'00"E	236.29
7	S 24°12'35"E	81.16
8	S 54°07'36"E	149.67
9	S 72°57'11"E	116.24
10	N 70°28'46"E	91.00
11	S 24°06'45"W	2118.40
12	S 24°04'18"W	324.02
13	N 87°17'20"E	212.00
14	N 24°04'18"E	212.00
15	N 02°42'40"W	50.00
16	N 87°17'20"E	4988.62
17	S 52°52'40"E	78.06
18	S 52°52'40"E	118.61
19	S 48°22'40"E	135.56
20	S 77°22'40"E	95.56
21	S 31°22'40"E	90.00
22	S 25°37'20"W	164.44
23	S 37°37'20"W	305.00
24	S 10°37'20"W	291.67
25	S 25°07'20"W	270.56
26	S 20°07'20"W	302.22
27	S 04°33'23"W	261.62
28	S 22°08'01"W	65.07
29	S 12°05'32"E	57.04
30	S 06°06'00"W	132.13
31	S 64°23'38"W	14.72
32	S 00°52'25"E	45.46
33	N 65°57'40"W	1542.88
34	S 83°31'07"W	2274.24
35	S 70°39'22"W	1167.52
36	S 16°28'34"E	1304.55
37	S 28°10'16"W	723.37
38	S 71°16'47"W	2144.41
39	N 51°00'22"W	84.73
40	N 59°08'14"W	228.09
41	N 71°41'00"W	330.07
42	N 36°01'14"W	316.04
43	N 12°42'31"E	223.59
44	N 89°45'14"W	87.15
45	N 00°26'03"E	185.06
46	N 47°04'03"W	208.18
47	N 06°21'38"E	109.71
48	N 30°32'25"W	176.33
49	N 77°59'06"W	489.55
50	N 88°25'58"W	258.85
51	S 73°27'47"W	279.57
52	S 54°48'55"W	356.90
53	S 64°32'08"W	389.63
54	N 57°45'35"W	397.99
55	N 00°35'49"W	2886.46
56	N 89°24'11"E	1952.78
57	N 10°34'00"W	216.32
58	N 01°16'13"E	1506.97
59	N 00°29'40"W	698.88
60	N 75°52'09"W	35.81
61	N 01°06'24"W	1489.87
62	N 00°56'41"W	1113.41
63	N 05°36'27"E	227.98
64	N 01°35'40"E	447.26
65	N 89°25'06"E	1478.95
66	N 00°07'59"W	1539.16

TRACT	ACREAGE IN UNIT	LEASE	VOL/PG
1	61.37	CHARLES LEE ROTELLO, INDIV.&TR.	2088/83
2	57.68	CHARLES LEE ROTELLO, et ux	-
3	112.74	CHARLES LEE ROTELLO, INDIV.&TR.	2088/83
4	104.01	MELANIE MOORE KOLBY	2117/285
5	0.83	MELANIE MOORE KOLBY ROBERT HARRY MOORE, et alii	2117/285
6	1.92	ROBERT HARRY MOORE, et alii	-
7	102.03	ROBERT HARRY MOORE	-
8	103.71	ROBERT HARRY MOORE	-
9	386.86	JOYCE ANN MOORE FREDE	-
10	49.89	TANIE & GERALDINE ORLANDO	1995/276
11	58.55	THE STATE OF TEXAS (BRAZOS RIVER) LEASE NO. M-95823	2202/81
1039.59 ACRE UNIT			

EXHIBIT "B-1"

H.H. MOORE UNIT WELL NO. 1
 UNION PACIFIC RESOURCES COMPANY
 H. & B. WHITESIDES SURVEY, A-56
 W.M. MILLICAN SURVEY, A-43
 BRAZOS COUNTY, TEXAS
 WASHINGTON COUNTY, TEXAS

REVISED: 01/09/96
 INCREASED TO
 1039.59 AC. UNIT

SCALE: 1" = 2000' SEPTEMBER, 1995

① M-95823

Appl. to Drill Well #1

Filed: 4-29-96

1528

Unit # 2525

DO NOT DESTROY

GLO-36-10-84

-MEMO-

Operator Sage Energy Company

Unit Name Falls Unit No. 1-H

County Brazos & Washington

Effective Date 11-5-96

Unitized for: Oil Gas Oil & Gas X

1. M.F. No. 95823

Area X Riverbed Tr.

Sec. Blk. Survey

<u>80.35</u>			
<u>794.00</u>	x	<u> </u>	%
<u>.101196</u>		<u>.225</u>	<u>.022769</u>

2. M.F. No.

Area Tr.

Sec. Blk. Survey

 x . %

3. M.F. No.

Area Tr.

Sec. Blk. Survey

 x . %

4. M.F. No.

Area Tr.

Sec. Blk. Survey

 x . %

REMARKS:

Lease is subject to
roy. reduction from .25 to

.225
Note: Eff. 11/7/97 Opa change to
Shield Petroleum

Kezd m.T. 3-7-97

Jilhi 2/4/97

Unit #2525

POOLING COMMITTEE REPORT

INACTIVE
2-1-98

TO: SCHOOL LAND BOARD

DATE: November 5, 1996

OPERATOR: Sage Energy Company COUNTY: Brazos & Washington

UNIT NAME: Fall's Unit No. 1-H FIELD: Giddings
(Austin Chalk-Gas)

STATE LEASE(S) IN UNIT

Lease *Type	State Number	State Royalty	Expiration Date	Term Year	Acres Acres	Acres In Unit	Lessee of Record
SF	M-95823	1/4 **	4/5/97	3	310	80.35	UPRC

** Subject to royalty reduction clause

- * RAL = Relinquishment Act
- * SF = State Fee
- * FR = Free Royalty

PRIVATE ACRES: 713.65

STATE ACRES: 80.35

TOTAL UNIT ACRES: 794.00

Unitized for:	Depth(s):	Well Location:
Oil _____	See Remarks	State Land _____
Gas _____	Formation:	Private Land <u> x </u>
Both <u> x </u>	See Remarks	

Participation:	Railroad Commission Rules:
Basis <u> Surface acreage </u>	Spacing <u> 794 Acres </u>
State Acreage <u> 10.12% </u>	Acreage Factor <u> 100% </u>
State Unit Royalty <u> 2.28% </u>	

Agree to drill to density of field rules:	Yes <u> x </u> No _____
Holds only acreage included in the unit past primary term:	Yes <u> x </u> No _____
Satisfactory geological data furnished:	Yes <u> x </u> No _____

REMARKS:

- Sage Energy Company is requesting permanent oil and gas pooling of the Austin Chalk Formation defined as the stratigraphic interval or its correlative equivalent occurring from 13,372 feet MD to 16,583 feet MD as shown on the proposed unit Gamma Ray #1-H well log.
- The operator completed the proposed unit well on August 3, 1996 in the Austin Chalk Formation. The initial potential tests indicated the well was capable of producing 4,867 mcf of gas per day. The operator has encountered mechanical down hole problems and the well will be plugged. The well produced approximately 19,000 mcf of gas.
- If the unit is approved, the applicant will have earned a royalty reduction to 22.5%, making the state's unit royalty participation 2.28%.
- Horizontal severance is provided for in the state lease. The state will participate from date of first production.
- APPROVAL BY THE SCHOOL LAND BOARD IN NO WAY RATIFIES ANY OF THE STATE LEASES INCLUDED IN THE PROPOSED UNIT.

POOLING COMMITTEE RECOMMENDATION:

- The Pooling Committee recommends Board approval of a permanent oil and gas unit, under the above stated provisions.



Jeffee Martinez-Vargas

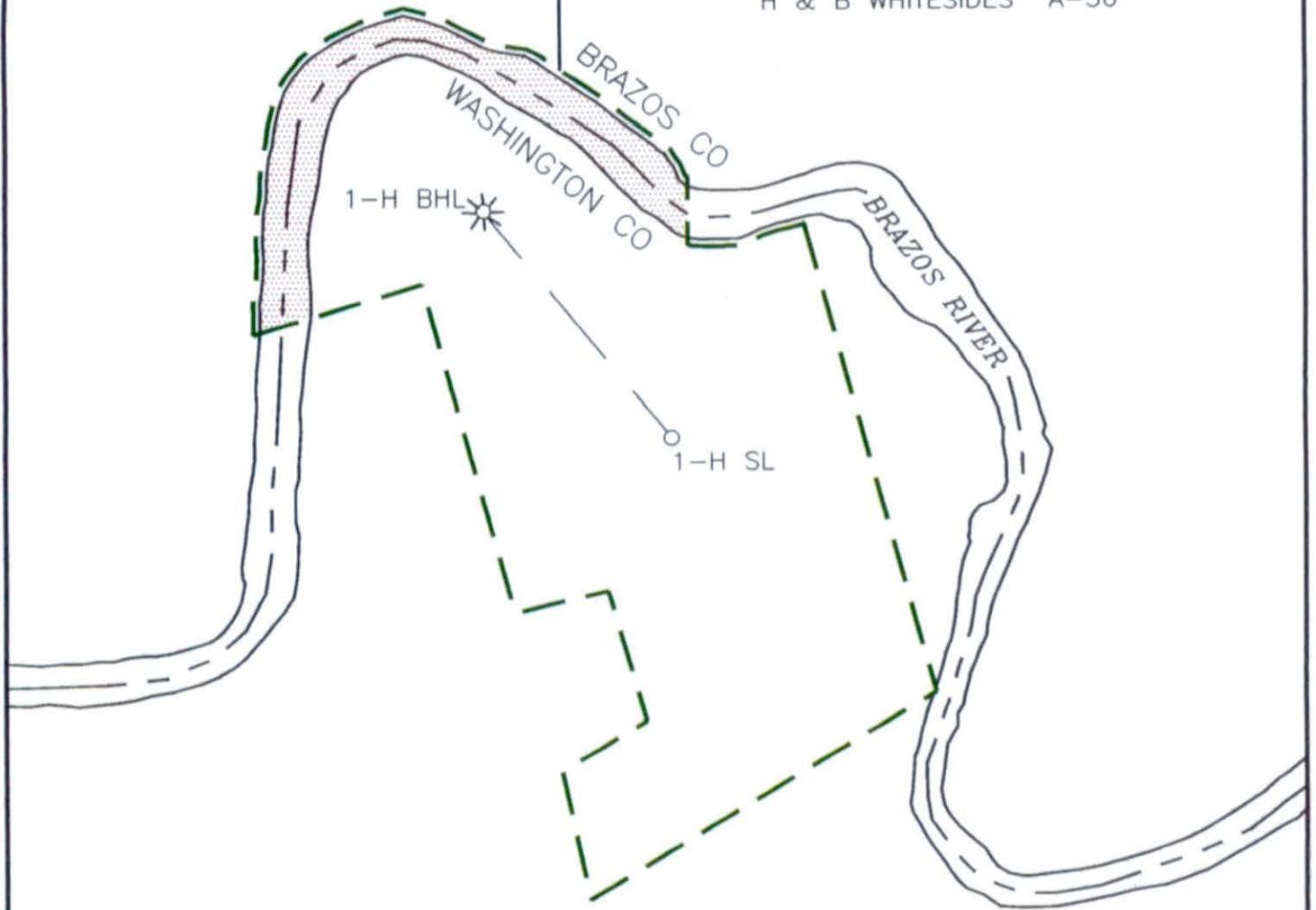
Al Gonzales



Peter A. Boone

ROBERT MILLICAN A-42

H & B WHITESIDES A-56



WILLIAM S. BROWN A-18

10-96/RHITT/96-74

SAGE ENERGY COMPANY
FALLS UNIT No. 1-H
GIDDINGS (AUSTIN CHALK) FIELD
M-95823
BRAZOS AND WASHINGTON COUNTIES

⑥ M-95823

Pooling Committee Rpt

FILED: 1-23-97

POOLING AGREEMENT
SAGE ENERGY COMPANY
FALLS UNIT NO. 1-H
BRAZOS AND WASHINGTON COUNTIES, TEXAS

THIS AGREEMENT is entered into by and between the Commissioner of the General Land Office, on behalf of the State of Texas, as "Lessor" and Sage Energy Company, herein referred to as "Lessee", and such other interested parties as may join in the execution hereof, the undersigned parties herein collectively referred to as the "parties", in consideration of the mutual agreements hereinafter set forth and other valuable considerations, the receipt and sufficiency of which are hereby acknowledged, and for the purposes and upon the terms and conditions which follow:

PURPOSES:

1.

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

UNIT DESCRIPTION:

2.

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

MINERAL POOLED:

3.

The mineral pooled and unitized ("pooled mineral") hereby shall be oil and gas including all hydrocarbons that may be produced from an oil well or a gas well as such wells are recognized and designated by the Railroad Commission of Texas or other state regulatory agency having jurisdiction of the drilling and production of oil and gas wells. The pooled mineral shall extend to those depths underlying the surface boundaries of the pooled unit in the Austin Chalk Formation, defined as the stratigraphic interval or its correlative equivalent occurring from 13,372 feet measured depth to 16,583 feet measured depth as shown on the Gamma Ray log of the Sage Energy, Falls Unit No. 1-H Well ("unitized interval").

POOLING AND EFFECT:

4.

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

- (a) The unit, to the extent as above described, shall be operated as an entirety for the exploration, development and production of the pooled mineral, rather than as separate tracts.
- (b) All drilling operations, reworking or other operations with respect to the pooled mineral on land within the unit shall be considered as though the same were on each separate tract in the unit, regardless of the actual location of the well or wells thereon, for all purposes under the terms of the respective leases or other contracts thereon and this Agreement. In the event the unitized area covered by this Agreement is maintained in force by drilling or reworking operations conducted on a directional well drilled under the unitized area from a surface location on adjacent or adjoining lands not included within the boundaries of the unitized area, such operations shall be considered to have been commenced on the unitized area when drilling is commenced on the adjacent or adjoining land for the purpose of directionally drilling under the unitized area and production of oil or gas from the unitized area through any directional well surfaced on adjacent or adjoining land or drilling or reworking of any such directional well shall be considered production or drilling or reworking operations, as the case may be, on the unitized area for all purposes under this Agreement. Nothing in this Agreement is intended or shall be construed as granting to Lessee any leasehold interest, easements, or other rights in or with respect to any such adjacent or adjoining land in addition to any such leasehold interests, easements, or other rights which the lessee, operator or other interest owner in the unitized area may have lawfully acquired from the state or others.
- (c) Production of the pooled mineral from the unit allocated to each separate tract, respectively, as hereinafter provided, shall be deemed to have been produced from each such separate tract in the unit, regardless of the actual location of the well or wells thereon, for all purposes under the terms of the respective leases or other contracts thereon and this Agreement.
- (d) All rights to the production of the pooled mineral from the unit, including royalties and other payments, shall be determined and governed by the lease or other contract pertaining to each separate tract, respectively, based upon the production so allocated to such tract only, in lieu of the actual production of the pooled mineral therefrom. Provided that, payments that are made on a per acre basis shall be reduced according to the number of acres pooled and included herein, so that payments made on a per acre basis shall be calculated based upon the number of acres actually included within the boundaries of the pooled unit covered by this Agreement.
- (e) A shut-in oil or gas well located upon any land or lease included within said unit shall be considered as a shut-in oil or gas well located upon each land or lease included within said unit; provided, however, that shut-in oil or gas well royalty shall be paid to the State on each State lease wholly or partially within the unit, according to the terms of such lease as though such shut-in oil or gas well were

located on said lease, it being agreed that shut-in royalties provided in each State lease shall not be shared with other royalty owners.

- (f) Notwithstanding any other provision hereof, it is expressly agreed that each State lease may be maintained in force as to areas lying outside the unitized area described in Exhibit "B" only as provided in each such lease without regard to unit operations or unit production. Neither production of the pooled mineral, nor unit operations with respect thereto, nor the payment of shut-in royalties from a unit well, shall serve to hold any State lease in force as to any area outside the unitized area described in Exhibit "B" regardless of whether the production or operations on the unit are actually located on the State lease or not. "Area" as used in this paragraph shall be based upon surface acres to the end that, except as may otherwise be provided in each State Lease, the area inside the surface boundaries of the pooled unit, if held, will be held as to all depths and horizons.
- (g) If the Railroad Commission of Texas (or any other Texas regulatory body having jurisdiction) shall adopt special field rules providing for oil and/or gas proration units of less than 794.00 acres, then Lessee agrees to either (1) drill to the density permitted by the Railroad Commission, (2) make application to the School Land Board of the State of Texas to reform the unit to comply with Railroad Commission unit rules, or (3) make application to the School Land Board of the State of Texas for such remedy as may be agreeable to the Board.
- (h) This Agreement shall not relieve Lessee from the duty of protecting the State leases described in Exhibit "A" and the State lands within the boundaries of the pooled unit described in Exhibit "B" from drainage from any well situated on privately owned land, lying outside the unitized area described in Exhibit "B", but, subject to such obligation, Lessee may produce the allowable for the entire unit as fixed by the Railroad Commission of Texas or other lawful authority, from any one or more wells completed thereon.
- (i) There shall be no obligation to drill internal offsets to any other well on separate tracts within the pooled unit, nor to develop the lands within the boundaries thereof separately, as to the pooled mineral.
- (j) Should this Agreement terminate for any cause, in whole or in part, the leases and other contracts affecting the lands within the unit, if not then otherwise maintained in force and effect, shall remain and may be maintained in force and effect under their respective terms and conditions in the same manner as though there had been production or operations under said lease or contract and the same had ceased on the date of the termination of this Agreement.

ALLOCATION OF PRODUCTION:

5.

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

TAKING ROYALTY IN KIND:

6.

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

FULL MARKET VALUE:

7.

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

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

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

EFFECTIVE DATE:

8.

Upon execution by the Commissioner of the General Land Office of the State of Texas this Agreement shall become effective as of November 5, 1996; however, it is agreed that the State will participate in production from the Unit well or wells on a unitized basis from the date the pooled mineral was or is first produced.

TERM:

9.

This Agreement shall remain in effect so long as the pooled mineral is being produced from said unit, or so long as all leases included in the pooled unit are maintained in force by payment of delay rentals or shut-in oil or gas well royalties, by drilling or rework, or by other means, in accordance with the terms of said leases. Nothing herein shall amend or modify Section 52.031 of the Natural Resources Code, or any of the provisions thereof which are contained in any State lease covered by this Agreement.

STATE LAND:

10.

Insofar as the royalty interest of the State of Texas in and under any State tract committed to the unit is concerned, this Agreement is entered into, made and executed by the undersigned Commissioner of the General Land Office by virtue of the authority and pursuant to the provisions of Subchapter E, Chapter 52, of the Natural Resources Code, authorizing the same, after the prerequisites, findings and approval hereof, as provided in said Code having been duly considered, made and obtained.

DISSOLUTION:

11.

The unit covered by this Agreement may be dissolved by Lessee, his heirs, successors or assigns, by an instrument filed for record in Brazos and Washington Counties, Texas, and a certified copy thereof filed in the General Land Office at any time after the cessation of production on said unit or the completion of a dry hole thereon prior to production or upon such other date as may be approved by the School Land Board and mutually agreed to by the undersigned parties, their successors or assigns.

RATIFICATION/WAIVER:

12.

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

COUNTERPARTS:

13.

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

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

Date Executed 12/13/96

Legal
Content
Geology
Execution



STATE OF TEXAS

By Garry Mauro
Garry Mauro, Commissioner
of the General Land Office

Date Executed 11/26/96

SAGE ENERGY COMPANY

By Jesse Minis
Its President

ATTEST: Michael Amini
Michael Amini
Secretary

CERTIFICATE

I, Linda K. Fisher, Secretary of the School Land Board of the State of Texas, do hereby certify that at a meeting of the School Land Board duly held on the 5th day of November, 1996, the foregoing instrument was presented to and approved by said Board under the provisions of Subchapter E, Chapter 52, of the Natural Resources Code, all of which is set forth in the Minutes of the Board of which I am custodian.

IN TESTIMONY WHEREOF, witness my hand this the 12th day of December, 1996.

Linda K. Fisher
Secretary of the School Land Board

STATE OF TEXAS

COUNTY OF BEXAR

This instrument was acknowledged before me on November 26, 1996, by Jesse Minor as President of Sage Energy Company, a Delaware corporation, on behalf of said corporation.

Barbara Ann Gutierrez
Notary Public in and for the
State of Texas

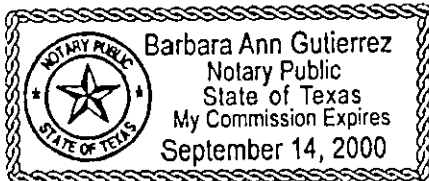


EXHIBIT "A"

1. Lessor: Charles Moore Frede
Lessee: Union Pacific Resources Company
Dated: December 29, 1993
Recording: Memorandum of said lease is recorded in
Volume 726, Page 877
2. Lessor: State of Texas
Lessee: Union Pacific Resources Company
Dated: April 5, 1994
Recording: Volume 750, Page 397
3. Lessor: Estate of Conrad John Sommers, deceased, et al
Lessee: Union Pacific Resources Company
Dated: November 7, 1993
Recording: Volume 723, Page 640
4. Lessor: Thomas S. Gillis and wife, Frances R. Gillis
Lessee: Union Pacific Resources Company
Dated: October 21, 1993
Recording: Volume 714, Page 244; and filed again in
Volume 795, Page 478
5. Lessor: Mary Harriet Lott Travilla
Lessee: Union Pacific Resources Company
Dated: December 30, 1993
Recording: Memorandum of said lease filed in
Volume 730, Page 874; and filed again in
Volume 795, Page 623
6. Lessor: Ruth S. Langham
Lessee: Union Pacific Resources Company
Dated: November 7, 1993
Recording: Volume 721, Page 278
7. Lessor: Margaret S. Thompson
Lessee: Union Pacific Resources Company
Dated: November 4, 1993
Recording: Volume 721, Page 283
8. Lessor: Charlotte S. Albano
Lessee: Union Pacific Resources Company
Dated: November 6, 1993
Recording: Volume 724, Page 335

All recording references refer to the Official Records of Washington County,
Texas.

**SAGE ENERGY
FALLS UNIT No. 111
794.00 ACRE UNIT**

All that certain tract and or parcel of land lying and being situated in Washington and Brazos Counties, a portion of the William S. Brown Survey, A-18, Washington County, Texas and also embracing a portion of the Robert Millican Survey, A-42 and the H. & B Whitesides Survey, A-56, both being of Brazos County, Texas and being further described as being a portion of that certain tract said to contain 943.765 acres in a deed from Roy E. Baker et al to Thomas S. Gillis et ux, dated August 17, 1982 and recorded in Volume 439 Page 250 et seq of the deed Records of Washington County, Texas and also embracing a portion of that certain tract said to contain 510.25 acres of land in a Stipulation and Declaration of Interests between the Heirs of H. H. Moore, (deceased) and Louise T. Moore, (deceased) dated February 13, 1993, and recorded in Volume 694 Page 62 et seq of the Deed Records of Washington County, Texas, and embracing a portion of a tract said to contain 205 1/2 acres of land described as Tract I in a deed from Charlotte S. Albano et al to John P. Sommers and of record in Volume 341 Page 733 et seq of the Deed Records of Washington County, Texas and also embracing a portion of the Brazos River being the Sovereignty of the State of Texas and being more particularly described by metes and bounds as follows; to wit:

COMMENCING at a 1" Iron Pipe found in the North margin of Washington County Road No.101 from which the Southernmost corner of said Moore tract situated at the centerline of said county road bears SOUTH 16 ° 06 ' 33 " EAST, a distance of 26.37 feet, said Southernmost corner being common with the Southeast corner of said Gillis tract, said point also being situated in the common boundary with said Sommers Tract II and said Moore and Gillis tracts.

THENCE NORTH 16 ° 06 ' 33 " WEST with the common dividing line with said Moore tract and said Gillis Tract a distance of 2092.80 feet to a 1" iron pipe found at a common corner with said Moore and Gillis tracts..

THENCE NORTH 83 ° 19 ' 33 " EAST continuing with said common dividing line a distance of 347.80 feet to a 1" iron pipe found at a common corner with said Moore and Gillis tracts.

THENCE NORTH 16 ° 09 ' 27 " WEST continuing along said common line a distance of 506.63 feet to the PLACE OF BEGINNING in said line for the Southernmost corner hereof.

THENCE continuing along said line NORTH 16 ° 09 ' 27 " WEST a distance of 1079.64 feet to a 1" iron pipe found at a common corner with said Moore and Gillis tracts for a re-entrant corner hereof.

THENCE NORTH 74 ° 08 ' 53 " EAST with said line a distance of 116.92 feet to a 3/8" iron rod found at a common corner of said Moore and Gillis tracts for an interior corner hereof.

THENCE NORTH 16 ° 02 ' 24 " WEST with said common line a distance of 380.59 feet to a 1/2" iron rod found at a common corner with said Moore and Gillis tracts for a re-entrant corner hereof.

THENCE NORTH 58 ° 51 ' 32 " EAST with said common line a distance of 1091.35 feet to a corner post in concrete being an apparent occupied common corner with said Moore and Gillis tracts for an interior corner hereof.

THENCE NORTH 15 ° 37 ' 47 " WEST continuing along said common line a distance of 1496.18 feet to a point in said line for an interior corner hereof.

**SAGE ENERGY
FALLS UNIT No. 1H
794.00 ACRE UNIT**

THENCE SOUTH 77° 58' 42" WEST severing said Gillis called 943.765 acre tracts a distance of 1053.25 feet to a point in the West line of a tract said to contain 178.95 acres described in Volume 694 Page 62 et seq of the Deed Records of Washington County, Texas which is now a portion the afore said Gillis called 973.765 acre tract for a lower Westerly corner hereof.

THENCE with said West line NORTH 15° 36' 58" WEST distance of 3676.51 feet to a point in same for an interior corner hereof.

THENCE continuing across said called 943.765 acre tract leaving said former West line SOUTH 74° 23' 02" WEST crossing the Brazos River for a total distance of 1848.60 feet to a point in Brazos County on the North bank of said Brazos River for the Westernmost corner hereof.

THENCE along the North bank of the afore said Brazos River being a common line with tracts recorded in Vol. 125 Pg. 448, Vol. 181 Pg. 539, Vol. 218 Pg. 251, and Vol. 118 Pg. 481 in succession as follows, NORTH 03° 18' 54" EAST a distance of 726.63 feet to a point

THENCE NORTH 01° 00' 04" WEST a distance of 270.77 feet to a point.

THENCE NORTH 05° 11' 11" EAST a distance of 969.24 feet to a point.

THENCE NORTH 15° 17' 47" EAST a distance of 626.50 feet to a point.

THENCE NORTH 35° 22' 27" EAST a distance of 426.26 feet to a point.

THENCE NORTH 53° 12' 24" EAST a distance of 637.15 feet to a point.

THENCE NORTH 75° 56' 39" EAST a distance of 529.27 feet to a point.

THENCE SOUTH 73° 02' 51" EAST a distance of 794.35 feet to a point.

THENCE SOUTH 72° 26' 00" EAST a distance of 652.41 feet to a point.

THENCE SOUTH 56° 49' 49" EAST a distance of 1249.95 feet to a point.

THENCE SOUTH 47° 15' 25" EAST a distance of 820.24 feet to a point in said last named common line for a re-entrant corner hereof.

THENCE SOUTH 01° 21' 31" EAST severing said Brazos River a distance of 670.84 feet to a point on the South Bank of same being a common line with the afore mentioned Moore called 510.25 acre tract for a Northerly interior corner hereof.

THENCE along said South Bank and said common line SOUTH 59° 40' 53" EAST a distance of 364.61 feet to a point.

THENCE NORTH 79° 05' 40" EAST a distance of 184.08 feet to a point.

THENCE NORTH 61° 04' 37" EAST a distance of 554.85 feet to a point.

THENCE NORTH 75° 31' 18" EAST a distance of 333.74 feet to a point in said line for the North or Northeast corner hereof.

SAGE ENERGY

FALLS UNIT No. III
794.00 ACRE UNIT

Thence SOUTH 15° 37' 47" EAST, severing said Moore called 510.25 acre tract passing the common line between same and the North line of the John F. Sommers called 205 1/2 acre tract for a total distance of 5444.34 feet to a point on the South Bank of the Brazos River being the East line of the afore said Sommers tract for the East or Southeast corner hereof.

THENCE SOUTH 58° 50' 35" WEST severing said Sommers tract and crossing the West line of said Sommers tract common with a lower East line of the said Moore called 510.25 acre tract and continuing a total distance of 4458.92 feet to the PLACE OF BEGINNING and comprising a 794.00 acre unit more or less of which 209.20 acres of said Thomas S. Gillis tract are subject to said unit, 406.99 acres of said H.H. Moore et ux estate are subject to said unit, 97.46 acres of the said John F. Sommers tract are subject to said unit and 80.35 acres of the said State of Texas Brazos River tract are subject to said unit.

The above cited bearings are based on an Astronomic True North derived from a solar observation. The above description represents an on the ground survey performed under my supervision in May and June of 1996.

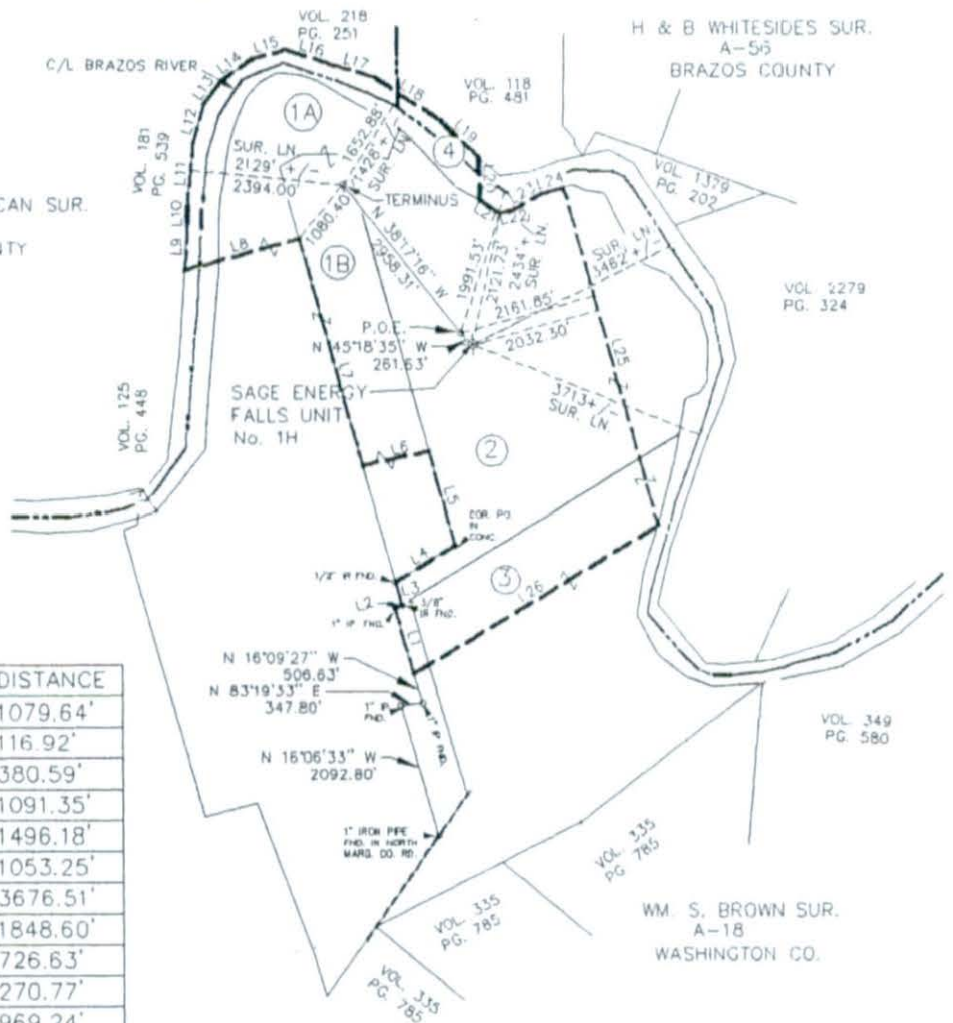
Date of Signature, August 09, 1996.

Karl Atkins
KARL E. ATKINS
REGISTERED PROFESSIONAL LAND SURVEYOR
No. 4618
ROCKDALE, TEXAS



--- = SURVEY CO. LN.
 - - - = UNIT LN.

SCALE 1" = 3000'



UNIT LINE CALLS

NUMBER	DIRECTION	DISTANCE
L1	N 16°09'27" W	1079.64'
L2	N 74°08'53" E	116.92'
L3	N 16°02'24" W	380.59'
L4	N 58°51'32" E	1091.35'
L5	N 15°37'47" W	1496.18'
L6	S 77°58'42" W	1053.25'
L7	N 15°36'58" W	3676.51'
L8	S 74°23'02" W	1848.60'
L9	N 03°18'54" E	726.63'
L10	N 01°00'04" W	270.77'
L11	N 05°11'11" E	969.24'
L12	N 15°17'47" E	626.50'
L13	N 35°22'27" E	426.26'
L14	N 53°12'24" E	637.15'
L15	N 75°56'39" E	529.27'
L16	S 73°02'51" E	794.35'
L17	S 72°26'00" E	652.41'
L18	S 56°49'49" E	1249.95'
L19	S 47°15'25" E	820.24'
L20	S 01°21'31" E	670.84'
L21	S 59°40'53" E	364.61'
L22	N 79°05'40" E	184.08'
L23	N 61°04'37" E	554.85'
L24	N 75°31'18" E	333.74'
L25	S 15°37'47" E	5444.34'
L26	S 58°50'35" W	4458.92'

SAGE ENERGY FALLS No. 1H 794.00 ACRE UNIT			
TRACT No.	OWNERSHIP	VOL./PG.	ACREAGE SUBJECT TO UNIT
1A	THOMAS S. GILLIS JR.	439/250	91.76
1B	THOMAS S. GILLIS JR.	439/250	117.44
2	CHARLES M. FREDE	694/62	406.99
3	JOHN F. SOMMERS	341/733	97.46
4	STATE OF TEXAS	SOV.	80.35

Note: As-Drilled data provided by Horizon Directional Systems.

STATE OF TEXAS
 COUNTY OF WASHINGTON
 COUNTY OF BRAZOS

The above cited bearings are based on Astronomic True North derived from a solar observation. The above plat represents an on the ground survey performed under my supervision in May and June of 1996.

Date of Signature August 09, 1996

Karl E. Atkins
 KARL E. ATKINS
 REGISTERED PROFESSIONAL LAND SURVEYOR
 No. 4618
 ROCKDALE, TEXAS



Revised 08/09/96
 Show As-Drilled information
 Revised Unit Acreage

DRAWN BY: K.E.A.	PROJECT AS DRILLED PLAT SHOWING THE SAGE ENERGY FALLS UNIT No. 1H	SHT. NAME PLAT SHOWING THE SAGE ENERGY FALLS UNIT No. 1H AS DRILLED	SHT. NO. 1 OF 1
DATE: August 09, 1996			
DWG. NO.:			
APPROVED BY:			

④ M-95823

Pooling Agreement

FILED: 1-23-97

**RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION**

PERMIT TO DRILL, DEEPEN, PLUG BACK, OR RE-ENTER
ON REGULAR OR ADMINISTRATIVE EXCEPTION LOCATION

PERMIT NUMBER 448091	DATE PERMIT ISSUED OR AMENDED 5/14/96	DISTRICT 03
API NUMBER 42 477 30322	FORM W-1 RECEIVED 5/14/96	COUNTY WASHINGTON
TYPE OF OPERATION DRILL (HORIZONTAL)		ACRES 1,635.38
OPERATOR SAGE ENERGY COMPANY 10101 REUNION PLACE #800 SAN ANTONIO TX 78216		NOTICE This permit and any allowable assigned may be revoked if payment for fee(s) submitted to the Commission is not honored. District Office Telephone No.: 713 460-0631
LEASE NAME FALLS UNIT		WELL NUMBER 1H
LOCATION 10.60 MILES ENE. FROM INDEPENDENCE		TOTAL DEPTH 15,000
SECTION, BLOCK and/or SURVEY SECTION ==> BLOCK ==> ABSTRACT ==> 18 SURVEY ==> WM. S. BROWN		
DISTANCE-LEASE LINES 2,671.58 F N - 3,673.32 F NE		DISTANCE-NEAREST WELL ON LEASE N/A
DISTANCE-SURVEY LINES 2,417.00 F N(RIVER) - 3,308.00 F E(RIVER)		

READ IMPORTANT CONDITIONS AND INSTRUCTIONS ON THE BACK OF THIS FORM

FIELD(S) AND LIMITATIONS

PERMIT BOTTOM HOLE LOCATION:

LEASE DISTANCE ==> 500.00 F N - 2,250.52 F W
 SURVEY DISTANCE ==> 260.00 F N(RIVER) - 2,248.00 F W(RIVER)
 NEAREST WELL ==> N/A

GIDDINGS (AUSTIN CHALK, GAS)

**** LIMITATIONS ****

THE FOLLOWING RESTRICTIONS APPLY TO ALL FIELDS

REGULAR PROVIDED THIS WELL IS NEVER COMPLETED IN VIOLATION OF
 APPLICABLE SPECIAL FIELD OR STATEWIDE SPACING RULES.
 ANY WELLBORE DRILLED UNDER THIS PERMIT MUST BE COMPLETED, OPERATED,
 AND PRODUCED IN COMPLIANCE WITH STATEWIDE RULE 32.
 PENETRATION POINT SAME AS SURFACE LOCATION.

CAROLE KEETON RYLANDER,
CHAIRMAN
BARRY WILLIAMSON, COMMISSIONER
CHARLES R. MATTHEWS,
COMMISSIONER



DAVID E. SCHIECK
DIRECTOR, OIL AND GAS DIVISION

1701 N. CONGRESS

CAPITOL STATION - P.O. BOX 12967 AUSTIN, TEXAS 78711-2967

(512) 463-7288

May 14, 1996

SAGE ENERGY COMPANY
10101 REUNION PLACE #800
SAN ANTONIO TX 78216

RE: DIRECTIONAL DEVIATION
PERMIT #: 448091
LEASE: FALLS UNIT
FIELD: GIDDINGS (AUSTIN CHALK, GAS) WELL #: 1H
COUNTY: WASHINGTON

SURFACE LOCATION:
LEASE: 2671.58 F N E 3673.32 F NE
SURVEY: 2417.00 F N (RIVER) E 3308.00 F E (RIVER)

BOTTOM HOLE LOCATION:
LEASE: 500.00 F N E 2250.52 F W
SURVEY: 260.00 F N (RIVER) E 2248.00 F W (RIVER)

OPERATOR :

This will be your authority in accordance with Statewide Rule 11 to directionally drill the subject well. Please bear in mind that this well will be directionally drilled at your own risk and no allowable will be assigned until this office is in receipt of a certified directional survey report made and filed in the manner prescribed in Statewide Rules 11 and 12 showing that exact surface location and bottomhole location of the well, together with a certified plat to adequate scale showing correct surface location and other pertinent information in order to determine exact bottomhole location.

A drilling permit for the well is being issued subject to review after receipt of all completion forms, together with such evidence as is necessary to show the exact bottomhole location of the deviated well. A copy of this permit must be furnished to the person in charge of directional control of the well, so such person will know the permitted bottomhole location to which the well is projected. Completion forms should be accompanied by a letter of transmittal giving reference to this letter as authority to directionally deviate the well. This procedure should be followed regardless of whether the well is completed either as a producer or as a dry hole.

Yours very truly,

DAVID C. TRIANA, P.E.
PERMITTING ENGINEER

cc: RRC - District Office HOUSTON
Production and Proration

03

⑩ M-95823

App. to Drillwell # 1-A

FILED: 1-23-97

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division

Form G-1
Rev. 4/1/83

Type or print only

483-047

API No. 42-477-30822

7. RRC District No.

3

8. RRC Gas ID No.

Gas Well Back Pressure Test,
Completion or Recompletion Report, and Log

1. FIELD NAME (as per RRC Records or Wildcat)

Giddings (Austin Chalk - Gas)

2. LEASE NAME

Falls Unit

5. Well No.

1-H

3. OPERATOR'S NAME (Exactly as shown on Form P-5, Organization Report)

Sage Energy Company

RRC Operator No.

743215

10. County of well site

Washington

4. ADDRESS

10101 Reunion Place, Suite 800, San Antonio, Texas 78216-4158

11. Purpose of filling

Initial Potential

Retest

Reclass

Well record only
(Explain in remarks)

5. Location (Section, Block, and Survey)

W.M. S Brown Sur. A-18

5b. Distance and direction to nearest town in this county.

10.60 Miles ENE From Independence

6. If operator has changed within last 60 days, name former operator

N/A

12. If workover or reclass, give former field (with reservoir) & Gas ID or oil lease no. FIELD & RESERVOIR

N/A

13. Pipe Line Connection
Austin Chalk Natural Gas Marketing

14. Completion or recompletion date

08-03-96

15. Any condensate on hand at time of workover or recompletion?

Yes No

16. Type of Electric or other Log Run.

GR

Section I

GAS MEASUREMENT DATA

Date of Test

08/05/96

Gas Measurement Method (Check One)

Orifice Meter Flange Taps Pipe Taps Positive Choke Orifice Vent Meter Pitot Tube Critical-flow Prover

Gas produced during test

14601 MCF

Run No.	Line Size	Orif. or Choke Size	24 Hr. Coeff. Orif. or Choke	Static P _m or Choke Press	Diff. h _w	Flow Temp. °F	Temp. Factor F _T	Gravity Factor F _g	Compress Factor F _{pv}	Volume MCF/DAY
1	4.026	2.625	48544.55	815	13.06	101	.9628	.9513	1.061	4867
2										
3										
4										

Section II

FIELD DATA AND PRESSURE CALCULATIONS

Gravity (Dry Gas) .663 Gravity Liquid Hydrocarbon _____ Deg. API _____ Gas-Liquid Hydro Ratio DRY CF/Bbl Gravity of Mixture G_{mix} .663 Avg. Shut-in Temp. 204 °F Bottom Hole Temp. 334 °F @ 13691 (Depth)

$D_{eff}^{8/3} = 10.806$ $\sqrt{T_1} = \sqrt{682} = 26.12$ $\sqrt{GL} = \sqrt{9077.14} = 95.27$

$c = \frac{1118 \times (D_{eff})^{8/3}}{\sqrt{T}} = 1118 \times 10.806 / 26.12 = 462.52$ $\frac{\sqrt{GL}}{c} = 95.27 / 462.52 = .2060$

Run No.	Time of Run Min.	Choke Size	Wellhead Press. PSIA P _w	Wellhead Flow Temp. F°	P _w ² (Thousands)	R	R ² (Thousands)	P ₁	P _w /P ₁
Shut-in	24 Hrs		7415	74					
1	4320	20/64	2015	110	4060	1002.6	1005.2	2251	.8952
2									
3									
4									

Run No.	f	k	s = $\frac{1}{z}$	E _{hs}	P ₁ and P _s	P ₁ ² and P _s ² (thousands)	P ₁ ² - P _s ² (thousands)	Angle of Slope
Shut-in		.2563	.7880	1.2238	9074	82337		B .45.00
1	.9486	.2367	1.1142	1.3018	2930	8585	73752	* 1.0000
2								Absolute Open Flow
3								... 5434 ... MCF/DAY
4								

WELL TESTER'S CERTIFICATION: I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I conducted or supervised this test and that data and facts shown in Sections I and II above are true, correct, and complete, to the best of my knowledge. Bottomhole temperature and the diameter and length of flow string were furnished by the operator of the well.

Glen C Sturges
Signature Well Tester

Sage Energy Company
Name of Company

RRC Representative

OPERATOR'S CERTIFICATION: I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this report, that I prepared or supervised and directed this report, and that data and facts stated therein are true, correct, and complete, to the best of my knowledge.

Glen C Sturges
Signature Operator's representative

Engineer
Title

09-12-96
Date

(210) 340-2288
A/C Number

SECTION III

DATA ON WELL COMPLETION AND LOG (Not Required on Retest)

17. Type of Completion:

New Well Deepening Plug Back Other 18. Permit to Drill
Plug Back or
Deepen

DATE

5-14-96

PERMIT NO.

448091

Rule 37

CASE NO.

Exception

Water Injection

PERMIT NO.

Permit

Salt Water Disposal

PERMIT NO.

Permit

Other

PERMIT NO.

19. Notice of Intention to Drill this well was filed in Name of

Sage Energy Company

20. Number of producing wells on this lease in
this field (reservoir) including this well

1

21. Total number of acres
in this lease

794.00

22. Date Plug Back, Deepening,
WorkOver or Drilling
Operations:

Commenced

5-17-96

Completed

7-26-96

23. Distance to nearest well
Same Lease & Reservoir

N/A

24. Location of well, relative to nearest lease boundaries
of lease on which this well is located

2032'

Feet From

NE

Line and

2121.73'

Feet from

N

Line of the Falls Unit

Lease

25. Elevation (D.F., R.K.B., RT., GR., ETC.)

195' GR

26. Was directional survey made other
than inclination (Form W-12)?

Yes

No

27. Top of Pay

13,372'

28. Total Depth

13620' TVD
16583' MD

29. P. B. Depth

13620' TVD
16583' MD

30. Surface Casing

Determined by:

Field Rules

Recommendation of T.D.W.R.

Railroad Commission (Special)

Dt. of Letter 5-14-96

Dt. of Letter

31. Is well multiple completion?

Yes

No

32. If multiple completion, list all reservoir names (completions in this well) and Oil Lease
or Gas ID No.

FIELD & RESERVOIR

GAS ID or
OIL LEASEOIL-O
Gas-GWELL
#

33. Intervals Drilled by:

Rotary
ToolsCable
Tools

34. Name of Drilling Contractor

H & P International
Drilling

N/A

35. Is Cementing Affidavit
Attached?

Yes

No

36. CASING RECORD (Report All Strings Set in Well)

CASING SIZE	WT #/FT.	DEPTH SET	MULTISTAGE TOOL DEPTH	TYPE & AMOUNT CEMENT (sacks)	HOLE SIZE	TOP OF CEMENT	SLURRY VOL. cu. ft.
10 3/4"	45.5#	3030'		Standard W/ 3% Salt 2% Econolite+1/4#/SK Floccle	14 3/4	Surface	2912
7 5/8"	29.7&33.7#	13560'		300 Premium w/35% SSA-1 + .6% HALAD-22A + .9% HR-12	9 7/8	11,530	447

37. LINER RECORD

Size	TOP	Bottom	Sacks Cement	Screen

38. TUBING RECORD

Size	Depth Set	Packer Set	From	To
2.5"		13340'	13420'	16583' MD, 13620' TVD
			From	To
			From	To

39. Producing Interval (this completion) Indicate depth of perforation or open hole

40. ACID, SHOT, FRACTURE, CEMENT SQUEEZE, ETC.

Depth Interval	Amount and Kind of Material Used

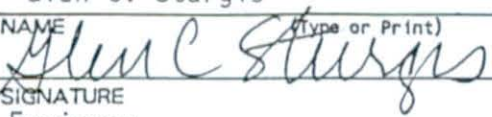
41. FORMATION RECORD (LIST DEPTHS OF PRINCIPAL GEOLOGICAL MARKERS AND FORMATION TOPS)

Formations	Depth	Formations	Depth
Pecan Gap	12659'		
Austin Chalk	13372'		

REMARKS Attached is an "As Drill Plat" showing penetration Point @ 1991.53' FNL & 2161.85' FNEl of the unit. Bottom Hole Location @ 1652.88' FNEl & 2129' FWL to the Unit & 1428' FNEl & 2394' FWL to the Sur. Top Hole Location @ 3462' FNEl & 2434' FNNel to the sur & 2032' FNEl & 2121.73' FNL to the Unit.

GAS WELL
CLASSIFICATION REPORT

READ INSTRUCTIONS ON BACK

1. OPERATOR NAME (Exactly as shown on Form P-5 Organization Report) Sage Energy Company		3. RRC DISTRICT NO. 3	4. OIL LEASE NO. OR GAS WELL ID NO.
2. MAILING ADDRESS 10101 Reunion Place, Suite 800 San Antonio, Texas 78216-4158		5. WELL NO. 1-H	6. API NO. 42- 477-30822
		7. COUNTY OF WELL SITE Washington	
8. FIELD NAME (as per RRC Records) Giddings (Austin Chalk - Gas)		9. LEASE NAME Falls Unit	
10. LOCATION (Section, Block, and Survey) W.M. S Brown Sur A-18		11. PIPELINE CONNECTION OR USE OF GAS Austin Chalk Natural Marketing Gas	
I. PRODUCTION TEST AT RATE ELECTED BY OPERATOR (data on 24-hour basis)		II. A.S.T.M. DISTILLATION OF LIQUID SAMPLE. Distillation test is required for gas wells ONLY if the producing gas-liquid hydrocarbon ratio is less than 100,000 CF/barrel.	
A. Date of Test _____ 09/05/96 _____		Date Liquid Sample Obtained _____ Not Required _____	
B. Gas Volume _____ 4867 _____ (Mcf)		Where Obtained: <input type="checkbox"/> Separator <input type="checkbox"/> Stock Tank	
C. Oil or Condensate Volume _____ 0.00 _____ (Bbl)		% Over Temp. (deg. F) % Over Temp. (deg. F)	
D. Water Volume _____ 120.00 _____ (Bbl)		Initial Boiling Temp. _____ 60 _____	
E. Gas/Liquid Hydrocarbon Ratio _____ Dry _____ (Cf/Bbl)		10 _____ 70 _____	
F. Flowing Tubing Pressure _____ 2015 _____ (psia)		20 _____ 80 _____	
G. Choke Size _____ 20/64 _____ (in.)		30 _____ 90 _____	
H. Casing Pressure _____ 15 _____ (psia)		40 _____ 95 _____	
I. Shut-in Wellhead Pressure- Tubing _____ 7415 _____ (psia)		50 _____ End Point _____	
J. Separator Operating Pressure _____ 815 _____ (psia)		Total Recovery _____ percent	
K. Color of Stock Tank Liquid _____		Residue _____ percent	
L. Gravity of Separator Liquid _____ °API		Loss _____ percent	
M. Gravity of Stock Tank Liquid _____ NA _____ °API			
N. Specific Gravity of the Gas (Air = 1) _____ .663 _____			
I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this report, that this report was prepared by me or under my supervision and direction, and that data and facts stated therein are true, correct, and complete to the best of my knowledge.		RRC USE ONLY	
_____ Glen C. Sturgis _____ NAME (Type or Print)  SIGNATURE Engineer TITLE			
09-12-96	Gloria V. Vasquez	(210) 340-2288	
DATE	CONTACT PERSON	PHONE NUMBER	

Cementer: Fill in shaded areas.
Operator: Fill in other items.

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division

1. Operator's Name (As shown on Form P-5, Organization Report) SAGE ENERGY COMPANY	2. RRC Operator No. 743215	3. RRC District No. 03	4. County of Well Site WASHINGTON
5. Field Name (Wildcat or exactly as shown on RRC records) GIDDINGS (AUSTIN CHALK - GAS)	6. API No. 42-477-30822	7. Drilling Permit No. 448091	
8. Lease Name FALLS UNIT	9. Rule 37 Case No.	10. Oil Lease/Gas ID No.	11. Well No. 1-H

CASING CEMENTING DATA:	SURFACE CASING	INTER-MEDIATE CASING	PRODUCTION CASING		MULTI-STAGE CEMENTING PROCESS	
			Single String	Multiple Parallel Strings	Tool	Shoe
12. Cementing Date	5-19-96					
13. •Drilled hole size	14-3/4					
•Est. % wash or hole enlargement						
14. Size of casing (in. O.D.)	10-3/4					
15. Top of liner (ft.)						
16. Setting depth (ft.)	3030'					
17. Number of centralizers used	18					
18. Hrs. waiting on cement before drill-out						
1st Slurry	19. API cement used: No. of sacks ▶	1120				
	Class ▶	STANDARD				
	Additives ▶	3% SALT + 2% ECONOLITE + 1/4#/SK FLOCELE				
2nd Slurry	No. of sacks ▶	360				
	Class ▶	STANDARD				
	Additives ▶	NEAT				
3rd Slurry	No. of sacks ▶					
	Class ▶					
	Additives ▶					
1st	20. Slurry pumped: Volume (cu. ft.) ▶	2912				
	Height (ft.) ▶	5232.87				
2nd	Volume (cu. ft.) ▶	453.6				
	Height (ft.) ▶	814.26				
3rd	Volume (cu. ft.) ▶					
	Height (ft.) ▶					
Total	Volume (cu. ft.) ▶	3365.6				
	Height (ft.) ▶	6047.13				
21. Was cement circulated to ground surface (or bottom of cellar) outside casing?	YES					

22. Remarks

CEMENTING TO PLUG AND ABANDON	PLUG # 1	PLUG # 2	PLUG # 3	PLUG # 4	PLUG # 5	PLUG # 6	PLUG # 7	PLUG # 8
23. Cementing date								
24. Size of hole or pipe plugged (in.)								
25. Depth to bottom of tubing or drill pipe (ft.)								
26. Sacks of cement used (each plug)								
27. Slurry volume pumped (cu. ft.)								
28. Calculated top of plug (ft.)								
29. Measured top of plug, if tagged (ft.)								
30. Slurry wt. (lbs/gal)								
31. Type cement								

CEMENTER'S CERTIFICATE: I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this certification, that the cementing of casing and/or the placing of cement plugs in this well as shown in the report was performed by me or under my supervision, and that the cementing data and facts presented on both sides of this form are true, correct, and complete, to the best of my knowledge. This certification covers cementing data only.

David Ondrasek-Service Supervisor

HALLIBURTON ENERGY

David Ondrasek

Cy H. Z. Barte

Name and title of cementer's representative

Cementing Company

Signature

P.O. BOX 688

CALDWELL, TEXAS 77836

409/567-4674

5-19-96

Address

City

State

Zip Code

Tel: Area Code Number

Date: mo.

day

-yr.

OPERATOR'S CERTIFICATE: I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this certification, that I have knowledge of the well data and information presented in this report, and that data and facts presented on both sides of this form are true, correct, and complete, to the best of my knowledge. This certification covers all well data.

Glen C. Sturgis

Engineer

Glen C. Sturgis

Typed or printed name of operator's representative

Title

Signature

10101 Reunion Place, Sutie 800, San Antonio, TX 78216

(210)340-2288

09-12-96

Address

City

State

Zip Code

Tel: Area Code Number

Date: mo.

day

-yr.

Instructions to Form W-15, Cementing Report

IMPORTANT: Operators and cementing companies must comply with the requirements of the Commission's Statewide Rules 8 (Water Protection), 13 (Casing, Cementing, Drilling, and Completion), and 14 (Well Plugging). For offshore operations, see the requirements of Rule 13 (c).

A. What to file. An operator should file an original and one copy of the completed Form W-15 for each cementing company used on a well. The cementing of different casing strings on a well by one cementing company may be reported on one form. Form W-15 should be filed with the following:

- An initial oil or gas completion report, Form W-2 or G-1, as required by Statewide or special field rules;
- Form W-4, Application for Multiple Completion, if the well is a multiple parallel casing completion; and
- Form W-3, Plugging Record, unless the W-3 is signed by the cementing company representative. When reporting dry holes, operators must complete Form W-15, in addition to Form W-3, to show any casing cemented in the hole.

B. Where to file. The appropriate Commission District Office for the county in which the well is located.

C. Surface casing. An operator must set and cement sufficient surface casing to protect all usable-quality water strata, as defined by the Texas Department of Water Resources, Austin. Before drilling a well in any field or area in which no field rules are in effect or in which surface casing requirements are not specified in the applicable rules, an operator must obtain a letter from the Department of Water Resources stating the protection depth. Surface casing should not be set deeper than 200 feet below the specified depth without prior approval from the Commission.

D. Centralizers. Surface casing must be centralized at the shoe, above and below a stage collar or diverting tool, if run, and through usable-quality water zones. In nondeviated holes, a centralizer must be placed every fourth joint from the cement shoe to the ground surface or to the bottom of the cellar. All centralizers must meet API specifications.

E. Exceptions and alternative casing programs. The District Director may grant an exception to the requirements of Statewide Rule 13. In a written application, an operator must state the reason for the requested exception and outline an alternate program for casing and cementing through the protection depth for strata containing usable-quality water. The District Director may approve, modify, or reject a proposed program. An operator must obtain approval of any exception before beginning casing and cementing operations.

F. Intermediate and production casing. For specific technical requirements, operators should consult Statewide Rule 13 (b) (3) and (4).

G. Plugging and abandoning. Cement plugs must be placed in the wellbore as required by Statewide Rule 14. The District Director may require additional cement plugs. For onshore or inland wells, a 10-foot cement plug must be placed in the top of the well, and the casing must be cut off three feet below the ground surface. All cement plugs, except the top plug, must have sufficient slurry volume to fill 100 feet of hole, plus ten percent for each 1,000 feet of depth from the ground surface to the bottom of the plug.

To plug and abandon a well, operators must use only cementers approved by the Director of Field Operations. Cementing companies, service companies, or operators can qualify as approved cementers by demonstrating that they are able to mix and pump cement in compliance with Commission rules and regulations.

Cementer: Fill in shaded areas.
Operator: Fill in other items.

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division

1. Operator's Name (As shown on Form P-5, Organization Report) SAGE ENERGY COMPANY	2. RRC Operator No. 743215	3. RRC District No. 03	4. County of Well Site WASHINGTON
5. Field Name (Wildcat or exactly as shown on RRC records) GIDDINGS (AUSTIN CHALK - GAS)	6. API No. 42- 477-30822		7. Drilling Permit No. 448091
8. Lease Name FALLS UNIT	9. Rule 37 Case No.	10. Oil Lease, Gas ID No.	11. Well No. 1-H

CASING CEMENTING DATA:		SURFACE CASING	INTER-MEDIATE CASING	PRODUCTION CASING		MULTI-STAGE CEMENTING PROCESS	
				Single String	Multiple Parallel Strings	Tool	Shoe
12. Cementing Date			6-14-96				
13. •Drilled hole size			9-7/8				
•Est. % wash or hole enlargement							
14. Size of casing (In. O.D.)			7-5/8				
15. Top of liner (ft.)							
16. Setting depth (ft.)			13,560				
17. Number of centralizers used			10				
18. Hrs. waiting on cement before drill-out							
1st Slurry	19. API cement used: No. of sacks ▶		300				
	Class ▶		PREMIUM				
	Additives ▶		35% SSA-1 + .6% HALAD-22A + .9% HR-12				
2nd Slurry	No. of sacks ▶						
	Class ▶						
	Additives ▶						
3rd Slurry	No. of sacks ▶						
	Class ▶						
	Additives ▶						
1st	20. Slurry pumped: Volume (cu. ft.) ▶		447				
	Height (ft.) ▶		2030				
2nd	Volume (cu. ft.) ▶						
	Height (ft.) ▶						
3rd	Volume (cu. ft.) ▶						
	Height (ft.) ▶						
Total	Volume (cu. ft.) ▶		447				
	Height (ft.) ▶		2030				
21. Was cement circulated to ground surface (or bottom of cellar) outside casing?			NO				

22. Remarks

CEMENTING TO PLUG AND ABANDON	PLUG # 1	PLUG # 2	PLUG # 3	PLUG # 4	PLUG # 5	PLUG # 6	PLUG # 7	PLUG # 8
23. Cementing date								
24. Size of hole or pipe plugged (in.)								
25. Depth to bottom of tubing or drill pipe (ft.)								
26. Sacks of cement used (each plug)								
27. Slurry volume pumped (cu. ft.)								
28. Calculated top of plug (ft.)								
29. Measured top of plug, if tagged (ft.)								
30. Slurry wt. (lbs/gal)								
31. Type cement								

CEMENTER'S CERTIFICATE: I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this certification, that the cementing of casing and/or the placing of cement plugs in this well as shown in the report was performed by me or under my supervision, and that the cementing data and facts presented on both sides of this form are true, correct, and complete, to the best of my knowledge. This certification covers cementing data only.

Douglas Sykes—Service Supervisor

HALLIBURTON ENERGY

Douglas Sykes
Signature

By W. J. Beattie

Name and title of cementer's representative

Cementing Company

Signature

P.O. BOX 688

CALDWELL, TEXAS 77836

409/567-4674

6-14-96

Address

City, State, Zip Code

Tel.: Area Code Number

Date: mo. day yr.

OPERATOR'S CERTIFICATE: I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this certification, that I have knowledge of the well data and information presented in this report, and that data and facts presented on both sides of this form are true, correct, and complete, to the best of my knowledge. This certification covers all well data.

Glen C. Sturgis

Engineer

Glen C. Sturgis
Signature

Typed or printed name of operator's representative

Title

Signature

10101 Reunion Place, Suite 800, San Antonio, TX 78216

(210)340-2288

09-12-96

Address

City, State, Zip Code

Tel.: Area Code Number

Date: mo. day yr.

Instructions to Form W-15, Cementing Report

IMPORTANT: Operators and cementing companies must comply with the requirements of the Commission's Statewide Rules 8 (Water Protection), 13 (Casing, Cementing, Drilling, and Completion), and 14 (Well Plugging). For offshore operations, see the requirements of Rule 13 (c).

A. What to file. An operator should file an original and one copy of the completed Form W-15 for each cementing company used on a well. The cementing of different casing strings on a well by one cementing company may be reported on one form. Form W-15 should be filed with the following:

- An initial oil or gas completion report, Form W-2 or G-1, as required by Statewide or special field rules;
- Form W-4, Application for Multiple Completion, if the well is a multiple parallel casing completion; and
- Form W-3, Plugging Record, unless the W-3 is signed by the cementing company representative. When reporting dry holes, operators must complete Form W-15, in addition to Form W-3, to show any casing cemented in the hole.

B. Where to file. The appropriate Commission District Office for the county in which the well is located.

C. Surface casing. An operator must set and cement sufficient surface casing to protect all usable-quality water strata, as defined by the Texas Department of Water Resources, Austin. Before drilling a well in any field or area in which no field rules are in effect or in which surface casing requirements are not specified in the applicable rules, an operator must obtain a letter from the Department of Water Resources stating the protection depth. Surface casing should not be set deeper than 200 feet below the specified depth without prior approval from the Commission.

D. Centralizers. Surface casing must be centralized at the shoe, above and below a stage collar or diverting tool, if run, and through usable-quality water zones. In nondeviated holes, a centralizer must be placed every fourth joint from the cement shoe to the ground surface or to the bottom of the cellar. All centralizers must meet API specifications.

E. Exceptions and alternative casing programs. The District Director may grant an exception to the requirements of Statewide Rule 13. In a written application, an operator must state the reason for the requested exception and outline an alternate program for casing and cementing through the protection depth for strata containing usable-quality water. The District Director may approve, modify, or reject a proposed program. **An operator must obtain approval of any exception before beginning casing and cementing operations.**

F. Intermediate and production casing. For specific technical requirements, operators should consult Statewide Rule 13 (b) (3) and (4).

G. Plugging and abandoning. Cement plugs must be placed in the wellbore as required by Statewide Rule 14. The District Director may require additional cement plugs. For onshore or inland wells, a 10-foot cement plug must be placed in the top of the well, and the casing must be cut off three feet below the ground surface. All cement plugs, except the top plug, must have sufficient slurry volume to fill 100 feet of hole, plus ten percent for each 1,000 feet of depth from the ground surface to the bottom of the plug.

To plug and abandon a well, operators must use only cementers approved by the Director of Field Operations. Cementing companies, service companies, or operators can qualify as approved cementers by demonstrating that they are able to mix and pump cement in compliance with Commission rules and regulations.

Please Read Instructions

INSTRUCTIONS

When to file the L-1

- with Forms G-1, W-2, and GT-1 for new and deepened gas, oil, and geothermal wells
- with Form W-3 for plugged dry holes
- when sending in a log which was held under a request for confidentiality and the period of confidentiality has not yet expired

When the L-1 is NOT required

- with Forms W-2, G-1, and GT-1 filed for injection wells, disposal wells, water supply wells, service wells, re-test wells, re-classifications, and plugbacks of oil, gas, and geothermal wells
- with Form W-3 for plugging of other than a dry hole

Where to file the L-1

- with the appropriate Commission district office

Filling out the L-1

- Section I and the signature section must be filled out for all wells
- complete only the appropriate part of Section II

Type of log required

- any wireline survey run for the purpose of obtaining lithology, porosity, or resistivity information
- no more than one such log is required but it must be of the subject well
- if such a log is NOT run on the subject well, do NOT substitute any other type of log; just select Section II, Part A below

SEE REVERSE SIDE

SECTION I. IDENTIFICATION

Operator Name SAGE ENERGY COMPANY	District No. 03	Completion Date 08-03-96
Field Name GIDDINGS (AUSTIN CHALK - GAS)	Drilling Permit No. 448091	
Lease Name FALLS UNIT	Lease/ID No.	Well No. 1-H
County WASHINGTON	API No. 42 - 477-30822	

SECTION II. LOG STATUS (complete either A. or B.)

A. BASIC ELECTRIC LOG NOT RUN

B. BASIC ELECTRIC LOG RUN (select one)

1. Confidentiality requested.

2. Confidentiality already granted on basic electric log covering this interval (applicable to deepened wells only).

3. Basic electric log covering this interval already on file with Commission (applicable to deepened wells only).

4. Log attached to (select one)

(a) Form L-1 (this form). If the company/lease name on log is different from that shown in Section I, please enter name on log here: _____

Check here if attached log is being submitted after being held confidential

(b) Form P-7, Application for Discovery Allowable and New Field Designation.

(c) Form W-4, Application for Multiple Completion: lease or ID no.(s) _____, well no.(s) _____

Glen C. Sturgis
signature

Glen C. Sturgis

name (print)

Engineer

title

(210) 340-2288

phone

09-12-96

date

For Railroad Commission use only

OPERATOR NAME AND ADDRESS, including city, state and zip
 Sage Energy Company
 10101 Reunion Place Suite 800
 San Antonio, TX 78216

GAS WELL STATUS REPORT
 RAILROAD COMMISSION OF TEXAS
 Oil and Gas Division
 P. O. Box 12967
 Austin, Texas 78711-2967

Reason for Filing
 Survey
 Initial Test
 Retest
 Correction

Operator P-5 Organization No.
 743215

RRC Dist. No.
 03

G-10
 rev. 7/95

Page 1 of 1

Test Period:
 Due Date:
 Effective Date

FIELD NAME * LEASE NAME	RRC IDENT NO.	DATE TESTED MO/DAY/YR	GAS PRODUCED MCF/DAY **	CONDENSATE PRODUCED	WATER PROD BBL/DAY	***SIWH PRESSURE PSIA
	WELL NO.	MARK X FOR SHUT-IN WELL	GAS SPEC. GRAVITY	CONDENSATE GRAVITY (API)	X BOTTOMHOLE PRESSURE PSIA	***FLOWING PRESSURE PSIA
Giddings (Austin Chalk - Gas) Falls Unit		08-19-96	50 MCF	-0-	-0-	
	1-H		663			3600

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

Signature: Glen C Sturgis Title: Engineer Phone: (210) 340-2288 Date: 09-12-96

* AN ASTERISK PREPRINTED ON A SURVEY IDENTIFIES WELL SUBJECT TO COMMINGLING TEST REQUIREMENT
 ** GAS PRODUCTION RATE, IN MCF, IS TO BE REPORTED FULL-WELL STREAM, INCLUDING CONDENSATE
 X AN "X" PREPRINTED ON A SURVEY IN THE BOTTOMHOLE PRESSURE BOX INDICATES A BOTTOMHOLE PRESSURE MUST BE REPORTED FOR THE WELL
 ***PRESSURE FOR THE TEXAS HUGOTON FIELD IS REPORTED IN PSIG

READ INSTRUCTIONS ON BACK

1. Field name exactly as shown on proration schedule Giddings (Austin Chalk, Gas)		2. Lease name Falls Unit #1-H	
3. Operator name exactly as shown on P-5 Organization Report Sage Energy Company		4. Operator P-5 no. 743215	5. Oil lease no.
7. Operator address including city, state, and zip code 10101 Reunion Place, Suite 800 San Antonio, TX 78216-4158		8. County in which oil lease or gas well is actually located Washington	6. RRC district no. 03
		9. Gas ID no.	10. Gas well no.
		11. Effective date	

12. GAS WELL GAS OR CASINGHEAD GAS. Additional space and example on reverse side.

Type Operation			Name of gatherer, purchaser, and/or nominator as indicated in type operation columns NOTE: For each purchaser, give its RRC-assigned system code and identify the market. If applicable, place an "X" in the full-well stream column for the gatherer.	RRC USE ONLY		Purchaser's RRC Assigned System Code	Purchaser's Market			Percent of Take	Full well stream
Gatherer	Purchaser	Nominator		G.P.N. Code			Other state	Other state	Other state		
X			Ferguson Burleson County GGS						X	100%	
	X	X	Austin Chalk Natural Gas Marketing			0004			X	100%	

13. NAME OF OIL OR CONDENSATE GATHERER List highest volume gatherer first Scurlock Permian Corporation	Percent of Take 100%	RRC USE ONLY Gath. code

14. PURPOSE OF FILING. Remarks:

a. New oil lease New gas well
 Reclassification (oil to gas or gas to oil)
 Consolidation, unitization or subdivision

b. CHANGE Gatherer Nominator
 Purchaser Purchaser's system code

RRC USE ONLY

Approved (Initials) _____ Oper. No. _____
 Date _____ Field No. _____
 Remarks: _____

c. CHANGE FROM
 Operator _____
 Field Name _____
 Lease Name _____

15. OPERATOR CHANGE. Being the PREVIOUS OPERATOR, I certify that operating responsibility for wells located on the subject lease has been transferred in its entirety to the above named Current Operator. I understand, as Previous Operator, that designation of the above named operator as Current Operator is not effective until this certificate is approved by the Commission.

Previous Operator _____ Date _____
 Signature _____ Name (Print) _____
 Title _____ Phone (____) _____
 Address with city/state/zip _____

16. CURRENT OPERATOR'S CERTIFICATION. By signing this certificate as the CURRENT OPERATOR, I acknowledge responsibility for the regulatory compliance of the subject lease, INCLUDING PLUGGING OF WELLS if required under Statewide Rule 14. I also acknowledge that I will remain designated as the Current Operator until a new certificate designating a new Current Operator is approved by the Commission.

Signature Kristi Ratliff Name (Print) Kristi Ratliff
 Title Production Assistant Date 07/29/96 Phone (210) 340-2288

I, the Current Operator, certify that the above agent is authorized to transport the above specified percentage of the allowable oil or gas produced from the above described property in accordance with the regulations of the Railroad Commission of Texas, and that this authorization will be valid until further notice or until cancelled by the Railroad Commission of Texas, and further certify that the conservation laws of the State of Texas and all rules, regulations and orders of the Railroad Commission of Texas have been complied with in respect to the property covered by this report.

RAILROAD COMMISSION OF TEXAS
OIL AND GAS DIVISION

CERTIFICATE OF POOLING AUTHORITY

I, John Arnold, being of lawful age, being familiar with the matter, and having full knowledge of the facts set out, do state:

(1) That the acreage claimed for the purpose of establishing a pooled drilling or proration unit under applicable orders of the Railroad Commission of Texas, for the

NAME OF OPERATOR: Sage Energy Company

NAME OF POOLED UNIT: Falls Unit WELL NO. 1-H

FIELD: Giddings (Austin Chalk, Gas), Washington COUNTY,

TEXAS, contains 794.0 acres; that with respect to such pooled unit, as it is hereafter described, parties now owning a mineral interest or mineral interests (including royalty interests, working interests, or other mineral interests) therein either (1) acquired such interest as they now have subject to the provisions of an instrument or instruments now in effect and which permit the pooling of said interests or (2) have, by virtue of the execution of an instrument or instruments the provisions of which are now in effect, pooled such of said interests as they now own therein. in such manner that all of such pooled unit shall be considered by the Commission as one base tract as if all rights with respect thereto has been acquired under a single contract.

(2) That the pooled unit described in the preceding paragraph is made up of and contains the hereafter described individual tracts of land no part of which is embraced within any other pooled unit in the same field and which, by virtue of the pooling agreements referred to in the preceding paragraph, are now contained within the pooled unit herein described.

(3) That where a non-pooled undivided interest exists in any of the individual tracts pooled, that certain non-pooled interest is noted in the margin of this instrument beside the tract description to identify the existence of the non-pooled interests in that tract:

;

(OVER)

PLEASE DETACH AND SIGN THIS RECEIPT COPY AND RETURN
IN THE ENCLOSED SELF-ADDRESSED STAMPED ENVELOPE

Union Pacific Resources

LESSOR: ST OF TX M-95823

IF CORRESPONDENCE IS REQUIRED, PLEASE MAKE
REFERENCE TO THE LEASE NUMBER BELOW.

CHECK NO. 131569

LEASE DATE	STATE	COUNTY OR PARISH	RECORDING	FOR PERIOD		TRACT	COMPANY LEASE NUMBER	
				MOS.	BEGINNING			
04/05/94	TX	WASHINGTON	V750 P397	12	04/05/96	01	TX2 72414	

TAXID: ST TX M-95823
ST OF TX M-95823
1700 NORTH CONGRESS

STEPHEN F AUSTIN BLDG
AUSTIN TX 78701

\$1,550.00

96038723

121



PLEASE SIGN BELOW AND RETURN

RECEIVED BY _____

Date _____

PLEASE DIRECT ALL

- telephone inquiries to VOICE MAIL BOX (817) 877-7077
- mail address/I.D. # changes and inquiries to:
ATTN: OBLIGATIONS
Mail Station 3110
P.O. Box 7
Fort Worth, TX 76101-007

LESSOR: ST OF TX M-95823

IF CORRESPONDENCE IS REQUIRED, PLEASE MAKE
REFERENCE TO THE LEASE NUMBER BELOW.

CHECK NO. 131569

LEASE DATE	STATE	COUNTY OR PARISH	RECORDING	FOR PERIOD		TRACT	COMPANY LEASE NUMBER	
				MOS.	BEGINNING			
04/05/94	TX	WASHINGTON	V750 P397	12	04/05/96	01	TX2 72414	

12

Rental Payment 3-25-96

M-95823

3
2
5
9
6



Texas General Land Office
Garry Mauro, Commissioner

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

March 5, 1997

Ms. Margaret Christal
Sage Energy Company
10101 Reunion Place, Suite 800
San Antonio, Texas 78216-4158

Re: State Lease M-095823
Falls Unit No. 1-H Unit
Property No. 738-001
Royalty Decimal: .225, Tract Participation Factor: .10119647
Unit Lease Royalty Interest: .022769
Washington County, Texas

Dear Ms. Christal:

We have received the division order submitted by your company for the above referenced lease and filed same in our files (see the revisions notated on your copy of the Division Order). Please be sure to reference this mineral file number in all future royalty payments, reports and correspondence concerning the lease.

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

If you should have any questions, please feel free to call me at (512) 475-1462.

Sincerely,

Lillie Gamble
Accounts Examiner
Royalty and Revenue Processing
Energy Resources

/lg

Enclosures



Sage Energy Company

11/1/97 M95823
Ut#2525

RECEIVED
96 DEC 27 PM 1:35
ENERGY RESOURCES

December 19, 1996

Re: FALLS UNIT #1-H
Washington County, Texas

Dear Interest Owner:

Sage Energy Company drilled the captioned unit and then obtained first production from it on August 19, 1996. Because the well did not produce as expected, Sage sold its rights to Shield Petroleum, Inc., effective November 26, 1996. Shield Petroleum's address and telephone number is 2911 Texas Avenue South, Suite 200, College Station, Texas 77845, (409) 696-0112. The enclosed division order has been prepared in order to allow us to disburse the revenue received for the gas produced during our ownership.

Please examine the division orders and, if acceptable, complete in accordance with the instruction sheet and return the designated copy to our office. Upon receipt, we will release your revenue in our next regularly-scheduled check run. Please note that you will receive only one payment from Sage for this property.

If you have any questions, or need additional information, please contact us.

Sincerely,

SAGE ENERGY COMPANY

Margarett Christal
Division Order Supervisor

MC/falls1-h.01/sbe

Enclosures

M95823 wt 2525

PLEASE KEEP THIS COPY FOR YOUR FILES

OIL AND GAS DIVISION ORDER

RECEIVED
96 DEC 27 PM 1:35
ENERGY RESOURCES

To: SAGE ENERGY COMPANY
10101 REUNION PLACE, SUITE 800
SAN ANTONIO, TEXAS 78216-4158

DATE: December 17, 1996
PROPERTY #: 738-001
EFFECTIVE 7.00 a.m.: August 19, 1996
(Date of First Production)

Each of the undersigned hereby warrants that he is the Owner of the interest set out opposite his name in the oil and gas (or the proceeds therefrom) produced from the lease or unit known as: **FALLS # 1-H**, which covers and includes the land described as follows:

being a 794.0-acre unit situated in the William S. Brown Survey, A-18, Washington County, Texas, and the Robert Millican Survey, A-42, and the H & B Whitesides Survey A-56, Brazos County, Texas, and being more fully described in that certain Designation of Unit - Falls Unit No. 1-H, recorded Volume 843, Page 442, of the Official Records of Washington County, Texas

located in the county or parish of **Brazos and Washington Counties** State of **Texas**, hereinafter referred to as the "Property". You, your successors and assigns, are authorized to receive production and measure sales in accordance with the terms hereof and to account to the undersigned Owners for the oil and gas (or the proceeds therefrom) on the basis set forth:

CREDIT TO: _____ NET REVENUE INTEREST: _____

SEE ATTACHED EXHIBIT "A"

Oil:
You may either purchase the crude oil or other liquid hydrocarbons recovered on the Property (hereinafter called "oil") for your own account or deliver the oil directly to another purchaser and accept payment on behalf of Owner. If you purchase the oil, payments to Owner shall be based on your applicable posted price or, if there is no such posting, it shall be based on the prevailing wellhead market price paid for oil of the same quality on the same date in the same (or nearest) field. If you should deliver the oil to another purchaser rather than purchasing it yourself, payments to Owner shall be subject to the terms of any applicable operating agreement and based on the price received by you, calculated at the wellhead, less a reasonable charge for costs incurred by you in gathering, transporting and treating such oil or otherwise making it merchantable, including, without limitation, all taxes paid.

Gas:
You may either purchase the gas (including casinghead gas) recovered on the Property for your own account, or deliver the gas directly to another purchaser. If you purchase the gas, payments to Owner shall be based on the prevailing wellhead price for gas of the same quality in the same (or nearest) field as provided in comparable gas purchase contracts entered into on the same (or nearest) date as the date on which your purchases commence hereunder. If you deliver the gas to another purchaser rather than purchasing it yourself, payments to Owner shall be subject to the terms of any applicable operating agreement or balancing agreement and based on the price received by you, calculated at the wellhead, less a reasonable charge for costs incurred by you in gathering, transporting, compressing and treating such gas or otherwise making it merchantable, including, without limitation, all taxes paid.

Settlements:
Gas or oil shall become the property of the purchaser at the point it is delivered into the purchaser's pipeline or other facilities. The quantity and quality of oil and gas shall be determined according to standard measuring and testing methods used in the area. Where production is sold, you may rely upon volume computations made by the purchaser or purchasers thereof.

Settlements shall be made monthly by check mailed to Owner. However, you may accrue proceeds until the total amount equals \$100.00 or pay annually, whichever occurs first, or as required by applicable state statute. You may deduct from the amounts due Owner applicable taxes required by law to be deducted and paid by you on his behalf.

If all or any part of the Property is now or hereafter included in any unit established by a voluntary agreement or governmental order, settlements hereunder shall be based on the unit production allocated to the Property. If production from the Property is now or hereafter commingled with production from other lands or formations, settlements hereunder shall be based on the commingled production allocated to the Property. In determining such allocations, you may rely on the production data furnished to you by the other parties involved.

Settlements with Owner are subject to all present and future federal, state and local laws, regulations and orders. Whenever settlements are to be made on the basis of the price received by you and that price is subject to refund in whole or in part, you may withhold payment for the refundable portion of the price without interest until Owner furnishes you with indemnity satisfactory to you. If the property is a part of a unit, it is understood that you will account or cause others to account to each of the undersigned the amounts due to them respectively for the proceeds derived from the total unit production and each of the undersigned hereby waives any claim or demand therefore against other owners of interests in such unit, their respective successors and assigns, and the purchasers of all or any portion of the production from such unit.

Evidence of Title:

In the event any dispute or question arises concerning the title of Owner to the Property and/or the oil or gas produced therefrom or the proceeds thereof, you will be furnished evidence of title satisfactory to you upon demand. Until such evidence of the title has been furnished and/or such dispute or question of title is corrected or removed to your satisfaction, or until indemnity satisfactory to you has been furnished, you are authorized to withhold the proceeds of such oil or gas received and run, without interest. In the event any action or suit is filed in any court affecting title to the Property or the oil and gas produced from it or the proceeds thereof to which Owner is a party, written notice of the filing of such suit or action shall be immediately furnished to you by the Owner. Owner agrees to indemnify you or any carrier or purchaser designated by you for Owner's proportionate share of any liability, loss, damage and costs (including reasonable attorney's fees) which you or they may incur on account of purchasing, selling or transporting the oil or gas. If you withhold payments pursuant to the provisions hereof, Owner agrees to indemnify you for any taxes (together with all interest and penalties incident thereto) paid by you or assessed against the amounts withheld, and agrees that you may deduct all such taxes, interest and penalties from the amounts paid.

Change of Ownership:

No change of ownership or transfer of interest shall be binding on you until you are furnished at your office or the address shown above a certified copy of the recorded instruments evidencing such transfer and your regular form of transfer order or an amended division order is executed by all parties to such transfer and is returned to you. You shall not be required to recognize such transfer as being effective earlier than 7:00 a.m. of the first day of the calendar month in which said written notice is received by you. You are hereby relieved of responsibility for determining when any interest herein set forth has been increased, decreased, terminated, or transferred and Owner agrees to give written notice to you of any such change and to hold you harmless for all loss or expense that may result from any incorrect payment prior to such written notice.

Miscellaneous:

This division order may be executed in counterparts all of which together shall constitute one division order. It shall become valid and binding on each and every Owner when signed by such Owner, regardless of whether or not all owners have signed. Each and every provision hereof shall inure to the benefit of each and every Owner. This division order may be terminated at any time by any Owner as to his interest, but such termination shall not be effective as to such interest until after 7:00 a.m. of the first day of the calendar month following the month in which written notice is received by you and this order shall remain in effect as to all other owners.

TWO WITNESSES

SIGNATURE OF OWNER(S)

Date: _____ SS# _____
Phone: (_____) _____

Date: _____ SS# _____

REPRESENTATIVE FOR COMPANY, CORPORATION, PARTNERSHIP, TRUST, OR ESTATE, PLEASE SIGN BELOW.

TWO WITNESSES (CORPORATIONS, PLEASE ATTEST)

Name of Entity

Signature

Printed Name and Title
Date: _____
Tax or SS#: _____
Phone: (_____) _____

*****NOTE*****

IF DIFFERENT FROM THIS MAILING, PLEASE INDICATE ADDRESS TO WHICH REVENUE CHECKS SHOULD BE SENT.

EXHIBIT "A"

ATTACHED TO AND MADE A PART OF SAGE ENERGY COMPANY'S OIL AND GAS DIVISION ORDER DATED DECEMBER 17, 1996, BUT MADE EFFECTIVE AUGUST 19, 1996, CONCERNING THE FALLS UNIT NO. I-II, BRAZOS AND WASHINGTON COUNTIES, TEXAS.

CREDIT TO:	NET REVENUE INTEREST:
Thomas S. Gillis, Jr., and wife, Frances Roensch Gillis	
Tr 1-A .80 x 1/2 x 1/6 (.11556675)	0.00770445
Tr 1-B .80 x 1/4 x 1/6 (.14790932)	<u>0.00493031</u>
	0.01263476 RI
Robert C. Kelly and wife, Helen M. Kelly	
Tr 1-A .20 x 1/2 x 1/6 (.11556675)	0.00192611
Tr 1-B .20 x 1/4 x 1/6 (.14790932)	<u>0.00123258</u>
	0.00315869 RI
Roy E. Goodwin	
Tr 1-A 1/8 x 1/6 (.11556675)	0.00240764
Tr 1-B 1/16 x 1/6 (.14790932)	<u>0.00154072</u>
	0.00394836 RI
Jack W. Baker	
Tr 1-A 1/8 x 1/6 (.11556675)	0.00240764
Tr 1-B 1/16 x 1/6 (.14790932)	<u>0.00154072</u>
	0.00394836 RI
L. H. Moon Family, LTD.	
Melinda M. Walker, General Partner	
Tr 1-A 1/4 x 1/6 (.11556675)	0.00481528
Tr 1-B 1/8 x 1/6 (.14790932)	<u>0.00308144</u>
	0.00789672 RI
Mary Harriet Lott Travilla	
Tr 1-B 1/2 x .20 (.14790932)	0.01479093
Tr 2 1/2 x .20 (.51258186)	<u>0.05125819</u>
	0.06604912 RI
Robert T. Moore Family Trust, Jerry M. Moore and Robert H. Moore, Co-Trustees	
Tr 2 1/12 x .20 (.51258186)	0.00854303 RI
Geraldine M. Moore	
Tr 2 1/12 x .20 (.51258186)	0.00854303 RI
Joyce Ann Moore Frede	
Tr 2 1/12 x .20 (.51258186)	0.00854303 RI
Robert Harry Moore	
Tr 2 1/24 x .20 (.51258186)	0.00427151 RI
Jerry Mason Moore	
Tr 2 1/24 x .20 (.51258186)	0.00427151 RI
Melanie Moore Kolby	
Tr 2 1/24 x .20 (.51258186)	0.00427151 RI
Jan Moore Murphy	
Tr 2 1/24 x .20 (.51258186)	0.00427151 RI

Charles Moore Frede		
Tr 2	1/24 x .20 (.51258186)	0.00427151 RI
Virginia Louise Frede Podraza		
Tr 2	1/24 x .20 (.51258186)	0.00427151 RI
Ellen Esther Langham		
Tr 3	1/12 x 1/6 (.12274559)	0.00170481 RI
Frank Howard Langham		
Tr 3	1/12 x 1/6 (.12274559)	0.00170481 RI
Laura Ruth Langham Thigpen		
Tr 3	1/12 x 1/6 (.12274559)	0.00170481 RI
Margaret S. Thompson		
Tr 3	1/4 x 1/6 (.12274559)	0.00511441 RI
Charlotte S. Albano		
Tr 3	1/4 x 1/6 (.12274559)	0.00511441 RI
Estate of Conrad John Sommers, Conrad Hoyle Sommers and Robert Loren Sommers, Co-Executors		
Tr 3	1/4 x 1/6 (.12274559)	0.00511441 RI
State of Texas		
Tr 4	1.0 x .25 (.10119647)	0.022769 0.02529912 RI
Union Pacific Resources Company		
Tr 1-A	.083333333 (.11556675)	0.00963056
Tr 1-B (Travilla)	1/2 x .05 (.14790932)	0.00369773
Tr 1-B (Gillis)	1/2 x .083333333 (.14790932)	0.00616289
Tr 2	.05 (.51258186)	0.02562909
Tr 3	.083333333 (.12274559)	0.01022880
		<u>0.05534907</u> ORRI
Sage Energy Company		
Tr 1-A	.75 (.11556675)	0.08667506
Tr 1-B	.75 (.14790932)	0.11093199
Tr 2	.75 (.51258186)	0.38443640
Tr 3	.75 (.12274559)	0.09205919
Tr 4	.75 (.10119647)	0.07589735
		<u>0.74999999</u> WI
		<u>1.00000000</u>

** lease is subject to hay. reduction
fr. 25 to .225 by 2-14-97
* TPE*

END EXHIBIT "A"

m-95803 (13)
Division Order
3/5/97

CHESAPEAKE OPERATING, INC.

P.O. BOX 18496
OKLAHOMA CITY, OKLAHOMA 73154-0496
405/848-8000, EXT. 413
405/879-9535 FAX

LAND DEPARTMENT

MARILYN HOOSER
SENIOR TITLE ANALYST

July 13, 1998

Ms. Laura Leal
Commissioner of the General Land Office
Lease Administration/energy Resources
Stephen F. Austin building
Austin, Texas 78701

Re: State of Texas
Oil and Gas Leases

Dear Ms. Leal:

Enclosed are documents of the merger of Hugoton Energy Corporation into Chesapeake Mid-Continent Corp., thereby evidencing the transfer of ownership of the State of Texas leases identified on the attached List of Oil and Gas Leases to Chesapeake Mid-Continent Corp.

Our bond coverage is under the name of Chesapeake Operating, Inc. Both Chesapeake Operating, Inc. and Chesapeake Mid-Continent Corp. are wholly owned subsidiaries of Chesapeake Energy Corporation.

Please give me a call should you have any questions.

Sincerely,



Marilyn Hooser

Enclosures

COMMISSIONER OF THE GENERAL LAND OFFICE
STATE OF TEXAS
LIST OF OIL AND GAS LEASE NUMBERS

55597

56602

57167

57169

57170

57171

58300

58303

58906

82738

82775

82776

82849

89719

M-95823



OFFICE OF THE SECRETARY OF STATE



CERTIFICATE OF MERGER

WHEREAS,

CHESAPEAKE MID-CONTINENT CORP.

a corporation organized under the laws of the State of OKLAHOMA, has filed in the office of the Secretary of State duly authenticated evidence of a merger whereby said corporation is the survivor, as provided by the laws of the State of Oklahoma.

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

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



Filed in the City of Oklahoma City this 16TH
day of APRIL, 1998.

Sam Cole
Secretary of State
Butler Steiner

By:

AGREEMENT AND CERTIFICATE OF MERGER
OF
HUGOTON ENERGY CORPORATION
INTO
CHESAPEAKE MID-CONTINENT CORP.

Pursuant to Section 1082 of the
Oklahoma General Corporation Act

FILED

APR 16 1998

OKLAHOMA SECRETARY
OF STATE

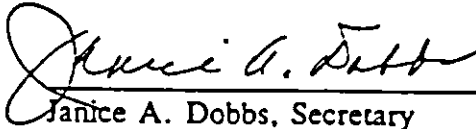
To the Oklahoma Secretary of State:

The undersigned surviving corporation, Chesapeake Mid-Continent Corp., an Oklahoma corporation, hereby certifies that:

1. The merger is between Chesapeake Mid-Continent Corp., an Oklahoma corporation, and Hugoton Energy Corporation, a Kansas corporation.
2. Chesapeake Mid-Continent Corp. and Hugoton Energy Corporation have approved, adopted, certified, executed and acknowledged an Agreement and Certificate of Merger dated effective April 16, 1998 (the "Merger Agreement"), all in accordance with Section 1082 of the Oklahoma General Corporation Act.
3. The name of the surviving corporation is Chesapeake Mid-Continent Corp.
4. The certificate of incorporation of the surviving corporation will be the certificate of incorporation of Chesapeake Mid-Continent Corp.
5. There are no amendments to the certificate of incorporation of Chesapeake Mid-Continent Corp.
6. A fully executed copy of the Merger Agreement is on file at the principal place of business of Chesapeake Mid-Continent Corp., as the surviving corporation, located at 6100 North Western Avenue, Oklahoma City, Oklahoma 73118.
7. Chesapeake Mid-Continent Corp. will provide a copy of the Merger Agreement on request at no cost to any shareholder of Chesapeake Mid-Continent Corp. or Hugoton Energy Corporation.
8. The authorized capital stock of Hugoton Energy Corporation is 1,000 shares of common stock, par value \$1.00 per share.

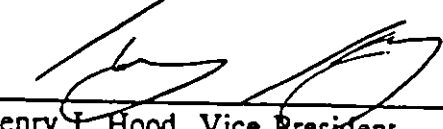
IN WITNESS WHEREOF, Chesapeake Mid-Continent Corp., an Oklahoma corporation, as the surviving corporation, has caused this Agreement and Certificate of Merger to be executed in its name, by its Vice President, and attested to by its Secretary, this 16th day of April, 1998.

ATTEST:

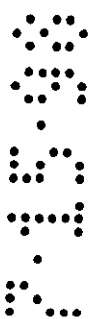


Janice A. Dobbs, Secretary

CHESAPEAKE MID-CONTINENT CORP.,
an Oklahoma corporation

By 

Henry J. Hood, Vice President



STATE OF KANSAS

OFFICE OF
SECRETARY OF STATE
RON THORNBURGH



To all to whom these presents shall come, Greetings:

I, RON THORNBURGH, Secretary of State of the State of Kansas, do hereby certify that the attached is a true and correct copy of an original on file and of record in this office.

SECRET

IN TESTIMONY WHEREOF:

I hereto set my hand and cause to be affixed my official seal. Done at the City of Topeka, this day, April 17, 1998



A handwritten signature in cursive script that reads "Ron Thornburgh".

RON THORNBURGH
SECRETARY OF STATE

2 pages are attached to this certification.

AGREEMENT AND CERTIFICATE OF MERGER
OF
HUGOTON ENERGY CORPORATION
INTO
CHESAPEAKE MID-CONTINENT CORP.

Pursuant to K.S.A. 17-6702

To the Kansas Secretary of State:

The undersigned surviving corporation, Chesapeake Mid-Continent Corp., an Oklahoma corporation, hereby certifies that:

1. The merger is between Chesapeake Mid-Continent Corp., an Oklahoma corporation, and Hugoton Energy Corporation, a Kansas corporation.
2. Chesapeake Mid-Continent Corp. and Hugoton Energy Corporation have approved, adopted, certified, executed and acknowledged an Agreement and Certificate of Merger dated effective April 16, 1998 (the "Merger Agreement"), all in accordance with K.S.A. 17-6702.
3. The name of the surviving corporation is Chesapeake Mid-Continent Corp.
4. The certificate of incorporation of the surviving corporation will be the certificate of incorporation of Chesapeake Mid-Continent Corp.
5. There are no amendments to the certificate of incorporation of Chesapeake Mid-Continent Corp.
6. A fully executed copy of the Merger Agreement is on file at the principal place of business of Chesapeake Mid-Continent Corp., as the surviving corporation, located at 6100 North Western Avenue, Oklahoma City, Oklahoma 73118.
7. Chesapeake Mid-Continent Corp. will provide a copy of the Merger Agreement on request at no cost to any shareholder of Chesapeake Mid-Continent Corp. or Hugoton Energy Corporation.
8. Chesapeake Mid-Continent Corp., as the surviving corporation, hereby agrees that it may be served with process in the State of Kansas in any proceeding for enforcement of any obligation of Hugoton Energy Corporation, as well as for enforcement of any obligation of Chesapeake Mid-Continent Corp. arising from the merger, including any suit or other proceeding to enforce the right of any stockholder as determined in appraisal proceedings pursuant to the provisions of K.S.A. 17-6712, and amendments thereto.
9. Chesapeake Mid-Continent Corp., as the surviving corporation, irrevocably appoints the Secretary of State as its agent to accept service of process in any such suit or other

FILED
SECRETARY OF STATE
KANSAS

98 APR 17 AM 11 37

M-95823 14

Assign
7-13-98

02017



Texas General Land Office
Garry Mauro, Commissioner

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

July 23, 1998

Ms. Marilyn Hooser
Chesapeake Operating, Inc.
P O Box 18496
Oklahoma City, OK 73154 0496

Dear, Ms. Hooser:

The General Land Office received the following instruments on July 15, 1998, and has filed them in Leases, M-95823.

Merger and Name Change Notice for an Oil and Gas Lease effective as of April 16, 1998, from Hugoton Energy Corporation into Chesapeake Mid-Continent Corp., recorded in Chambers, County, Texas.

If you have any questions, please feel free to call me at (512) 475-1540.

Sincerely,

Laura Leal
Royalty Management
Energy Resources

M-95823 (15)

ftr

9.23.98

Texas General
Land Office



David Dewhurst
Commissioner

March 19, 2001

CERTIFIED MAIL
7000 0520 0023 2503 7257

Shield Petroleum Company
1021 Main Ste 1110
Houston, Texas 77002

RE: Notice of underpayment on State Lease M-095823

Dear Madam or Sir:

The Royalty Management Division of the Texas General Land Office has completed a limited review of the above referenced lease operated by Shield Petroleum Company. Through this review, it was determined that \$64,835.53 has been underpaid to the State for the reporting period of March 1997 through November 1997. This amount comprises \$42,513.05 in additional royalty, \$4,251.30 in penalty and \$18,071.18 in interest, which has been computed through April 15, 2001, in accordance with Section 52.131 of the Texas Natural Resources Code.

The following documents are attached in support of our findings:

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

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

Stephen F. Austin Building

1700 North
Congress Avenue

Austin, Texas
78701-1495

512-463-5001

March 19, 2001

Page 2

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

If you have any questions, please call Metha Kester at (512) 475-2317.

Sincerely,

A handwritten signature in cursive script that reads "Mike Nicklaus".

Mike Nicklaus, Supervisor
Royalty Management / Energy Resources

MN/mk

ATTACHMENT I
REVIEW SUMMARY

State Lease M-095823

We have reviewed our records for the period of September 1996 through August 1998, to determine whether or not royalty for gas has been reported and paid correctly with respect to volume and price. Volumes reported to the Texas General Land Office (TGLO) were compared to volumes reported to the Texas Railroad Commission (TRRC) with any differences being noted.

As a result of this review, it was determined that the royalty for the period billed has never been paid.

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

Royalty	Penalty	Interest	Total
\$42,513.05	\$4,251.30	\$18,071.18	\$64,835.53

(See attachment II for supporting calculations)

SHIELD PETROLEUM COMPANY
 STATE LEASE #95823
 GIDDINGS (AUSTIN CHALK)
 FALLS UNIT #2525
 BRAZOS/WASHINGTON COUNTY, TEXAS
 RRC OIL WELL ID 03-160725
 ROYALTY DECIMAL: .225

ATTACHMENT II

AUDITOR: M KESTER
 FILE NAME: M-095823
 DATE: 03/14/01

PENALTY/
 INTEREST DATE:
 4/15/01

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
MONTH/ YEAR	RRC SALES VOLUME (A)	TRACT PARTICIPATION 0.1101196	PRICE (B)	GROSS VALUE (1) X (2)	ROYALTY DUE (3) X (.225)	NUMBER OF DAYS LATE	PENALTY DUE (C)	INTEREST DUE (C)	TOTAL DUE (4)+(6)+(7)
Mar-97	285,835	31476	1.440	45,325.50	10,198.24	1431	1,019.82	4,600.10	15,818.16
Apr-97	231,079	25446	1.490	37,915.03	8,530.88	1400	853.09	3,761.07	13,145.04
May-97	147,607	16254	1.740	28,282.69	6,363.61	1370	636.36	2,742.80	9,742.77
Jun-97	96,465	10623	1.910	20,289.34	4,565.10	1339	456.51	1,921.09	6,942.70
Jul-97	74,570	8212	1.800	14,780.92	3,325.71	1308	332.57	1,365.64	5,023.92
Aug-97	58,321	6422	1.810	11,624.34	2,615.48	1278	261.55	1,048.20	3,925.23
Sep-97	43,456	4785	2.090	10,001.40	2,250.32	1247	225.03	878.92	3,354.27
Oct-97	38,330	4221	2.620	11,058.71	2,488.21	1217	248.82	947.29	3,684.32
Nov-97	31,813	3503	2.760	9,668.91	2,175.50	1186	217.55	806.07	3,199.12
	1,007,476			188,946.84	42,513.05		\$4,251.30	\$18,071.18	\$64,835.53

COMMENTS:

- (A) RRC VOLUME - REPRESENTS GAS SALES TAKEN FROM THE RAILROAD COMMISSION P2 REPORT.
- (B) PRICE - REPRESENTS SALE PRICE TAKEN FROM THE GLO2 REPORTS FILED BY SHIELD.
- (C) SEE ATTACHMENT III, "SUMMARY OF PENALTY/INTEREST ASSESSMENT RULES", FOR EXPLANATION OF PENALTY AND INTEREST CALCULATIONS.

ATTACHMENT III

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

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

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

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

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

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

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

MF-45823

Review Summary

3-19-01

16

From: Metha Kester
To: Mike Nicklaus
Date: 1/30/02 3:13PM
Subject: Shield Petroleum #95823

I spoke with Wendall Smith of Legal and he is closing the collection case on Shield Petroleum state lease #95823. I am filing my memo, emails, etc in the mineral file.

Metha Kester - Shield Petroleum, Unpaid royalties, penalties, and interest

From: "Judith Reilly" <Judith.Reilly@oag.state.tx.us>
To: <wendell.smith@glo.state.tx.us>
Date: 1/16/02 9:49 AM
Subject: Shield Petroleum, Unpaid royalties, penalties, and interest

Mr. Smith,

This will confirm that we intend to close the above referenced file without litigation. The corporation is maintaining its charter, but is reporting debt of over \$6.6 Million for the year ending 31-00. We have looked for assets, but found nothing. There are no "gaps" in corporate privileges that would allow us to pursue its officers individually.

Please contact me if you have questions.

Sincerely,
Judith Reilly

Judith Reilly
Supervising Investigator
Bankruptcy & Collections Division
(512) 475-4947
FAX (512) 457-4439

Privileged and Confidential

From: Wendell Smith
To: Monroe, John
Date: 1/28/02 3:09PM
Subject: Re: Shield

Metha had been attempting to collect from Shield. When their attorney informed her that they were defunct she referred the information to legal.

>>> John Monroe 01/28/02 03:01PM >>>
Wendell,

Who are you working with on this?

Closed 5. Shield Petroleum Audit- Shield owes the GLO \$64,825 in past due royalties, penalty and interest. Mike Holt, attorney for Shield sent letter requesting opportunity to settle as the company is now defunct. Researching remaining alternatives for collection. Consulting with client on options for collection. Referred to AG for collection on 11-14-01. AAG found no assets and no "pierce the corporate veil" opportunities. (Attorney: Wendell Smith)

John

CC: King, Joe

Wendell Smith - Shield Petroleum, Unpaid royalties, penalties, and interest

From: "Judith Reilly" <Judith.Reilly@oag.state.tx.us>
To: <wendell.smith@glo.state.tx.us>
Date: 1/16/02 9:49 AM
Subject: Shield Petroleum, Unpaid royalties, penalties, and interest

Mr. Smith,

This will confirm that we intend to close the above referenced file without litigation. The corporation is maintaining its charter, but is reporting debt of over \$6.6 Million for the year ending 3-31-00. We have looked for assets, but found nothing. There are no "gaps" in corporate privileges that would allow us to pursue its officers individually.

Please contact me if you have questions.

Sincerely,
Judith Reilly

Judith Reilly
Supervising Investigator
Bankruptcy & Collections Division
(512) 475-4947
FAX (512) 457-4439

Privileged and Confidential



MEMORANDUM

Texas General Land Office • David Dewhurst • Commissioner

To: Jeff Pender
CC: Mike Nicklaus,
From: Metha Kester
Date: 05/24/01
Re: State Lease 95823

I billed Shield Petroleum Company March 19, 2001 for \$64,835.53. Letter was returned undelivered on April 18th. I put into a large brown envelope and mailed uncertified.

Today I received a call from a Mike Holt, attorney for the Shield Company. They are closing down the company and want to settle the claim. I was told they had written the General Land Office about joining the suit against Shield but the GLO did not respond. I told Mr. Holt that our attorney would be contacting him. I believe this is something an attorney should be handling.

Thanks

Mike Holt
979/696-1923
Ex 103

DATE: 01/18/02
TIME: 18:15:17

OFFICE OF THE ATTORNEY GENERAL
COLLECTIONS SYSTEM
AGENCY CLOSING REPORT
01/12/02 THRU 01/18/02

PAGE: 1
PRGM: KDBRO056

AGENCY: GENERAL LAND OFFICE

CLIENT REFERENCE #	LEGAL	REASON	TYPE	AG CASE	PRIMARY DEBTOR NAME	AMOUNT	CLOSED	CERT	EMPL
95823	3001	UCOL	RDYL	CO12300315	SHIELD PETROLEUM	64,838.00 C	01/17/02	11/14/01	JIM

END OF GENERAL LAND OFFICE N = 1

02 JAN 24 AM 11:24
GENERAL LAND OFFICE
LEGAL SERVICES



OFFICE OF THE ATTORNEY GENERAL - STATE OF TEXAS
JOHN CORNYN

WS...

COPY

November 26, 2001

Mr. Larry R. Soward
Deputy Land Commissioner
and Chief Clerk
Texas General Land Office
1700 North Congress Avenue
Austin, Texas 78701-1495

Re: Shield Petroleum, General Land Office Mineral File No. 95823

Dear Mr. Soward:

We are in receipt of your letter dated November 14, 2001, requesting representation in the above-referenced matter. Please be advised that this matter has been referred to the appropriate division of the Office of the Attorney General. You should be hearing from them soon.

Please feel free to contact either myself or Jeff Boyd if you have any questions regarding this matter.

Sincerely,

Lisa Ried
Assistant to Jeffrey S. Boyd
Deputy Attorney General for Litigation

17

MF-95823
Emails
1-30-02



UNITED STATES POSTAL SERVICE



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

- Sender: Please print your name, address, and ZIP+4 in this box •

TEXAS GENERAL LAND OFFICE
PO BOX 12873
AUSTIN TX 78711-2873

ATTN: CARL BONN, Energy Resources
03111

RECEIVED

NOV 15 2002

GENERAL LAND OFFICE

RECEIVED
02 NOV 15 2002
ENERGY RESOURCES

142873



SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Douglas Petroleum, Inc.
 PO Box 1805
 Brenham, Texas 77834

MF095823

2. Article Number

(Transfer from service label)

7001 2510 0009 0814 8112

PS Form 3811, August 2001

Domestic Return Receipt

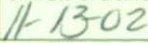
102595-01-M-2509

COMPLETE THIS SECTION ON DELIVERY

A. Signature


 Agent AddresseeB. Received by (*Printed Name*)


C. Date of Delivery


D. Is delivery address different from item 1? Yes 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

U.S. Postal Service
CERTIFIED MAIL RECEIPT

(Domestic Mail Only; No Insurance Coverage Provided)

OFFICIAL USE

Postage

\$

Certified Fee

Return Receipt Fee

(Endorsement Required)

Restricted Delivery Fee

(Endorsement Required)

Total Postage & Fees

\$

Postmark
Here

Sent To

Street, Apt. No.;
or PO Box No.

City, State, ZIP+4

7001 2510 0009 0814 8112

Certified Mail Provides:

- A mailing receipt
- A unique identifier for your mailpiece
- A signature upon delivery
- A record of delivery kept by the Postal Service for two years

Important Reminders:

- Certified Mail may **ONLY** be combined with First-Class Mail or Priority Mail.
- Certified Mail is *not* available for any class of international mail.
- **NO INSURANCE COVERAGE IS PROVIDED** with Certified Mail. For valuables, please consider Insured or Registered Mail.
- For an additional fee, a *Return Receipt* may be requested to provide proof of delivery. To obtain Return Receipt service, please complete and attach a Return Receipt (PS Form 3811) to the article and add applicable postage to cover the fee. Endorse mailpiece "Return Receipt Requested". To receive a fee waiver for a duplicate return receipt, a USPS postmark on your Certified Mail receipt is required.
- For an additional fee, delivery may be restricted to the addressee or addressee's authorized agent. Advise the clerk or mark the mailpiece with the endorsement "*Restricted Delivery*".
- If a postmark on the Certified Mail receipt is desired, please present the article at the post office for postmarking. If a postmark on the Certified Mail receipt is not needed, detach and affix label with postage and mail.

IMPORTANT: Save this receipt and present it when making an inquiry.

**Texas General
Land Office**

October 31, 2002



**David Dewhurst
Commissioner**

VIA CRRR#7001 2510 0009 0814 8112

Douglas Petroleum, Inc.
PO Box 1805
Brenham, TX 77834

RE: Partial Termination of State Lease MF095823 (Unit #2525)
Lease: Falls Unit #1H RRC # 03-160725
Brazos and Washington County

Gentlemen:

A review of our records has determined that the above-referenced lease partially terminated February 1, 1998 due to non-production. The acreage was previously held by Falls Unit #1H 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. The acreage outside Falls Unit is held by production from the HH Moore Unit #1. As a result, this lease has partially terminated under the terms and conditions of the lease and the 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.

If the wells are plugged, copies of Railroad Commission Form W-3 must be filed with our office. Our Audit Division will notify you shortly if delinquent royalties are due.

In accordance with the provisions of the TAC, if you disagree with this assessment please provide evidence to this office at the address shown above 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,

A handwritten signature in black ink, appearing to read "Carl F. Bonn".

Carl F. Bonn, Landman
Minerals Leasing Division
Office (512) 463-5407
Fax (512) 475-1543

Mailing

Post Office Box 12873
Austin, Texas
78711-2873

Street

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

512.463.5001

1.800.998.4GLO

www.glo.state.tx.us

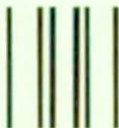
#19

File No. MF 0 95823
Partial Term'n Ltr.

Date Filed: 12/11/02

David Dewhurst, Commissioner
By Carl Bonn

UNITED STATES POSTAL SERVICE



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

- Sender: Please print your name, address, and ZIP+4 in this box •

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

ATTN: CARL BONN, Energy Resources
03111

RECEIVED

NOV 25 2002

GENERAL LAND OFFICE

RECEIVED
NOV 25 AM 10:56
ENERGY RESOURCES

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

RME Petroleum Company
 PO Box 1330
 Houston, Texas 77251-1330

MF095823

2. Article Number

(Transfer from service label)

7001 2510 0009 0814 7313

COMPLETE THIS SECTION ON DELIVERYA. Signature **WORDS MAIL SERVICE****X**

C. T. H. K.

 Agent AddresseeB. Received by (*Printed Name*)

C. Date of Delivery

NOV 20 2002

D. Is delivery address different from item 1? YesIf 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

U.S. Postal Service CERTIFIED MAIL RECEIPT

(Domestic Mail Only; No Insurance Coverage Provided)

OFFICIAL USE

Postage

\$

Certified Fee

Return Receipt Fee
(Endorsement Required)

Restricted Delivery Fee
(Endorsement Required)

Total Postage & Fees

\$

Postmark
Here

Sent To

Street, Apt. No.;
or PO Box No.

City, State, ZIP+4

7002 T052 0000 9000 4790 2143 137

Certified Mail Provides:

- A mailing receipt
- A unique identifier for your mailpiece
- A signature upon delivery
- A record of delivery kept by the Postal Service for two years

Important Reminders:

- Certified Mail may **ONLY** be combined with First-Class Mail or Priority Mail.
- Certified Mail is *not* available for any class of international mail.
- **NO INSURANCE COVERAGE IS PROVIDED** with Certified Mail. For valuables, please consider Insured or Registered Mail.
- For an additional fee, a *Return Receipt* may be requested to provide proof of delivery. To obtain Return Receipt service, please complete and attach a Return Receipt (PS Form 3811) to the article and add applicable postage to cover the fee. Endorse mailpiece "Return Receipt Requested". To receive a fee waiver for a duplicate return receipt, a USPS postmark on your Certified Mail receipt is required.
- For an additional fee, delivery may be restricted to the addressee or addressee's authorized agent. Advise the clerk or mark the mailpiece with the endorsement "*Restricted Delivery*".
- If a postmark on the Certified Mail receipt is desired, please present the article at the post office for postmarking. If a postmark on the Certified Mail receipt is not needed, detach and affix label with postage and mail.

IMPORTANT: Save this receipt and present it when making an inquiry.

**Texas General
Land Office**

November 15, 2002



**David Dewhurst
Commissioner**

VIA CRRR#7001 2510 0009 0814 7313

RME Petroleum Company
PO Box 1330
Houston, TX 77251-1330

RE: Partial Termination of State Lease MF095823
H. H. Moore Unit #2414
Washington & Brazos County

Gentlemen:

A review of our records has determined that the above-referenced lease partially terminated April 5, 1999 due to non-production. The H. H. Moore Unit # 2414 now holds 58.55 acres and horizons from surface to 14,500 feet in accordance with the retained acreage clause in the lease. The Falls Unit #2525 terminated effective February 1, 1998. 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 partially terminated under the terms and conditions of the lease and the 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.

If the wells are plugged, copies of Railroad Commission Form W-3 must be filed with our office. Our Audit Division will notify you shortly if delinquent royalties are due.

In accordance with the provisions of the TAC, if you disagree with this assessment please provide evidence to this office at the address shown above 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,

A handwritten signature in cursive script that reads "Carl F. Bonn".

Carl F. Bonn, Landman
Minerals Leasing Division
Office (512) 463-5407

Mailing

Post Office Box 12873
Austin, Texas
78711-2873

Street

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

512.463.5001
1.800.998.4GLO
www.glo.state.tx.us

#19 File No. MF095823
Partial Termination Ltr

Date Filed: 12/11/02

David Dewhurst, Commissioner
By Carl Bonn

Metha Kester - Shield Petroleum, Unpaid royalties, penalties, and interest

From: "Judith Reilly" <Judith.Reilly@oag.state.tx.us>
To: <wendell.smith@glo.state.tx.us>
Date: 1/16/02 9:49 AM
Subject: Shield Petroleum, Unpaid royalties, penalties, and interest

Mr. Smith,

This will confirm that we intend to close the above referenced file without litigation. The corporation is maintaining its charter, but is reporting debt of over \$6.6 Million for the year ending 3-31-00. We have looked for assets, but found nothing. There are no "gaps" in corporate privileges that would allow us to pursue its officers individually.

Please contact me if you have questions.

Sincerely,
Judith Reilly

Judith Reilly
Supervising Investigator
Bankruptcy & Collections Division
(512) 475-4947
FAX (512) 457-4439

Privileged and Confidential

From: Metha Kester
To: Mike Nicklaus
Date: 1/30/02 3:13PM
Subject: Shield Petroleum #95823

I spoke with Wendall Smith of Legal and he is closing the collection case on Shield Petroleum state lease #95823. I am filing my memo, emails, etc in the mineral file.

20

MF - 95823
EMW 15
1-16-02

Tracey Throckmorton - H.H. Moore Unit #1; API #4204131874; Oil and Gas Lease No. 95823

From: Craig Lewis <craig_lewis@anadarko.COM>
To: "tracey.throckmorton@glo.state.tx.us" <tracey.throckmorton@glo.state.tx.us>
Date: 9/19/2003 1:43 PM
Subject: H.H. Moore Unit #1; API #4204131874; Oil and Gas Lease No. 95823

In accordance with our telephone conversation this email shall be considered notice to the General Land Office that cessation of production has occurred in the referenced well. Production ceased August 22, 2003 at which time Anadarko commenced working on the well. Rework operations have been ongoing since August 22, 2003. A copy of this email with a daily summary of the rework operations will be faxed to your attention. Should you need additional information please contact me at (832)636-8443.

Thank you for your assistance in this matter.

Very truly yours,
Anadarko Petroleum Corporation
Craig A. Lewis

Anadarko Confidentiality Notice:

This electronic transmission and any attached documents or other writings are intended only for the person or entity to which it is addressed and may contain information that is privileged, confidential or otherwise protected from disclosure. If you have received this communication in error, please immediately notify sender by return e-mail and destroy the communication. Any disclosure, copying, distribution or the taking of any action concerning the contents of this communication or any attachments by anyone other than the named recipient is strictly prohibited.

(21)

File No. MF 95823
E-mail from Anadarko

Date Filed: 10-16-03

Jerry E. Patterson, Commissioner

By JEP

ANADARKO PETROLEUM CORPORATION 1201 LAKE ROBBINS DRIVE, THE WOODLANDS, TX 77380 P.O. BOX 1330 HOUSTON, TEXAS 77251-1330
U.S.A. PH. (832) 636-1101



Fax Transmittal

DATE: September 19, 2003

TO: Tracey Throckmorton FAX: (512) 475-1543

COMPANY: State of Texas General Land Office PHONE: (512) 475-1500

FROM: Craig A. Lewis PHONE: (832) 636-8443

COMPANY: Anadarko Petroleum Corporation FAX: (832) 636-8218

SUBJECT: State Lease No. 95823; H.H. Moore Unit #1 API 4204131874

Number of pages including cover sheet: 6

MESSAGE:

Tracey,
Pursuant to our telephone conversation attached is a copy of the email which I sent to you and a copy of the summary of operations.

Thank you for your assistance.

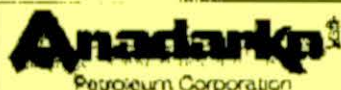
Craig Lewis

From: Craig Lewis
Sent: Friday, September 19, 2003 1:33 PM
To: 'tracey.throckmorton@glo.state.tx.us'
Subject: H.H. Moore Unit #1; API #4204131874; Oil and Gas Lease No. 95823

In accordance with our telephone conversation this email shall be considered notice to the General Land Office that cessation of production has occurred in the referenced well. Production ceased August 22, 2003 at which time Anadarko commenced working on the well. Rework operations have been ongoing since August 22, 2003. A copy of this email with a daily summary of the rework operations will be faxed to your attention. Should you need additional information please contact me at (832)636-8443.

Thank you for your assistance in this matter.

Very truly yours,
Anadarko Petroleum Corporation
Craig A. Lewis


Chronological Summary for MOORE, H. H. UNIT #1

Prepared on 9/19/2003 10:39:46 AM

GIDDINGS , 1500' FEL & 1400' FSW CORNER OF W. MILLICIAN MILLICAN ROBER , BRAZOS , TEXAS , RME WI 100.0000 , AFE 40005 , ETD 17,384' , KEY # 1207 , API 4204131874

<u>09/19/2003</u>	(REPAIR) ACIDIZE WELL & RUN G.L.V`S.
DOL 29	SET 7-5/8" CSG. SLIPS, N.U. B-SECTION & TREE, SECURE WELL, RIG DOWN
<u>09/18/2003</u>	(REPAIR) ACIDIZE WELL & RUN G.L.V`S.
DOL 28	WORK CSG. W/RIG, TRIED CIRC. WELL IN BOTH DIRECTIONS, UNABLE TO PULL OR PUMP CSG. LOOSE.
<u>09/17/2003</u>	(REPAIR) ACIDIZE WELL & RUN G.L.V`S.
DOL 27	R.U. CSG. JACKS, WORK & JACK CSG. UP TO 382K, JAR & WORK CSG. W/RIG, UNABLE TO WORK CSG. LOOSE, CUT CSG. @ 3145', JACKED CSG. UP TO 510K, NO LUCK, R.D. CSG. JACKS.
<u>09/16/2003</u>	(REPAIR) ACIDIZE WELL & RUN G.L.V`S.
DOL 26	RUN 52 STANDS OUT OF DERRICK & LAY DOWN SAME, N.D. B.O.P`S. & B-SECTION, WELD ON 7-5/8" PULL NIPPLE, R.U. CSG. JACKS, JACKED UP TO 200K & BLOWED SEAL IN JACKS, R.D. JACKS.
<u>09/15/2003</u>	(REPAIR) ACIDIZE WELL & RUN G.L.V`S.
DOL 25	SHUT DOWN FOR WEEKEND
<u>09/14/2003</u>	(REPAIR) ACIDIZE WELL & RUN G.L.V`S.
DOL 24	SHUT DOWN FOR WEEKEND
<u>09/13/2003</u>	(REPAIR) ACIDIZE WELL & RUN G.L.V`S.
DOL 23	P.O.H., RUN STRING MILL, START MILLING & TBG. PARTED BELOW MILL, P.O.H., RUN MULESHOE JT. & MILL BACK, UNABLE TO GET MILL TO MAKE HOLE, P.O.H. W/MILL, M.S. BROKE OFF.

09/12/2003 (REPAIR) ACIDIZE WELL & RUN G.L.V`S.
DOL 22 TAG CEMENT @ 12,371', LOAD HOLE W/9.7# MUD, P.O.H. & LAYDOWN
102 JTS. 2-7/8" PLASTIC COATED N-80 TBG.,

09/11/2003 (REPAIR) ACIDIZE WELL & RUN G.L.V`S.
DOL 21 WASH HEAVY MUD FROM 12,245' TO 12,733', PUMP 600 # SAND, LET
SETTLE FOR 3 HRS., PUMP 55 SACKS CMT, PULL OUT OF CMT., REVERSE
CLEAN,

09/10/2003 (REPAIR) ACIDIZE WELL & RUN G.L.V`S.
DOL 20 R.I.H. & CIRC. WELL @ 3756', 6087', & 11,114',

09/09/2003 (REPAIR) ACIDIZE WELL & RUN G.L.V`S.
DOL 19 P.O.H. W/ TBG., R.I.H. W/5-1/4" TAPERED MILL, STICKING & PLUGGING
FROM 3154' TO 3213', P.O.H. W/ MILL, R.I.H. W/BENT MULESHOE JT.,
WASH TO 3265', PULL 6 JTS.

09/08/2003 (REPAIR) ACIDIZE WELL & RUN G.L.V`S.
DOL 18 SHUT DOWN FOR WEEKEND

09/07/2003 (REPAIR) ACIDIZE WELL & RUN G.L.V`S.
DOL 17 SHUT DOWN FOR WEEKEND

09/06/2003 (REPAIR) ACIDIZE WELL & RUN G.L.V`S.
DOL 16 RIG SHUT DOWN WAITING ON DECISIONS ON WELL.

09/05/2003 (REPAIR) ACIDIZE WELL & RUN G.L.V`S.
DOL 15 CIRC. WELL CLEAN @ 3266' WITH 390 BBLs. F.S.W. & 405 BBLs. F.W.,
RUN DOWNHOLE VIDEO CAMERA, SHOWED CSG. PARTED & COLLAPSED.

09/04/2003 (REPAIR) ACIDIZE WELL & RUN G.L.V`S.
DOL 14 CIRC. 400 BBLs. F.S.W. FROM 3252', P.O.H., R.I.H. W/CUTLIP COLLAR,
SET DOWN 3267', WASHED OUT FROM 3252' TO 3325, WASHING HARD
FILL @ 3325', CIRC. FOR 3 HRS. BEFORE RETURNS STARTED CLEANING
UP.

09/03/2003 (REPAIR) ACIDIZE WELL & RUN G.L.V`S.
DOL 13 RUN 5-3/4" SWAGING TOOL, SWAGE CSG. OUT FROM 3141' TO 3284',
CIRC. CLEAN, PULL TOOL ABOVE BAD CSG.

09/02/2003 (REPAIR) ACIDIZE WELL & RUN G.L.V`S.
DOL 12 SHUT DOWN FOR WEEKEND

09/01/2003 (REPAIR) ACIDIZE WELL & RUN G.L.V`S.
DOL 11 SHUT DOWN FOR WEEKEND

08/31/2003 (REPAIR) ACIDIZE WELL & RUN G.L.V`S.
DOL 10 SHUT DOWN FOR WEEKEND

08/30/2003 (REPAIR) ACIDIZE WELL & RUN G.L.V`S.
DOL 9 CIRC. WELL CLEAN W/F.S.W. FROM 3990' & 4992', PULL UP TO 2616',
OPEN SURFACE VALVE, PUMPED BACK & FORTH TRYING TO GET WELL TO
CIRC. OUT SURFACE, NO LUCK, RUN IN HOLE & SET DOWN @3157',
P.O.H. W/TBG.

08/29/2003 (REPAIR) ACIDIZE WELL & RUN G.L.V`S.
DOL 8 SWAGE OUT 24', PLUGGED TOOL, PULL SWAGING TOOL, RUN NOTCHED
COLLAR, ROTATE PAST BRIDGE @ 3157', RUN COLLAR TO 3990', CIRC.
MUD OUT,

08/28/2003 (REPAIR) ACIDIZE WELL & RUN G.L.V`S.
DOL 7 RAN COLLAR LOCATOR & CSG. BAD FROM 3146 TO 3152', RUN SWEDGING
TOOL, SWEDGE 7-5/8" CSG. FROM 3149' TO 3219', PULL TOOLS ABOVE

BAD CSG.

08/27/2003

(REPAIR) ACIDIZE WELL, & RUN G.L.V`S.

DOL 6

WORK TBG. LOOSE, P.O.H. W406 JTS. 2-7/8" N-80 TBG., F-NIPPLE, & CUT OFF PIECE, PULLED WET STRING WITH BOTTOM JTS. PLUGGED WITH MUD, GAS, & ROCKS, F-NIPPLE STUCK IN BAD SPOT IN CSG. @ APPROX 3150'.

08/26/2003

(REPAIR) ACIDIZE WELL, RUN G.L.V`S.

DOL 5

WORK PIPE & SHOWED TO BE FREE TO 12,000' WITH STRETCH, TRIED TO ROTATE SEALS OUT WITH TONGS & SWIVEL, NO LUCK, FUN FREEPOINT, CUT TBG. @ 12,810', WORK PIPE & NO MOVEMENT.

08/25/2003

(REPAIR) ACIDIZE WELL & RUN G.L.V`S

DOL 4

SHUT DOWN FOR WEEKEND

08/24/2003

(REPAIR) PUMP ACID & RUN G.L.V`S

DOL 3

SHUT DOWN FOR WEEKEND

08/23/2003

(REPAIR) ACIDIZE WELL & RUN G.L.V`S

DOL 2

WORK TBG. TRYING TO RELEASE SEALS, STRETCH PIPE & SHOWED TO BE STUCK @ 3000', RUN FREE POINT, 90% FREE @ 3100' & 0% FREE @ 3200', RUN 2.31 GAUGE RING & SET DOWN @ 450', LOAD HOLE W/131 BBLS. F.S.W.

08/22/2003

(REPAIR) ACIDIZE WELL & PUT ON G.L.V`S.

DOL 1

MOVE ON LOCATION, RIG UP, PERF. DRAIN HOLES IN TBG. @ 6510 & 12,770', P.O.H. WITH PERF. GUN, N.D. TREE, N.U. B.O.P`S.

(22)

File No. MF 95823

Fax from Anaderko + rework
reports on H.H. Moore Unit Well # 1

Date Filed: 10-16-03

Jerry E. Patterson, Commissioner

By JEP