MF 097589

County	**JEFFERSON**
Survey	**SABINE LAKE**
Block	
Block Name	
Township	
Section/tract	**8**
Land Part	**N/2**
Part Description	
Acres	**320**
Name	**BENCHMARK EXPLORATION**
Lease Date	**10-1-1996**
Primary Term	**5-YEARS**
Bonus ($)	**$3,200.00**
Rental ($)	**$10.00**
Lease Royalty	**0.25**

*Leasing:*_____

*Analyst:*_____

*Maps:*_____

*GIS:*_____

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F
F293240
0
9
7
BENCHMARK EXPLORATION INC
5
8
9

Lease Extended until 10/31/01 AM
" 11/30/01 AM

#3046 #3243 #3434
320 UNIT ACRES
-0- NON UNIT ACRES

✓TERMINATED
Date 6-1-05
Accounting
Dept. CZB
Exploration
Execution

Rentals: M.T.

Lease Admin: KSA

Mineral Maps:

STATE LEASE MF097589

CONTROL	BASEFILE	COUNTY
05-000893	000 -	JEFFERSON
05-001703	000 -	ORANGE

SURVEY : SABINE LAKE
BLOCK :
TOWNSHIP : 00
SECTION/TRACT: 8 ,
PART : N/2
ACRES : 320.00
DEPTH LIMITS : NO

LESSEE : BENCHMARK EXPLORATION INC
LEASE DATE : Oct 01 1996
PRIMARY TERM : 5 yrs
BONUS ($) : 32000.00
RENTAL ($) : 10.00
ROYALTY : 0.25000000
VAR ROYALTY :

Release Filed MS

CONTENTS OF FILE NO. 097589

1. LEASE FORM 10-1-96	22. Assignments. 4/4/03 (4 - assignments + letter)
2. LEASE 10-1-96	23. Pooling Committee Report + Amendment Term Pooling
3. TRANSMITTAL LETTER 11-21-96	Agreement. 4/25/03
4. Rental payment. 10-2-97	24. Ltr From National Energy Group with recorded Amendment 6-6-03
5 ltr 11-10-97	25. Letter + fee payments 11/6/03
6 assign 6-25-97	26. Letter 11/25/03
7 ltr 11-20-97	27. Assignment 11/25/03
8. Rental pmt. 10/1/98. 10/12/98	28. Assignment 11/25/03
9. Certified Lease. 2/26/97	29. Assignment 11/26/03
10. Certified Lease. 2/26/97	30. Assignment 11/26/03
11. Rental Payment 10/1/99	31. Assignment 11/26/03
12. Rental Payment 9/29/00	32. Assignment 12/1/03
13. Pooling Committee Report and Pooling Agreement. 9/6/01	33. STATE OF LA. NOTICE OF APPLICATION TO COMMINGLE 10/27/03
14. Extension Packet 10/8/01	34. COMMINGLE APPLICATION BALLARD EX → GLO 10/31/03
15. Letter from National Energy Group + Drilling Reports. 11/16/01	35. GLO → BALLARD EX. NOTICE OF E-MAIL NO PROTEST TO COMMINGLE 10/31/03
16. Ltr to National Energy Group 11/20/01	36. Pooling Committee Report + Pooling Agreement. 6/1/04
17. Extension Packet 11/26/01	37. Assignment 11/4/04
18. Shut-in Affidavit 12/17/01	38. Ltr. From NEG with recorded pooling Agrmt 12-2-04
19. Assignment 5/15/02	39. Email re: Shut-in. 4/19/05
20. Shut-in Payment 11/14/02	40. Drilling & Completion Reports 2/6/06
21. Assignment 2/18/03	41. Termination Ltr. 2-16-06
	42. Letter + fees for Release 3/10/06
	43. Release - Jefferson County 3/10/06

CONTENTS OF FILE NO. M-F097589

44. Release for Orange County 5/10/86	
45. ISO Letter 5/18/06	
46. Well Report 8/9/05	
Scanned SM 11/20/15	

97589

OCTOBER 1, 1996
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 Benchmark Oil and Gas Company

Address 1880 S. Dairy Ashford; Ste. 540

City Houston State Texas Zip 77077-4746 (Include +4 Code)

Telephone (713) 558-8585

AREA DESCRIPTION

County(ies) Jefferson & Orange Survey/Area Sabine Lake (If Applicable)

Block/Tsp. N/2 (If Applicable) Section/Tract 8 Acres 320

97005589

BID SUBMISSION

(A) Cash Bonus Enclosed ($) 32,000.00 (type/print amount below)

Thirty-two thousand and 00/100 Dollars

(B) Sales Fee Attached ($) 480.00 97005590 (type/print amount below)

Four hundred eighty and 00/100 Dollars

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. 84

APPLICANT (same as above) Benchmark Oil and Gas Company

BONUS AMOUNT ONLY (A) (Do Not include sales fee) ($) 32,000.00

APPLICANT TAX I.D. # [redacted]

SIGNATURE OF AGENT (type/print below)

Dorothy E. Pledger

Dorothy E. Pledger

M 97589

BID FORM OCT 01 1996

File Dated

37005288

37005288

37005284

37005280

Lease Form
Revised 10/95
G - III/IV

The State of Texas

Austin, Texas

OIL AND GAS LEASE
NO. M-97589

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:

N/2 OF TRACT 8, SABINE LAKE, JEFFERSON AND ORANGE COUNTIES, TEXAS, CONTAINING APPROXIMATELY 320 ACRES, AS SHOWN ON THE OFFICIAL MAP OF SABINE LAKE, NOW ON FILE IN THE TEXAS GENERAL LAND OFFICE, AUSTIN, TEXAS,

was, after being duly advertised, offered for lease on the **1st** day of **October, 1996**, 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 **1st** day of **October, 1996**, hereinafter the "effective date" and it was found and determined that **Benchmark Oil and Gas Company** whose address is **1880 S. Dairy Ashford, Suite 540, Houston, TX 77077-4746** 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 Two Thousand and 00/100** Dollars (**$32,000.00**), 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 **five (5)** 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 **Ten** Dollars (**$10.00**), **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, upon production of oil and/or gas, the Lessee agrees to pay or cause to be paid to the Commissioner of the General Land Office in Austin, Texas, for the use and benefit of the State of Texas, during the term hereof:

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

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

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

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

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

(E) VARIABLE ROYALTY: (i) Subject to the other provisions of this lease, it is hereby provided that in the event production in paying quantities is established pursuant to the terms of this lease and such production is brought on line and sales thereof are commenced within twenty-four (24) 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 twenty-four (24) 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 six (6) 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 six (6) 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 six(6) 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 twenty-four (24) months from the effective date hereof but prior to the expiration of forty-eight (48) 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. Provided that, if during such twenty-four (24) month term during which Lessee may earn a reduced royalty rate of 22.5% as herein provided, Lessee should drill in good faith and complete the first well as a dry hole on the land covered by this lease, Lessee may receive a six (6) 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 six (6) 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 six (6) month extension period.

(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,

(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.

(J) MARGINAL PRODUCTION ROYALTY: Upon Lessee's written application, the School Land Board may reduce the royalty rate set out in this paragraph and/or the minimum royalty set out in subparagraph 4 (I) to extend the economic life of this lease and encourage recovery of oil or gas that might otherwise remain unrecovered. Any such royalty reduction must conform to the requirements of any School Land Board administrative rules on this subject. Royalty may not be reduced below the applicable statutory minimum.

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. Within 90 days of a partial termination of this lease in accordance with this subparagraph and upon payment of the minimum filing fee set by General Land Office rules in effect at the time of the partial termination, Lessee shall have the right to obtain a surface lease for ingress and egress on and across the terminated portion of the leased premises as may be reasonably necessary for the continued operation of the portions of the lease remaining in force and effect. If Lessee fails to apply for a surface lease within the 90 day period specified above, Lessee may apply for a surface lease from the Land Office, but the Land Commissioner has the discretion to grant or deny such application and to set the fee for such surface lease.

(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 acreage 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/CESSATION OF PRODUCTION DURING PRIMARY TERM: 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 pays or tenders the next 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; and if Lessee has not resumed production in paying quantities at the expiration of the primary term, Lessee may maintain this lease by conducting additional drilling or reworking operations pursuant to Paragraph 10, using the expiration of the primary term as the date of cessation of production under Paragraph 10. 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

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 lack of 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 or 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.

12. COMPENSATORY ROYALTIES: 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. Compensatory royalty payments which are not timely paid will accrue penalty and interest in accordance with Paragraph 5 of this lease.

13. 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.

14. 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.

15. 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.

16. 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.

17. 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.

18. 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.

19. 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.

20. 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.

21. 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.

22. 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.

23. **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.

24. **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.

25. **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.

26. **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.

27. **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.

28. **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.

29. **ANTIQUITIES CODE:** In the event that any feature of archeological or historical interest is encountered during the activities authorized by this lease, Lessee will immediately cease activities and will immediately notify the General Land Office and the Texas Historical Commission so that adequate measures may be undertaken to protect or recover such discoveries or findings, as appropriate. Lessee is expressly placed on notice of the National Historical Preservation Act of 1966 (PB-89-66, 80 Statute 915; 16 U.S.C.A. 470). Lessee shall comply with the Antiquities Code of Texas, Chapter 191, Natural Resources Code, as amended.

30. **VENUE:** Lessor and lessee, including lessee's successors and assigns, hereby agree that venue for any dispute arising out of a provision of this lease, whether express or implied, regarding interpretation of this lease, or relating in any way to this lease or to applicable case law, statutes, or administrative rules, shall be in a court of competent jurisdiction located in Travis County, State of Texas.

31. **LEASE FILING:** Pursuant to Chapter 9 of the Tex. Bus. & Com. Code,this lease must be filed of record in the office of the County Clerk in any county in which all or any part of the leased premises is located, and certified copies thereof must be filed in the General Land Office. The prescribed filing fee shall accompany the certified copies sent to the General Land Office.

32. **EXECUTION:** This oil and gas lease must be signed and acknowledged by the Lessee before it is filed of record in the county records and in the General Land Office of the State of Texas.

_____

LESSEE

BY: _____

TITLE: _____

DATE: _____

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.

Garry Mauro

COMMISSIONER OF THE GENERAL LAND OFFICE
OF THE STATE OF TEXAS

APPROVED

Contents
Legal
DC
SD
Exec

STATE OF _____ (CORPORATION ACKNOWLEDGMENT)

COUNTY OF _____

BEFORE ME, the undersigned authority, on this day personally appeared _____ known to me to be the person whose name is subscribed to the foregoing instrument, as _____ of _____ and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

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

_____

Notary Public in and for _____

_____

STATE OF _____ (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF _____

Before me, the undersigned authority, on this day personally appeared _____ known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

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

_____

Notary Public in and for _____

_____

(2)

OIL AND GAS LEASE NO. 97589

DATE OCT 01 1996

Texas General Land Office
Garry Mauro, Commissioner

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

November 21, 1996

Ms. Dorothy E. Pledger
Benchmark Oil & Gas Company
1880 S. Dairy Ashford, Suite 540
Houston, TX 77077-4746

Dear Ms. Pledger:

Thank you for participating in the State of Texas Oil and Gas Lease Sale held on October 1, 1996. In total, almost $10 million was generated for the Permanent School Fund.

I am pleased to inform you that you were the high bidder on the marginal number listed below, which has been assigned the corresponding lease number:

MGL NO. 84 M-97589

The lease agreement for this marginal number is enclosed and will serve as your receipt for the amount of your bid. As stated in Sections 31 and 32, this lease form must be signed and acknowledged by the lessee, and then recorded in the County Clerk's office of the county or counties in which lands covered by the lease are located. After signing and recording the lease, please submit a certified copy of the recorded lease to the attention of Kristin Anderson at the Texas General Land Office. These requirements are material provisions of the lease; therefore, please return the certified copy at your earliest convenience.

The lessee's other contractual and statutory responsibilities are outlined in the lease agreement, such as Section 6(B), which requires operators to submit written notice of all drilling, production, and related activities. When lessees file specific 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;

Printed on recycled paper with soybean ink

P-12, Certificate of Pooling Authority
F-1, NGPA Supplemental Application; and
FERC-121, Application for Determination

When production is secured from this lease, production/royalty reports outlining production/disposition activities (GLO Forms 1,1a,2,2a) are required to be submitted to this office. If you are not familiar with the required forms and procedures, please call the Royalty Management Division of the Land Office at (512) 463-5042 and request the Oil and Gas Reports and Payment Procedures booklet. With respect to any applicable Resource Management Codes, lessees should contact the Texas General Land Office 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 this office's efforts to effectively manage the State of Texas' oil and gas resources.

Please do not hesitate to contact my office at (512) 463-5042 if you need any assistance in the future or if you have questions concerning any state lease that you operate.

Sincerely,

Garry Mauro
Texas Land Commissioner

GM/RH/ka

Enclosures

Exhibit "A"

The following are additional marginal numbers awarded and the corresponding lease numbers:

MGL NO. 85	M-97590
MGL NO. 86	M-97591
MGL NO. 87	M-97592

M- 97589 (3)

TRANSMITTAL LETTER

File Dated OCT 01 1996

ASSETS ACCOUNT

STANCO OIL AND GAS, INC.
12989 JUPITER, STE. 104
DALLAS, TX 75238

190

[redacted]

9/30 19 97

PAY TO THE ORDER OF TEXAS GENERAL LAND OFFICE $ 15,770.20

Fifteen thousand seven hundred seventy & 20/100 — DOLLARS Security features included. Details on back.

DEAN WITTER REYNOLDS INC.

BANK ONE
BANK ONE, COLUMBUS, NA
Columbus, Ohio 43271

A B C D E F G K L M N P R S T U V W Y Z 1 2 3 4 5 6 7 8 9 0

Joel Stanley

MEMO

⑈00000190⑈ [redacted]

M-97591 4146.90
M-97590 3700.00
M-97589 3200.00
M-97592 5223.30

Stanco Oil & Gas Inc. ✓
(2)

98006032

X15,770.20

8035

RECEIVED
97 SEP 32 PM 4:18
ENERGY RESOURCES

10/2/97

M-97589

Rental Payment 10-2-97 (9)

STANCO & COMPANY, INC.

12989 Jupiter Rd.
Suite #104
Dallas, TX 75238

Ofc: 214-340-5656
Fax: 214-340-5055
1-800-582-1235

State of Texas
General Land Office
1700 N. Congress, Ste. 600
Austin, Texas 78701

November 10, 1997

Attn: Laura Leal

Re: Oil & Gas Leases
Fees for Assignments

200.00

98014364

Dear Ms. Leal:

Per our conversation today, attached is a check for $200.00 for recording fees ($ 50.00 per lease) for re-assignment of which you have copies in your office. The State of Texas leases are as follows:

M-97592
M-97591
M-97590
M-97589

129

All leases are located in Sabine Lake in Orange and Jefferson Counties, Texas. If you have any questions please call us.

Sincerely,

Steve Brazeal
Consultant

ENERGY RESOURCES
97 NOV 14 PM 12:13
RECEIVED

M-97589 (5)
11-10-97

97- 9723749

169500

ASSIGNMENT OF OIL AND GAS LEASES

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THE STATE OF TEXAS }
}
THE COUNTY OF HARRIS }

KNOW ALL MEN BY THESE PRESENTS:

THAT, BENCHMARK OIL AND GAS COMPANY ("BENCHMARK"), a Texas corporation, whose address is 1880 South Dairy Ashford, Suite 540; Houston, Texas 77077, hereinafter called "Assignor", for and in consideration of Ten Dollars ($10.00) and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, does hereby Assign, Transfer, Sell and Convey unto, STANCO OIL & GAS COMPANY ("STANCO"), a Texas corporation, whose address is 12989 Jupiter Road, Suite 104; Dallas, Texas 75238, hereinafter called "Assignee", an undivided One Hundred percent (100.0%) of eight-eighths (8/8ths) interest in the Oil and Gas Leases (hereinafter called "said leases"), and interest therein, described in Exhibit "A" attached hereto (which by reference is attached and made a part hereof for all legal purposes), together with a like interest in all production, if any, produced under said leases and attributable to such interest, and a like interest in all personal property, fixtures and equipment, if any, located on the lands covered by said leases. The lands covered by said leases are located in Orange County and Jefferson County, Texas.

TO HAVE AND TO HOLD the same unto Assignee, its heirs, successors and assigns, forever, subject however, to the following terms, conditions and provisions, to-wit:

1. This assignment is being made under the terms and conditions of an unrecorded Letter Agreement dated effective on September 20, 1996, between Assignor and Assignee, and is further made subject to all of the terms and conditions included therein and to the terms and conditions of all of the Exhibits attached to and incorporated therein by reference .

3. It is specifically provided that if the assignment or attempted assignment of any of said leases without the consent of the lessor, or any party from whom consent to assign is necessary, would constitute a breach or result in a forfeiture thereof, this Assignment shall become effective with respect thereto only upon receipt of such consent, and Assignor shall continue to hold such interest for Assignee until such consent is obtained.

4. The terms, conditions, provisions and covenants hereof shall be binding upon and inure to the benefit of Assignor and Assignee, and to their respective heirs, successors and assigns; and, such terms, covenants and conditions shall be covenants running with the lands covered by said leases and assigned premises and with each transfer or assignment of said leases. Any conflict between the terms and conditions hereof and those of the Letter Agreement referenced in 1. above, shall be controlled by the terms and provisions of the Letter Agreement.

5. Assignor agrees to warrant and defend the title to said leases and the lands covered thereby, by, through and under it, but no further.

IN WITNESS WHEREOF, this instrument is executed this 25th day of June, 1997.

ASSIGNOR:

BENCHMARK OIL AND GAS COMPANY

BY: _____
ROBERT E. PLEDGER, PRESIDENT

ASSIGNEE:

STANCO OIL & GAS COMPANY

BY: _____
JOEL STANLEY, PRESIDENT

When Recorded, Return To:
BENCHMARK OIL AND GAS COMPANY
1880 S. Dairy Ashford; Suite 540
Houston, Texas 77077

EXHIBIT "A"

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THIS EXHIBIT "A" IS ATTACHED TO AND BY REFERENCE MADE A PART OF THAT CERTAIN ASSIGNMENT OF OIL AND GAS LEASES DATED June 25, 1997, FROM BENCHMARK OIL AND GAS COMPANY TO STANCO OIL & GAS COMPANY.

1. **Oil and Gas Lease No. M-97590 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering S/2 of Tract 8, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 161826 in Vol. 1015, Page 681 of the Official Public Records of Real Property of Orange County, Texas, and under Clerk's File No. 97-9702888 of the Official Public Records of Real Property of Jefferson County, Texas.**

2. **Oil and Gas Lease No. M-97589 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering N/2 of Tract 8, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 161825 in Vol. 1015, Page 672 of the Official Public Records of Real Property of Orange County, Texas, and under Clerk's File No. 97-9702887 of the Official Public Records of Real Property of Jefferson County, Texas.**

3. **Oil and Gas Lease No. M-97591 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering Tract 9, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 414.69 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 161828 in Vol. 1015, Page 699 of the Official Public Records of Real Property of Orange County, Texas, and under Clerk's File No. 97-9702889 of the Official Public Records of Real Property of Jefferson County, Texas.**

4. **Oil and Gas Lease No. M-97592 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering Tract 4, Sabine Lake, Orange County, Texas, containing approximately 522.33 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 161827 in Vol. 1015, Page 690 of the Official Public Records of Real Property of Orange County, Texas.**

STATE OF TEXAS COUNTY OF JEFFERSON

I hereby certify that this instrument was filed o
the date and time stamped hereon by me and was du
recorded in the Official Public Records of Real Prop
Jefferson County, Texas, on

AUG 06 1997

Sandy Wilson

County Clerk, Jefferson County, Texas

At time of Recordation this instrument was found to be inadequate for good photographic reproduction due to : (illegibility, carbon or photo copy, discolored paper, deterioriation, etc.)

Filed for Record in:
JEFFERSON COUNTY, TX
SANDY WILSON - COUNTY CLERK

On Aug 06 1997
At 11:54am

Receipt #: 127740
Recording: 7.00
Doc/Mgmt : 6.00
Doc/Num : 97- 9723749
Doc/Type : REC

Deputy - Default Cashier ID

FB & RET

~~When Recorded, Return To:~~
BENCHMARK OIL AND GAS COMPANY
1880 S. Dairy Ashford; Suite 540
Houston, Texas 77077

$7.00 + 3.00 RP + 1.00 SF

FILED FOR RECORD
'97 AUG 26 PM 2 03
KAREN JO YANCE
COUNTY CLERK
ORANGE COUNTY, TEXAS
BY Holly Wheeler DEPUTY

ACKNOWLEDGMENT

THE STATE OF TEXAS)
THE COUNTY OF HARRIS)

This instrument was acknowledged before me on this 25th day of June, 1997, by ROBERT E. PLEDGER, as President of BENCHMARK OIL AND GAS COMPANY, a Texas corporation, on behalf of said corporation.

My Commission Expires _____

Notary Public in and for the State of Texas

Notary's Printed Name

CHARLES EDWARD DAVIDSON
MY COMMISSION EXPIRES
May 18, 2000

ACKNOWLEDGMENT

THE STATE OF TEXAS)
THE COUNTY OF Harris)

This instrument was acknowledged before me on this 25 day of June, 1997, by JOEL STANLEY, as President of STANCO OIL & GAS COMPANY, a Texas corporation, on behalf of said corporation.

My Commission Expires _____

Notary Public in and for the State of Texas

Notary's Printed Name

CHARLES EDWARD DAVIDSON
MY COMMISSION EXPIRES
May 18, 2000

M-97589 (6)
Assign
6-25-97

Texas General Land Office
Garry Mauro, Commissioner

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

November 20, 1997

Mr. Steve Brazeal
Stanco & Company, Inc.
12989 Jupiter Rd. Ste 104
Dallas, TX 75238

Dear Mr. Brazeal:

The General Land Office received the following instruments on November 12, 1997 and has filed them in M-97589, M-97590 M-97591, M-97592.

Assignment of Oil and Gas Lease, effective June 25, 1997, by and between Benchmark Oil and Gas Company, and Stanco & Company, Inc., recorded in Orange and Jefferson County Texas.

Filing fees of $200.00 were received in connection with the above assignment. If you have any questions, please feel free to call me at (512) 475-1540.

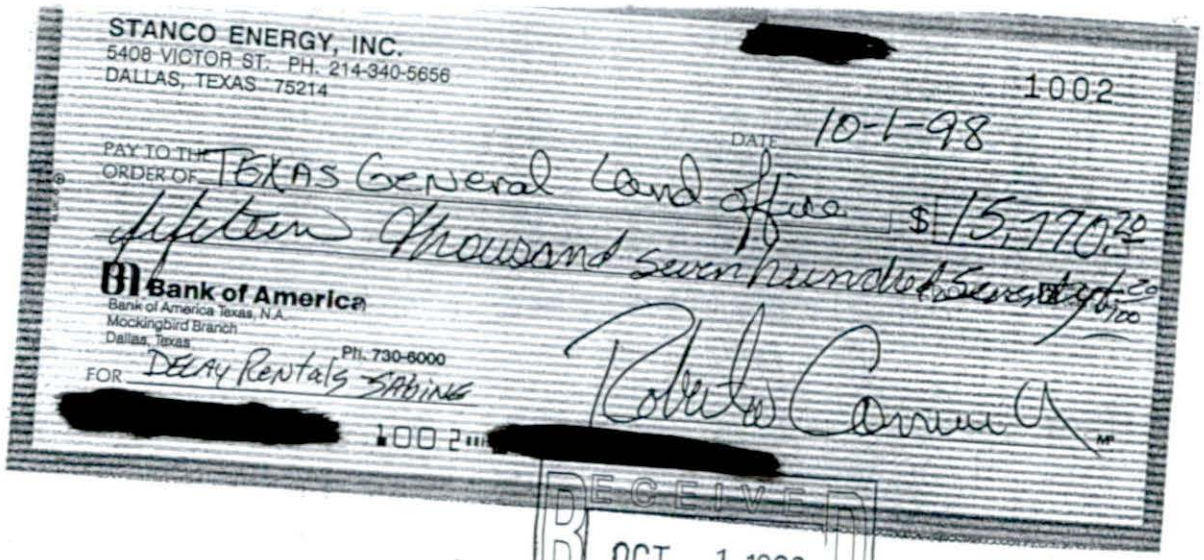
Sincerely,

Laura Leal
Royalty Management
Energy Resources

LL

Printed on recycled paper with soybean ink

M-97589 (7)
Assign
11-20-77



STANCO ENERGY, INC.
5408 VICTOR ST. PH. 214-340-5656
DALLAS, TEXAS 75214

1002

DATE 10-1-98

PAY TO THE ORDER OF Texas General Land Office $ 15,170.20

fifteen thousand seven hundred seventy 20/100

Bank of America
Bank of America Texas, N.A.
Mockingbird Branch
Dallas, Texas
Ph. 730-6000

FOR DELAY Rentals SABINE

[redacted] 1002 [redacted]

Roberta Cannon

RECEIVED
OCT 1 1998
GENERAL LAND OFFICE

99006243

121

X15770.20

Stanco Energy Inc

M-97590-3200.00

M-97589-3200.00

M-97591-4146.90

M-97592-5223.30

DELAY RENTALS (121)

ATTENTION LINDA ANDERSON

RECEIVED
98 OCT -2 PM 4:26

(8) M-97589

Rental Payment 10-1-98

VOL 1015 PAGE 672

Lease Form
Revised 10/95
G - III/IV

The State of Texas

161825

Austin, Texas

OIL AND GAS LEASE
NO. M-97589

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:

N/2 OF TRACT 8, SABINE LAKE, JEFFERSON AND ORANGE COUNTIES, TEXAS, CONTAINING APPROXIMATELY 320 ACRES, AS SHOWN ON THE OFFICIAL MAP OF SABINE LAKE, NOW ON FILE IN THE TEXAS GENERAL LAND OFFICE, AUSTIN, TEXAS,

was, after being duly advertised, offered for lease on the **1st** day of **October, 1996**, 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 **1st** day of **October, 1996**, hereinafter the "effective date" and it was found and determined that **Benchmark Oil and Gas Company** whose address is **1880 S. Dairy Ashford, Suite 540, Houston, TX 77077-4746** 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 Two Thousand and 00/100** Dollars (**$32,000.00**), 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 **five (5)** 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 **Ten** Dollars (**$10.00**), **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, upon production of oil and/or gas, 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 CERTIFIED COPY FEB 14 1997
ATTEST: _____
KAREN JO VANCE, County Clerk
Orange County, Texas
By Holly Wheeler
HOLLY WHEELER, Deputy

When Recorded, Return To:
BENCHMARK OIL AND GAS COMPANY
1880 S. Dairy Ashford; Suite 540
Houston, Texas 77077

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

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

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

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

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

(E) VARIABLE ROYALTY: (i) Subject to the other provisions of this lease, it is hereby provided that in the event production in paying quantities is established pursuant to the terms of this lease and such production is brought on line and sales thereof are commenced within twenty-four (24) 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 twenty-four (24) 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 six (6) 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 six (6) 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 six(6) 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 twenty-four (24) months from the effective date hereof but prior to the expiration of forty-eight (48) 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. Provided that, if during such twenty-four (24) month term during which Lessee may earn a reduced royalty rate of 22.5% as herein provided, Lessee should drill in good faith and complete the first well as a dry hole on the land covered by this lease, Lessee may receive a six (6) 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 six (6) 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 six (6) month extension period.

(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,

A CERTIFIED COPY
ATTEST: FEB 14 1997
KAREN JO VANCE, County Clerk
Orange County, Texas
By Kathy Wheeler

(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.

(J) MARGINAL PRODUCTION ROYALTY: Upon Lessee's written application, the School Land Board may reduce the royalty rate set out in this paragraph and/or the minimum royalty set out in subparagraph 4 (I) to extend the economic life of this lease and encourage recovery of oil or gas that might otherwise remain unrecovered. Any such royalty reduction must conform to the requirements of any School Land Board administrative rules on this subject. Royalty may not be reduced below the applicable statutory minimum.

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 CERTIFIED COPY
ATTEST: FEB 14 1997
KAREN JO VANCE, County Clerk
Orange County, Texas
By Holly Wheeler
HOLLY WHEELER, Deputy

(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 or Texas, or any successor agency, or other governmental authority having jurisdiction. Within 90 days of a partial termination of this lease in accordance with this subparagraph and upon payment of the minimum filing fee set by General Land Office rules in effect at the time of the partial termination, Lessee shall have the right to obtain a surface lease for ingress and egress on and across the terminated portion of the leased premises as may be reasonably necessary for the continued operation of the portions of the lease remaining in force and effect. If Lessee fails to apply for a surface lease within the 90 day period specified above, Lessee may apply for a surface lease from the Land Office, but the Land Commissioner has the discretion to grant or deny such application and to set the fee for such surface lease.

(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 acreage 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/CESSATION OF PRODUCTION DURING PRIMARY TERM: 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 pays or tenders the next 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; and if Lessee has not resumed production in paying quantities at the expiration of the primary term, Lessee may maintain this lease by conducting additional drilling or reworking operations pursuant to Paragraph 10, using the expiration of the primary term as the date of cessation of production under Paragraph 10. 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

A CERTIFIED COPY FEB 14 1997
ATTEST:
KAREN JO VANCE, County Clerk
Orange County, Texas
By Holly Wheeler
HOLLY WHEELER, Deputy

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 lack of 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 or 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.

12. COMPENSATORY ROYALTIES: 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. Compensatory royalty payments which are not timely paid will accrue penalty and interest in accordance with Paragraph 5 of this lease.

13. 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.

14. 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.

15. 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

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KAREN JO VANCE, County Clerk
Orange County, Texas
By Holly Wheeler
HOLLY WHEELER, Deputy

statement shall be in lettering of at lesst 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.

16. 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.

17. 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.

18. 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.

19. 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.

20. 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.

21. 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 or the consideration moving to Lessor for the covenants herein made by Lessee.

22. 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

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KAREN JO VANCE, County Clerk
Orange County, Texas
By Holly Wheeler
HOLLY WHEELER, Deputy

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.

23. **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.

24. **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.

25. **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.

26. **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.

27. **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.

28. **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.

29. **ANTIQUITIES CODE:** In the event that any feature of archeological or historical interest is encountered during the activities authorized by this lease, Lessee will immediately cease activities and will immediately notify the General Land Office and the Texas Historical Commission so that adequate measures may be undertaken to protect or recover such discoveries or findings, as appropriate. Lessee is expressly placed on notice of the National Historical Preservation Act of 1966 (PB-89-66, 80 Statute 915; 16 U.S.C.A. 470). Lessee shall comply with the Antiquities Code of Texas, Chapter 191, Natural Resources Code, as amended.

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ATTEST:
KAREN JO VANCE, County Clerk
Orange County, Texas
By Holly Wheeler
HOLLY WHEELER, Deputy

30. VENUE: Lessor and lessee, including lessee's successors and assigns, hereby agree that venue for any dispute arising out of a provision of this lease, whether express or implied, regarding interpretation of this lease, or relating in any way to this lease or to applicable case law, statutes, or administrative rules, shall be in a court of competent jurisdiction located in Travis County, State of Texas.

31. LEASE FILING: Pursuant to Chapter 9 of the Tex. Bus. & Com. Code, this lease must be filed of record in the office of the County Clerk in any county in which all or any part of the leased premises is located, and certified copies thereof must be filed in the General Land Office. The prescribed filing fee shall accompany the certified copies sent to the General Land Office.

32. EXECUTION: This oil and gas lease must be signed and acknowledged by the Lessee before it is filed of record in the county records and in the General Land Office of the State of Texas.

Benchmark Oil and Gas Company
LESSEE
BY: Dorothy E. Pledger
TITLE: Vice-President
DATE: Jan. 6, 1997

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.

Garry Mauro
COMMISSIONER OF THE GENERAL LAND OFFICE
OF THE STATE OF TEXAS

APPROV
GC
Legal
DC
SD
Exec

RECORDERS MEMO:
LEGIBILITY
of Writing, Typing or Printing
UNSATISFACTORY When received

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KAREN JO VANCE, County Clerk
Orange County, Texas
By Holly Wheeler
HOLLY WHEELER, Deputy

STATE OF Texas (CORPORATION ACKNOWLEDGMENT)

COUNTY OF Harris

BEFORE ME, the undersigned authority, on this day personally appeared Dorothy E. Pledger known to me to be the person whose name is subscribed to the foregoing instrument, as Vice-President of Benchmark Oil and Gas Company and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this the 6th day of January, 1997.

RAJIV DATTA
Notary Public, State of Texas
Commission Expires 10-02-97

Notary Public in and for Harris County, Tx.

STATE OF _____ (INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF _____

Before me, the undersigned authority, on this day personally appeared _____ known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

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

Notary Public in and for _____

FBH Env. Prov.

When Recorded, Return To:
BENCHMARK OIL AND GAS COMPANY
1880 S. Dairy Ashford; Suite 540
Houston, Texas 77077

19.0043.00 RP-10054

FILED FOR RECORD
'97 JAN 15 AM 10 52
KAREN JO VANCE
COUNTY CLERK
ORANGE COUNTY, TEXAS
BY _____
DEPUTY

A CERTIFIED COPY
ATTEST: FEB 14 1997
KAREN JO VANCE, County Clerk
Orange County, Texas
By _____
HOLLY WHEELER, Deputy

File No. MF097589

Certified Lease

Date Filed: 7/26/97

David Dewhurst, Commissioner

By

Lease Form
Revised 10/95
G - III/IV

VOL 1015 PAGE 672

The State of Texas

161826

Austin, Texas

97028887

OIL AND GAS LEASE
NO. M-97589

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:

N/2 OF TRACT 8, SABINE LAKE, JEFFERSON AND ORANGE COUNTIES, TEXAS, CONTAINING APPROXIMATELY 320 ACRES, AS SHOWN ON THE OFFICIAL MAP OF SABINE LAKE, NOW ON FILE IN THE TEXAS GENERAL LAND OFFICE, AUSTIN, TEXAS,

was, after being duly advertised, offered for lease on the 1st day of October, 1996, 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 1st day of October, 1996, hereinafter the "effective date" and it was found and determined that **Benchmark Oil and Gas Company** whose address is **1880 S. Dairy Ashford, Suite 540, Houston, TX 77077-4746** 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 Two Thousand and 00/100** Dollars ($32,000.00), 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 **five (5)** 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 **Ten** Dollars ($10.00), 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, upon production of oil and/or gas, 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:

When Recorded, Return To:
BENCHMARK OIL AND GAS COMPANY
1880 S. Dairy Ashford; Suite 540
Houston, Texas 77077
attn: Dorothy Redger

I CERTIFY THIS IS A TRUE COPY
Witness my Hand and Seal of Office

FEB 14 1997

SANDY WILSON, COUNTY CLERK
JEFFERSON COUNTY, TEXAS

BY Carol Mitchell DEPUTY

CAROL MITCHELL

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

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

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

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

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

(E) **VARIABLE ROYALTY:** (i) Subject to the other provisions of this lease, it is hereby provided that in the event production in paying quantities is established pursuant to the terms of this lease and such production is brought on line and sales thereof are commenced within twenty-four (24) 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 twenty-four (24) 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 six (6) 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 six (6) 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 six(6) 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 twenty-four (24) months from the effective date hereof but prior to the expiration of forty-eight (48) 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. Provided that, if during such twenty-four (24) month term during which Lessee may earn a reduced royalty rate of 22.5% as herein provided, Lessee should drill in good faith and complete the first well as a dry hole on the land covered by this lease, Lessee may receive a six (6) 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 six (6) 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 six (6) month extension period.

(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,

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(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.

(J) **MARGINAL PRODUCTION ROYALTY:** Upon Lessee's written application, the School Land Board may reduce the royalty rate set out in this paragraph and/or the minimum royalty set out in subparagraph 4 (I) to extend the economic life of this lease and encourage recovery of oil or gas that might otherwise remain unrecovered. Any such royalty reduction must conform to the requirements of any School Land Board administrative rules on this subject. Royalty may not be reduced below the applicable statutory minimum.

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.

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(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. Within 90 days of a partial termination of this lease in accordance with this subparagraph and upon payment of the minimum filing fee set by General Land Office rules in effect at the time of the partial termination, Lessee shall have the right to obtain a surface lease for ingress and egress on and across the terminated portion of the leased premises as may be reasonably necessary for the continued operation of the portions of the lease remaining in force and effect. If Lessee fails to apply for a surface lease within the 90 day period specified above, Lessee may apply for a surface lease from the Land Office, but the Land Commissioner has the discretion to grant or deny such application and to set the fee for such surface lease.

(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 acreage 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/CESSATION OF PRODUCTION DURING PRIMARY TERM:** 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 pays or tenders the next 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; and if Lessee has not resumed production in paying quantities at the expiration of the primary term, Lessee may maintain this lease by conducting additional drilling or reworking operations pursuant to Paragraph 10, using the expiration of the primary term as the date of cessation of production under Paragraph 10. 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

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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 lack of 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 or 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.

12. **COMPENSATORY ROYALTIES:** 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. Compensatory royalty payments which are not timely paid will accrue penalty and interest in accordance with Paragraph 5 of this lease.

13. **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.

14. **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.

15. **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

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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.

16. **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.

17. **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.

18. **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.

19. **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.

20. **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.

21. **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.

22. **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

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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.

23. **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.

24. **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.

25. **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.

26. **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.

27. **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.

28. **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.

29. **ANTIQUITIES CODE:** In the event that any feature of archeological or historical interest is encountered during the activities authorized by this lease, Lessee will immediately cease activities and will immediately notify the General Land Office and the Texas Historical Commission so that adequate measures may be undertaken to protect or recover such discoveries or findings, as appropriate. Lessee is expressly placed on notice of the National Historical Preservation Act of 1966 (PB-89-66, 80 Statute 915; 16 U.S.C.A. 470). Lessee shall comply with the Antiquities Code of Texas, Chapter 191, Natural Resources Code, as amended.

I CERTIFY THIS IS A TRUE COPY
Witness my Hand and Seal of Office
FEB 14 1997
SANDY WILSON, COUNTY CLERK
JEFFERSON COUNTY, TEXAS
BY Carol Mitchell DEPUTY
CAROL MITCHELL

30. **VENUE:** Lessor and lessee, including lessee's successors and assigns, hereby agree that venue for any dispute arising out of a provision of this lease, whether express or implied, regarding interpretation of this lease, or relating in any way to this lease or to applicable case law, statutes, or administrative rules, shall be in a court of competent jurisdiction located in Travis County, State of Texas.

31. **LEASE FILING:** Pursuant to Chapter 9 of the Tex. Bus. & Com. Code, this lease must be filed of record in the office of the County Clerk in any county in which all or any part of the leased premises is located, and certified copies thereof must be filed in the General Land Office. The prescribed filing fee shall accompany the certified copies sent to the General Land Office.

32. **EXECUTION:** This oil and gas lease must be signed and acknowledged by the Lessee before it is filed of record in the county records and in the General Land Office of the State of Texas.

Benchmark Oil and Gas Company
LESSEE
BY: Dorothy E. Fledger
TITLE: Vice-President
DATE: Jan. 6, 1997

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.

Garry Mauro
COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS

APPROVED
Contract Appeals
DC
SD
Exec

RECORDERS MEMO:
LEGIBILITY
of Writing, Typing or Printing
UNSATISFACTORY When received

I CERTIFY THIS IS A TRUE COPY
Witness my Hand and Seal of Office
FEB 14 1997
SANDY WILSON, COUNTY CLERK
JEFFERSON COUNTY, TEXAS
BY Carol Mitchell DEPUTY
CAROL MITCHELL

STATE OF Texas

(CORPORATION ACKNOWLEDGMENT)

COUNTY OF Harris

BEFORE ME, the undersigned authority, on this day personally appeared Dorothy E. Pledger known to me to be the person whose name is subscribed to the foregoing instrument, as Vice-President of Benchmark Oil and Gas Company and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this the 6th day of January, 1997.

RAJIV DATTA
Notary Public, State of Texas
Commission Expires 10-02-97

Notary Public in and for Harris County, Tex.

STATE OF _____

(INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF _____

Before me, the undersigned authority, on this day personally appeared _____ known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

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

Notary Public in and for _____

FBH Env Prov.

~~When Recorded, Return To:~~
BENCHMARK OIL AND GAS COMPANY
1550 S. Dairy Ashford; Suite 540
Houston, Texas 77077

19.00+3.00 RP+1005T

FILED FOR RECORD
'97 JAN 15 AM 10 52
KAREN JO VARGE
COUNTY CLERK
ORANGE COUNTY, TEXAS
BY _____
DEPUTY

I CERTIFY THIS IS A TRUE COPY
Witness my Hand and Seal of Office
FEB 14 1997
SANDY WILSON, COUNTY CLERK
JEFFERSON COUNTY, TEXAS
BY _____ DEPUTY
CAROL MITCHELL

STATE OF TEXAS

COUNTY OF ORANGE

I hereby certify that this instrument was filed on the date and time stamped hereon by me and was duly recorded in the Official Public Records of Real Property of Orange County, Texas, on

JAN 15 1997

COUNTY CLERK, Orange County, Texas

At time of Recordation this instrument was found to be inadequate for good photographic reproduction due to : (illegibility, carbon or photo copy, discolored paper, deterioration, etc.)

Filed for Record in:
JEFFERSON COUNTY, TX
SANDY WILSON - COUNTY CLERK

On Feb 03 1997
At 10:24am

Receipt #:	107379
Recording:	21.00
Doc/Mgmt :	6.00
Doc/Num :	97- 9702887
Doc/Type :	REC

Deputy - Default Cashier ID

I CERTIFY THIS IS A TRUE COPY
Witness my Hand and Seal of Office

FEB 14 1997

SANDY WILSON, COUNTY CLERK
JEFFERSON COUNTY, TEXAS

BY _____ DEPUTY
CAROL MITCHELL

10.

File No. MF 07589

Certified Lease

Date Filed: 7/26/97

David Dewhurst, Commissioner

By

5-30-31

BENCHMARK OIL AND GAS COMPANY
1880 South Dairy Ashford Road; Suite 540
Houston, Texas 77077
Telephone: (281) 558-8585 - Fax: (281) 558-7557

September 30, 1999

00006031

TEXAS GENERAL LAND OFFICE
Mineral Leasing Division - Energy Resources
Stephen F. Austin Building
1700 N. Congress
Austin, Texas 78701-1495

121

Attention: Linda Anderson

RE: Texas State Leases # M-97589
M-97590
M-97591
M-97592

Dear Ms. Anderson:

Enclosed is Check # 8744 in the amount of $15,770.20 to cover the delay rental payment for the above referenced Texas State Leases located in Orange and Jefferson Counties. The leases were taken in the name of Benchmark Oil and Gas Company, Lessee, in 1996.

Kindly acknowledge timely receipt of the delay rental payment by calling (713) 558-8585.

Yours very truly,

Dorothy Pledger

Dorothy Pledger
BENCHMARK OIL AND GAS COMPANY

File No. MF097589

Rental Payment

Date Filed: 10/1/99

David Dewhurst, Commissioner

By _____

BENCHMARK OIL AND GAS COMPANY
1880 South Dairy Ashford Road; Suite 540
Houston, Texas 77077
Telephone: (281) 558-8585 - Fax: (281) 558-7557

September 25, 2000

TEXAS GENERAL LAND OFFICE
Mineral Leasing Division – Energy Resources
Stephen F. Austin Building
1700 N. Congress
Austin, Texas 78701-1495

Attention: Linda Anderson

$3200.00 $3200.00 $1,414.00

RE: **Delay Rental Payment** for Texas State Oil and Gas Leases # M-97589, # M-97590, # M-97591, and # M-97592 dated October 1, 1996 covering Tracts 4, 8 and 9, Sabine Lake, Orange and Jefferson Counties, Texas.

Dear Ms. Anderson:

Enclosed is Check #4783 in the amount of $15,770.20 to cover the delay rental payment for the above referenced Texas State Oil and Gas Leases located in Orange and Jefferson Counties. The leases were taken in the name of Benchmark Oil and Gas Company, Lessee in October, 1996.

Kindly acknowledge timely receipt of the delay rental payment by signing in the space below and returning one copy of this letter in the self-addressed, stamped envelope.

Yours truly,

Dorothy Pledger

Dorothy Pledger
BENCHMARK OIL AND GAS COMPANY

RECEIPT OF CORRECT AND TIMELY DELAY RENTAL PAYMENTS ACCEPTED

BY: _____

STATE OF TEXAS
GENERAL LAND OFFICE

DATE: _____

RECEIVED
SEP 29

Robert E Pledger
Attn Linda Anderson
12/ 0104722
X 15,770.20

File No. MF097589

Rental Payment

Date Filed: 9/29/00

By David Dewhurst, Commissioner

DO NOT DESTROY

UNIT AGREEMENT MEMO
Unit No. 3046

Operator Brammer Engineering, Inc.
Unit Name Sabine Lake Gas Unit 1
County Jefferson & Orange
Effective Date 8-21-01
Unitized for: Oil ___ Gas ___ Oil & Gas X

1. M.F. No. 97589
Area _____ Tr. _____
Sec. ___ Blk. ___ Survey _____
320/1586.69 x 1/4 5.042%
.201678 x .25 = .050420

2. M.F. No. 97590
Area _____ Tr. _____
Sec. ___ Blk. ___ Survey _____
320/1586.69 x 1/4 5.042%
.201678 x .25 = .050420

3. M.F. No. 97591
Area _____ Tr. _____
Sec. ___ Blk. ___ Survey _____
414.69/1586.69 x 1/4 6.5339%
.261356 x .25 = .065339

4. M.F. No. 97592
Area _____ Tr. _____
Sec. ___ Blk. ___ Survey _____
212/1586.69 x 1/4 3.3403%
.133612 x .25 = .033403

REMARKS:

.239918

Prepared by: Lonnie Stinson	Date 9-13-01
Map & GIS updated by: 10-16-01	Date
Keyed into database by: M. Silva	Date 10/22/01

GLO-36-11-97

DO NOT DESTROY

UNIT AGREEMENT MEMO
Unit No. 3046

Operator _____

Unit Name _____

County _____

Effective Date _____

Unitized for: Oil ___ Gas ___ Oil & Gas ___

1. M.F. No. 102078 (5)
Area _____ Tr. _____
Sec. ___ Blk. ___ Survey _____
320/1586.69 x 1/5 4.0336%
.201678 x .20 = .040336

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:

Prepared by:	Date
Map & GIS updated by:	Date
Keyed into database by:	Date

GLO-36-11-97

POOLING COMMITTEE REPORT

TO: SCHOOL LAND BOARD **PA#:** 01-67
DATE OF BOARD MEETING: August 21, 2001
EFFECTIVE DATE: August 21, 2001
UNIT EXPIRATION DATE: February 21, 2003

APPLICANT: Benchmark Oil & Gas Company
OPERATOR: Brammer Engineering, Inc. **COUNTY:** Jefferson & Orange

UNIT NAME: Sabine Lake Gas Unit 1 **FIELD:** Wildcat

STATE LEASE(S) IN UNIT

Lease *Type	State Number	State Royalty	Expiration Date	Term Year	Acres	Acres In Unit	Lessee of Record	Royalty Participation
SF	M-97589	¼	10/1/01	5	320	320	Benchmark	5.0420%
SF	M-97590	¼	10/1/01	5	320	320	Benchmark	5.0420%
SF	M-97591	¼	10/1/01	5	414.69	414.69	Benchmark	6.5339%
SF	M-97592	¼	10/1/01	5	522.33	212	Benchmark	3.3403%
SF	M-102078	¼ **	7/10/06	5	320	320	Benchmark	4.0336%

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

** Subject to variable royalty provision in the lease

PRIVATE ACRES: _____
STATE ACRES: 1586.69
TOTAL UNIT ACRES: 1586.69

Type Unit:
Permanent _____
Temporary x
Term 18-month

Unitized for:
Oil _____
Gas _____
Both x

Well Location:
State Land x
Private Land _____

Participation:
Basis Surface acreage
State Acreage 100%
State Unit Royalty 23.9918%

Railroad Commission Rules:
Statewide x
Special Field Rules _____
Spacing _____ Acres

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

REMARKS:

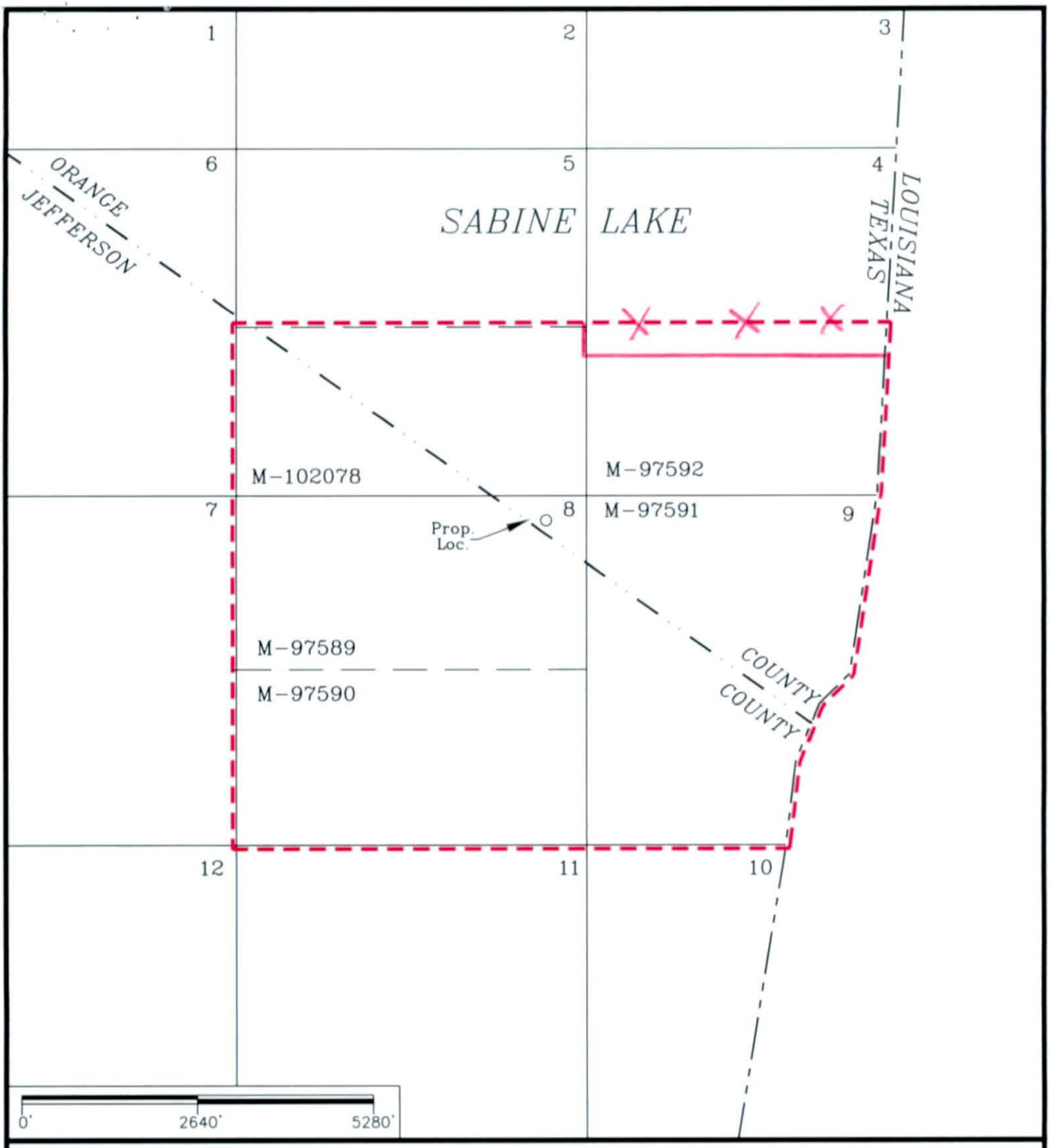
- Benchmark Oil & Gas Company is requesting 18-month temporary oil and gas pooling to all depths.
- The applicant plans to spud a well on September 5, 2001 to test the Hackberry Formation. The proposed total depth is 11,600 feet.
- Potential further development includes a re-entry and/or a test of a deeper horizon.
- If the unit is approved and the unit well is on-line to sales by July 10, 2003, the applicant will earn a reduced royalty to 20% on M-102078, making the state's unit royalty participation 23.9918%.
- Delay rental payments shall continue to be due pursuant to the individual terms of the leases until this unit becomes permanent.
- Horizontal severance is provided for in the leases.
- 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 an 18-month temporary oil and gas unit under the above-stated provisions.

Jeffee Martinez-Vargas — 8/8/01
Jeffee Martinez-Vargas — Date

Peter A Boone — 8-8-01
Peter A. Boone — Date



01-67\ft\08-01

APPLICANT: BENCHMARK OIL & GAS COMPANY

OPERATOR: BRAMMER ENGINEERING, INC.

WILDCAT

M-97589, M-97590, M-97591, M-97592 & M-102078

JEFFERSON & ORANGE COUNTIES

TERM POOLING AGREEMENT
BENCHMARK OIL & GAS COMPANY
SABINE LAKE GAS UNIT 1
JEFFERSON AND ORANGE 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 Benchmark Oil & Gas 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 all depths underlying the surface boundaries of the pooled unit ("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. Provided that, if any State Lease described in Exhibit " A" attached hereto contains provision 4(E) VARIABLE ROYALTY, and a unit well is not located on such State Lease and a reduced royalty has not otherwise been earned, then a reduced royalty may be earned by unit production, but it shall only apply to the acreage included within the unit and only for so long and insofar as the acreage remains in a temporary unit. At the expiration of the temporary unit the reduced royalty earned by unit

production shall cease unless all or a portion of the acreage is included in a permanent unit as approved by the School Land Board. The acreage included within the permanent unit will retain the reduced royalty. Acreage outside of the unitized area must earn a reduced royalty independently.

(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 1,586.69 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 August 21, 2001.

TERM: 9.

Unless this agreement expires earlier pursuant to the terms of the respective leases included as a part of this Agreement, or on such other date approved by the School Land Board and mutually agreed to by the undersigned parties, their successors or assigns, this Agreement shall expire on February 21, 2003. 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.

DELAY RENTALS: 10.

Notwithstanding any provision contained herein to the contrary, delay rental payments shall continue to be due and payable with respect to unit acreage pursuant to the terms of the individual leases.

STATE LAND: 11.

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: 12.

The unit covered by this Agreement may be dissolved by Lessee, his heirs, successors or assigns, by an instrument filed for record in Jefferson and Orange 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: 13.

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: 14.

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.

10.15.3

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

Date Executed 9-4-2001

STATE OF TEXAS

Legal
Content
Geology
Executive

By: David Dewhurst
David Dewhurst, Commissioner
of the General Land Office

Date Executed August 30, 2001

BENCHMARK OIL & GAS COMPANY

By: Dorothy E. Pledger
Dorothy E. Pledger
Its: Vice-President, Land

CERTIFICATE

I, Judy Powell, 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 21st day of August, 2001, 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 5 day of September, 2001.

Judy Powell
Secretary of the School Land Board

STATE OF TEXAS
COUNTY OF Harris

This instrument was acknowledged before me on August 30, 2001, by Dorothy E. Pledger as Vice-President, Land of Benchmark Oil & Gas Company, a Texas corporation, on behalf of said corporation.

Teresa O'Brien Beeman
Notary Public in and for the
State of Texas

TERESA O'BRIEN BEEMAN
MY COMMISSION EXPIRES
July 30, 2004

10-12-8

EXHIBIT "A"

Attached to and made a part of that certain TERM POOLING AGREEMENT
by and between
the Commissioner of the General Land Office, on behalf of the State of Texas , Lessor, and
Benchmark Oil & Gas Company, Lessee
covering the
BENCHMARK OIL & GAS COMPANY, SABINE LAKE GAS UNIT 1
Jefferson and Orange Counties

1. Oil and Gas Lease No. M-97590 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering S/2 of Tract 8, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 161826 in Vol. 1015, Page 681 of the Official Public Records of Real Property of Orange County, Texas, and under Clerk's File No. 97-9702888 of the Official Public Records of Real Property of Jefferson County, Texas.

2. Oil and Gas Lease No. M-97589 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering N/2 of Tract 8, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 161825 in Vol. 1015, Page 672 of the Official Public Records of Real Property of Orange County, Texas, and under Clerk's File No. 97-9702887 of the Official Public Records of Real Property of Jefferson County, Texas.

3. Oil and Gas Lease No. M-97591 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering Tract 9, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 414.69 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 161828 in Vol. 1015, Page 699 of the Official Public Records of Real Property of Orange County, Texas, and under Clerk's File No. 97-9702889 of the Official Public Records of Real Property of Jefferson County, Texas.

4. Oil and Gas Lease No. M-97592 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering Tract 4, Sabine Lake, Orange County, Texas, containing approximately 522.33 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 161827 in Vol. 1015, Page 690 of the Official Public Records of Real Property of Orange County, Texas.

5. Oil and Gas Lease No. M-10278 dated July 10, 2001, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering S/2 Tract 5, Sabine Lake, Orange County, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. _____in Vol. ____, Page _____ of the Official Public Records of Real Property of Orange County, Texas.

10.163

EXHIBIT "B"

Attached to and made a part of that certain TERM POOLING AGREEMENT
by and between
the Commissioner of the General Land Office, on behalf of the State of Texas , Lessor, and
Benchmark Oil & Gas Company, Lessee
covering the
BENCHMARK OIL & GAS COMPANY, SABINE LAKE GAS UNIT 1
Jefferson and Orange Counties, Texas

DESCRIPTION OF 1,586.69-acre BENCHMARK OIL & GAS COMPANY, SABINE LAKE GAS UNIT 1, Orange and Jefferson Counties, Texas

all of State Tract 9, Sabine Lake, Texas containing approximately 414.69 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas, plus

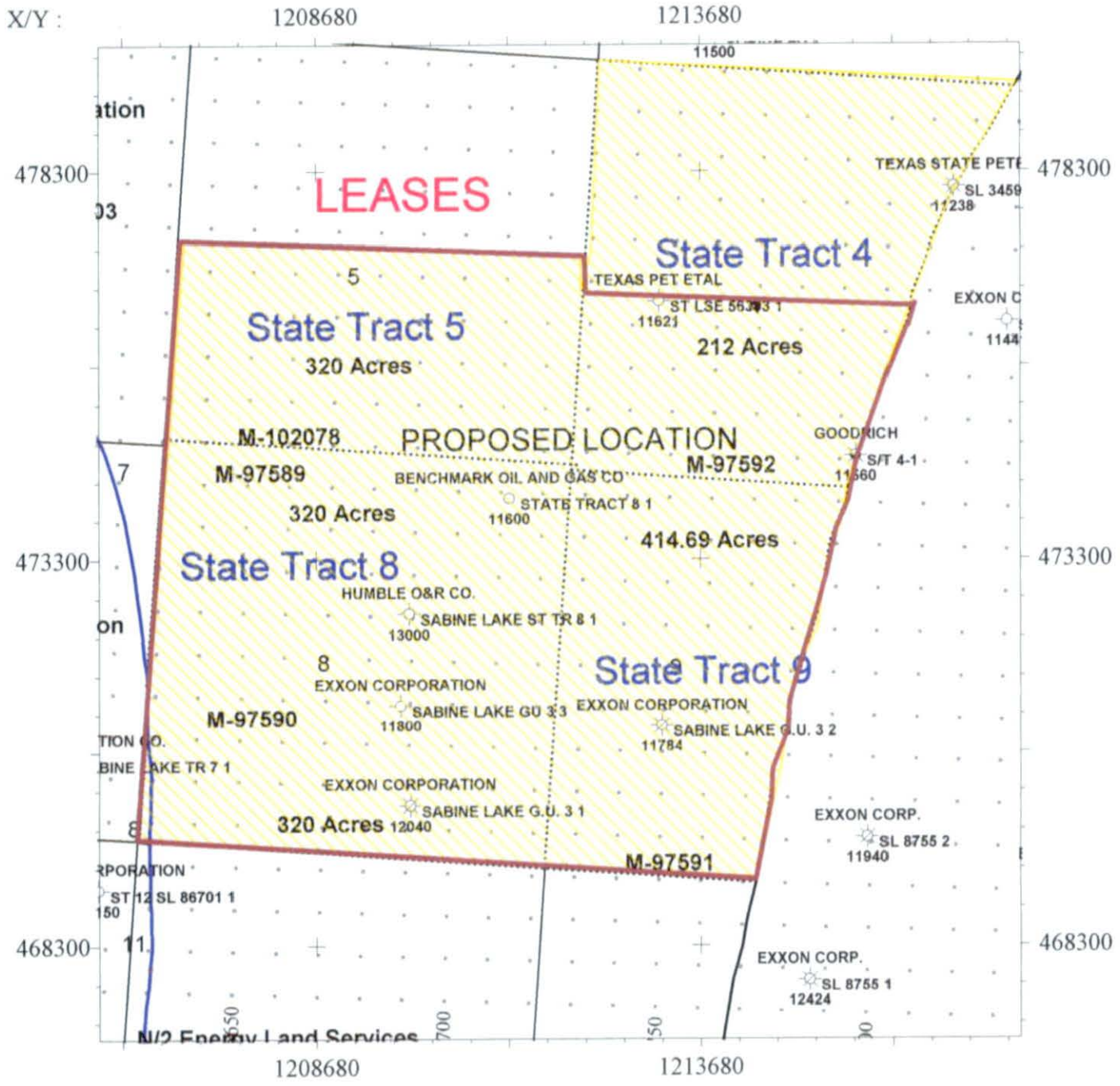
all of the South Half (S/2) of State Tract 8, Sabine Lake, Texas containing approximately 320.00 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas, plus

all of the North Half (N/2) State Tract 8, Sabine Lake Texas containing approximately 320.00 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas,

the southernmost 212.00 acres of State Tract 4, Sabine Lake Texas acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas,

all of the South Half (S/2) State Tract 5, Sabine Lake Texas containing approximately 320.00 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas

for a total of 1586.69 acres in the Benchmark Oil & Gas Company, Sabine Lake Gas Unit 1.



SABINE LAKE FIELD PROSPECT

Orange County, Texas

Exhibit "C"
Benchmark Oil & Gas Company
Sabine Lake Gas Unit 1

10-12-9

13,

File No. MF0975589

Eagle Crest Utilities Corp
and Bridge Easement

Date Filed: 7/6/94

David Bewhurst, Commissioner

By SD

10:12:01

EXTENSION OF OIL AND GAS LEASE
TEXAS GENERAL LAND OFFICE
AUSTIN, TEXAS

WHEREAS, State Lease No. **M-97589** was issued to Benchmark Oil and Gas Company on the 1st day of October, 1996, covering the tract of land described as: **N/2 of Tract 8, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 320 acres**; and

WHEREAS, Section 52.031 of the Natural Resources Code (originally enacted as Article 5382e, Section 2, V.A.C.S.) provides for extensions of valid and subsisting leases issued pursuant to what is now codified as part of Subchapter B, Chapter 52 of the Natural Resources Code (formerly Chapter 271, Acts of the 42nd Legislature, 1931, as amended by House Bill No. 9, Acts of the 46th Legislature, 1939, Chapter 82, Acts of the 50th Legislature, 1947), and other applicable laws; and

WHEREAS, drilling operations are being conducted thereon in good faith and workmanlike manner; and

WHEREAS, the current owner of said lease has made written application for an extension in accordance with said Act, and timely paid the sum of **$3,000** as consideration therefor:

NOW, THEREFORE, I, David Dewhurst, Commissioner of the General Land Office of the State of Texas, by virtue of the authority vested in me, and in accordance with the provisions of said Act, do by these presents hereby extend said lease for a period of thirty (30) days beginning the **2nd** day of **October, 2001**, said term extends to and includes the **31st** day of **October, 2001,** and so long thereafter as oil or gas is being produced in paying quantities.

IN TESTIMONY WHEREOF, witness the signature of the Commissioner of the Texas General Land Office, under the seal thereof, this the 2 day of October, 2001.

TEXAS GENERAL LAND OFFICE

David Dewhurst

David Dewhurst, Commissioner

APPROVED
Legal
Min. Leasing
Executive

MEMORANDUM

Texas General Land Office • David Dewhurst • Commissioner

TIME SENSITIVE: Action Required by: October 8, 2001

DATE: **October 1, 2001**

TO: **Commissioner Dewhurst**

THRU: **Deputy Commissioner**

FROM: **J. Daryl Morgan**

SUBJECT: **Extensions of Oil and Gas Leases for signature**

.....

SUMMARY: Attached for your **signature** are four Extensions of Oil and Gas Leases for State leases **M-97589 t**hrough **M-97592.**

DETAILS: These agreements comply with existing GLO rules and policies and have been reviewed by a Minerals Leasing staff member and a staff attorney. **Section 52.031** of the Texas Natural Resources Code gives the Commissioner the authority to extend Oil and Gas Leases for a thirty day period upon written application and tender of the proper extension payment. School Land Board action is not required.

State Lease Numbers	-	**M-97589, M-97590, M-97591 & M-97592**
Applicant	-	**National Energy Group, Inc.**
Well	-	**Sabine Lake Gas Unit No. 1**
Counties	-	**Jefferson and Orange**

Recommendation: **Please sign and return to Daryl Morgan in Energy Resources (5-9106)**

Attachments: 4 extensions of oil and gas leases

cc: LaNell Aston



NATIONAL ENERGY GROUP, INC.

September 21, 2001

Texas General Land Office
Stephen F. Austin Building
1700 North Congress Avenue
Austin, TX 78701-1495

Attention: Daryl Morgan

RE: State Lease Nos. 97589-97592
Sabine Lake Prospect
Orange & Jefferson Counties, Texas

Gentlemen:

Enclosed are four (4) Applications for Extension of Oil and Gas Lease for State Lease Numbers M-97589-97692 along with a check for $12,000 as extension payment. These Leases are subject to a Term Pooling Agreement effective August 21, 2001 between the General Land Office and Benchmark Oil & Gas Company. National Energy Group, Inc. is currently drilling its State Tract 8 #1 well pursuant to the terms of these Leases and the Term Pooling Agreement.

If you have any questions or need any other instruments or documentation concerning this matter please call me at 214/692-9211.

Yours truly,

NATIONAL ENERGY GROUP, INC.

David V. Rigsby

David V. Rigsby
Vice President-Land

1400 One Energy Square • 4925 Greenville Avenue • Dallas, Texas 75206 • (214) 692-9211 • FAX (214) 692-9310

NATIONAL ENERGY GROUP, INC.
1400 One Energy Square . 4925 Greenville Avenue
Dallas, Texas 75206
Accounts Payable Account

BANK ONE, TEXAS, NA
Port Arthur, Texas Office

PAYEE		DATE	CHECK NUMBER	AMOUNT
TEXAS COMMISSIONER OF THE	10063	Sep/21/01	7541	$12,000.00

VOUCHER	VENDOR INV #	INV DATE	TOTAL AMOUNT	PRIOR PAYMENTS	NET AMOU
09-AP-581	091401	09/14/01	12,000.00	0.00	12,000.00
EXTENSION OGL M-97590/97589/97591/97592 JEFF.& ORANGE CO					
TOTAL INVOICES PAID					12,000.00

RECEIVED
01 SEP 25 PM 4:17

Attn: Daryl Morgan

02003090

121

X 12,000.00

PAYEE: DETACH THIS STATEMENT BEFORE DEPOSITING

Application For Extension of Oil and Gas Lease

David Dewhurst, Commissioner
General Land Office
1700 North Congress Avenue
Austin, Texas 78701

Under the provisions of Section 52.031 of the Natural Resources Code, providing for extensions of valid and subsisting leases issued pursuant to Subchapter B, Chapter 52 of the Natural Resources Code, and other applicable laws, the undersigned hereby applies for a thirty (30) day extension of the oil and gas lease held by the lessee on the tract of land described below.

Enclosed herewith is the extension payment in the amount of $ 3,000.00 .

STATE LEASE NO. M- 97589 Lease Date October 1, 1996

TRACT N/2 8, AREA Sabine Lake,

SECTION _____, BLOCK _____, TSP. _____,

SURVEY _____,

ACRES 320, COUNTY Jefferson and Orange, Texas.

(Only one lease should be included in this application, and the land must be described the same as in the original lease granted.)

Benchmark Oil and Gas Company
(Individual or Company Name)

By: Dorothy Flederer Vice-President

Date: September 14, 2001



NATIONAL ENERGY GROUP, INC.

RECEIVED
01 OCT -5 PM 2:29
ENERGY RESOURCES

October 2, 2001

Texas General Land Office
Stephen F. Austin Building
1700 North Congress Avenue
Austin, TX 78701-1495

Attention: Daryl Morgan

RE: State Lease Nos. 97589-97592
Sabine Lake Prospect
Orange & Jefferson Counties, Texas

Gentlemen:

Enclosed are four (4) Affidavits of Drilling Operations for State Lease Numbers M-97589-97692. These Leases are subject to a Term Pooling Agreement effective August 21, 2001 between the General Land Office and Benchmark Oil & Gas Company. National Energy Group, Inc. is currently drilling its State Tract 8 #1 well pursuant to the terms of these Leases and the Term Pooling Agreement.

If you have any questions or need any other instruments or documentation concerning this matter please call me at 214/692-9211.

Yours truly,

NATIONAL ENERGY GROUP, INC.

David V. Rigsby
Vice President-Land

1400 One Energy Square • 4925 Greenville Avenue • Dallas, Texas 75206 • (214) 692-9211 • FAX (214) 692-9310

Affidavit of Drilling Operations

THE STATE OF TEXAS §

COUNTY OF DALLAS §

Before me, the undersigned authority in and for the State of Texas, this day personally appeared David V. Rigsby, stated to me to be the person who subscribed his name below, and who after being by me duly sworn, upon oath deposes and says that National Energy Group, Inc. commenced drilling operations at 3:00 A.M. O'clock on September 15, 2001, and at the end of the primary term or extended term, on October 1, 2001, was engaged in drilling operations for Tract N/2 8 Sabine Lake, Orange and Jefferson Counties, Texas which is covered by STATE LEASE NO. M- 97589 and a part of that certain Term Pooling Agreement dated effective August 21, 2001, by and between the Commissioner of the General Land Office, on behalf of the State of Texas and Benchmark Oil & Gas Company.

NATIONAL ENERGY GROUP, INC.

By: David V. Rigsby

David V. Rigsby, Vice-President, Land

Sworn to me and subscribed before me on this the 2nd day of October, 2001.

Dorothy L. Wagner

Notary Public in and for the State of Texas

DOROTHY L. WAGNER
Notary Public
State of Texas
My Commission Expires
May 12, 2005

Texas General Land Office

David Dewhurst Commissioner

October 8, 2001

Mr. David V. Rigsby
National Energy Group, Inc.
1400 One Energy Square
4925 Greenville Avenue
Dallas, Texas 75206

RE: Extensions of Oil and Gas Leases
State Leases M-97589, M-97590, M-97591 and M-97592
Sabine Lake Gas Unit 1
Orange and Jefferson Counties, Texas

Dear Mr. Rigsby:

Enclosed are the thirty day extensions of the referenced leases that have been executed by David Dewhurst, Commissioner of the General land Office. We have retained a copy of each for our files.

Your remittances of $3,000.00 for each lease have been applied to extend the leases for an additional thirty (30) day period beginning October 2, 2001 and ending October 31, 2001. The extensions will serve as receipt for your payments. If additional extensions are required, the same procedure should be followed, with the new applications and payments due prior to the expiration of the current extensions.

Please let me know if you have any questions, or need anything further.

Sincerely,

J. Daryl Morgan, CPL
Energy Resources
(512) 305-9106

Enclosures

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

(14)

File No. M-97589
Extension Packet

Date Filed: 10/8/01

David Dewhurst, Commissioner

By Beryl Morgan

RECEIVED
01 NOV -9 AM 10:57

NATIONAL ENERGY GROUP, INC.

November 6, 2001

M-97589

Ms. Tracey T. Throckmorton
Texas General Land Office
Stephen F. Austin Building
1700 North Congress Avenue
Austin, TX 78701-1495

RE: State Lease Nos. 97589 thru 97592
Sabine Lake Prospect
Orange & Jefferson Counties, Texas

Dear Ms. Throckmorton:

Enclosed is a drilling report for the State Tract 8 #1 well in Sabine Lake, which is operated by National Energy Group, Inc. ("NEG"). There are four (4) State Leases (Numbers M-97589 through M-97692) subject to a Term Pooling Agreement effective August 21, 2001 between the General Land Office and Benchmark Oil & Gas Company. Please note the 11/4/01-report date on the drilling report indicating production in paying quantities for this well. Pursuant to a previous telephone conversation with you, it is our understanding that if this well is shown to be capable of producing in paying quantities prior to the end of our current extension period ending November 30, 2001, then no additional extension payments will be necessary. Please review the attached report and advise the undersigned if the General Land Office agrees that these Leases will not need additional extension payments.

Also, it appears that NEG will not be able to start producing this well for some time due to permitting pipelines and finding necessary shore land to install production facilities. If this well is not producing within sixty (60) days from the 11/4/01-report date, then shut-in royalties will be due on these Leases on or before 1/3/02. Please advise if you agree with our interpretation of the due date for shut-in royalty payments on these Leases.

If you have any questions or need any other instruments or documentation concerning this matter please call me at 214/692-9211.

Yours truly,

NATIONAL ENERGY GROUP, INC.

David V. Rigsby
Vice President-Land

1400 One Energy Square • 4925 Greenville Avenue • Dallas, Texas 75206 • (214) 692-9211 • FAX (214) 692-9310

NAME: State Tract 8 No. 1 **OPERATOR: NEG**
STATE: Texas COUNTY: Orange PROSPECT: Lower Hackberry
LOCATION: 521' FNL and 826' FEL of ST 8, Sabine Lake
SPUD DATE: AFE NO:01-001
API NO.:42-361-30785 PERMIT NO.: 513400
PROPOSED TD: 11,600 PRIMARY OBJECTIVE: S1 Sand
DRY HOLE COST: $2,238,375 COMPLETION COST: $1,780,644
TOTAL COST: $4,019,019 NEG WI: 25%
TYPE OF ACTIVITY: Development drilling well

8/27/01 Stake well @ X= 3,638,650 Y = 804,574. Probe and sound location, water depth 8 ½' and 1 ½' penetration. Shell pad for rig will not be necessary. Check location area for pipelines, found none. Scouted and sounded navigable route from Intracoastal waterway to location, 7 ½' – 8' and 1 ½' penetration. Scouted and tied in several production facilities in area. Scout abandoned facility w/12 – 1,000 bbl tanks, 2 - 3,000 bbl tanks on large pad @ NW end of lake. Scout located dock service.
DWC: $2,500 CWC: $2,500

8/29/01 No activity. Waiting on rig.
CWC: $2,500

9/4/01 Anticipated RU 9/8/01.

9/7/01 Anticipated RU 9/10/01.

9/10/01 Est rig arrival 9/12/01.

9/11/01 Est rig arrival 9/13/01.

9/12/01 Rig in tow from Schwing No. 1. Rig ETA 9/13/01 @ 1800 hrs.
DWC: $25,000 CWC: $27,500

9/13/01 Rig in tow from Schwing No. 1. Rig ETA 9/14/01 @ 1300 hrs.
DWC: $46,000 CWC: $73,500

9/14/01 Cont'd MOB to location. Spot rig on location, sink and level same. Raise derrick and RU same. PU kelly and RU same. RU rig floor. Offload 16" x 3.75" drive pipe and D-15 hammer and RU same. Remove 16" bell flange. Drive 16" x .375" drive pipe to refusal, 209 BPF, 133' penetration. Drive shoe @ 170'. Cut 16" drive pipe and RD hammer.
DWC: $37,275 CWC: $110,775

WELL NAME: State Tract 8 No. 1 **OPERATOR: NEG**
STATE: Texas COUNTY: Orange PROSPECT: Lower Hackberry
LOCATION: 521' FNL and 826' FEL of ST 8, Sabine Lake
SPUD DATE: AFE NO:01-001
API NO.:42-361-30785 PERMIT NO.: 513400
PROPOSED TD: 11,600 PRIMARY OBJECTIVE: S1 Sand
DRY HOLE COST: $2,238,375 COMPLETION COST: $1,780,644
TOTAL COST: $4,019,019 NEG WI: 25%
TYPE OF ACTIVITY: Development drilling well

9/15/01 Present oper: Survey @ 187' Made 197' Day 3
MW: 8.7, Vis 50, PH 9.0. Backload D-15 drive hammer and extra 16" drive pipe. Installed and welded 16" x 24" swedge. NU 21" diverter system. RU Solids Control equip. Offloaded 90 jts 4 ½" DP, 15 jts HWDP, 6 DC's. Dressed off kelly, dressed off block. MU bit #1 14 ¾" HTC CR-1 2-14's and 2 15's. Function test diverter. Bell nipple leaking, welded leak on bell nipple. **Spud well @ 0300 hrs 9/15/01.** Drlg from surface to 197'. Circ and survey @ 187'.
DWC: $87,366 CWC: $198,141

9/16/01 Present oper: Drlg @ 2,428' Made 2,231'/24 hrs Day 4
MW 9.2, Vis 40, PH 9.0. Survey: ¼ deg @ 187'. Tighten kelly, installed saver sub. Drlg 14 ¾" hole from 197' to 2,428'. Surveys: ¾ deg @ 900', ¼ deg @ 1,400', ¼ deg @ 1,903'.
DWC: $59,857 CWC: $257,998

9/17/01 Present oper: Cmtg surface csg Made 711'/24 hrs Day 5
MW 9.4, Vis 40, PH 8.9. Survey: ¼ deg @ 2,400'. Drlg 14 ¾" hole from 2,428' to 2,893'. Circ BU, well flowed on connection. Drlg from 2,893' to 3,139'. Circ BU. Made 26 std short trip SLM pipe. No fill, no drag. Circ BU, continued circ until shakers cleaned up. Slugged pipe and POH to run csg, dropped survey @ 3,099' 1 deg. LD Bit #1 3,139' 36 hrs. RU Tong Speciality. Held safety meeting. MU and run 70 jts 10 ¾" 45.5#/ft J-55 surface csg, total footage 3,143'. St Wt 115K, slack off 102K. PU 125K. Circ 2 annulus volumes. Shakers clean. RU BJ, cementing.
DWC: $32,744 CWC: $290,742

9/18/01 Present oper: Testing BOP's Made 0'/24 hrs Day 6
MW 8.8, Vis 32, PH 8.9. Pumped 5 BW, dropped btm plug, pumped 35 BW, M&P lead cmt 15:85 POZ A, 1,487 sks mixed @ 12.4 ppg, yield 2.28, total of 365 bbls cmt. Followed by tail cmt 749 sks Class A mixed @ 15.6 ppg, yield 1.18, total of 75 bbls. Dropped top plug. BJ displaced 10 BW – diesel, 294 bbls mud w/rig pumps (280 bbls @ 10 BPM w700 psi, slowed to 3 ½ BPM @ 500 psi for last 14 bbls). Bumped plug to 1,500 psi. Held for 5 min, bled back 1 ½ bbls, float equip, ok. 375 bbls cmt returns, full returns throughout job. Reciprocate pipe 15' while cmt, set pipe on btm @ 3,130'. RD BJ Cementing Services., WOC. Made rough cut, ND

WELL NAME: State Tract 8 No. 1 **OPERATOR: NEG**
STATE: Texas COUNTY: Orange PROSPECT: Lower Hackberry
LOCATION: 521' FNL and 826' FEL of ST 8, Sabine Lake
SPUD DATE: AFE NO:01-001
API NO.:42-361-30785 PERMIT NO.: 513400
PROPOSED TD: 11,600 PRIMARY OBJECTIVE: S1 Sand
DRY HOLE COST: $2,238,375 COMPLETION COST: $1,780,644
TOTAL COST: $4,019,019 NEG WI: 25%
TYPE OF ACTIVITY: Development drilling well

21" diverter system. Cut 16" x 21" swedge , added 10 sks cmt to 16" x 10 3./4" annulus. Made final cut on 16" + 10 ¾" installed and weld 10 ¾" split speed wellhead. Test void to 1,000 psi ok. NU 11" x 10M BOP stack and choke manifold. Testing BOP equip, 5,000 psi high, 250 psi low.
DWC: $130,889 CWC: $421,631

9/18/01 Present oper: Drlg @ 3,217' Made 78'/24 hrs Day 7
MW 9.0, Vis 38, PH 10.5. Finish testing BOP equip. Test kelly 5,000 psi high, 250 psi low. TIW's – ISBOP 5,000 psi high, 250 psi low. Stand pipe 3,000 psi high, 250 psi low. Installed wear bushing, pollution ring, and bell nipple. TIH w/7 1/16" DC's. POH and LD same. MU new BHA – Bit #2, 9 7/8" HTC Type HC606 dressed w/6x11 jets, jars and 6 ½" DC. TIH w/same, tagged @ 3,068'. C&C mud, mud was highly dehydrated. Test 10 ¾" surface csg to 1,000 psi, test good. Drilled cmt wiper plugs, float collar, shoe jt, float shoe and 10' formation to 3,149'. Pulled 30' into csg, circ BU. Test shoe to 13.5 EMW, 750 psi w/9.0 ppg. Test mud, final EMU 12.7 ppg, 600 psi. Test accepted. Drlg from 3,149' to 3,217'.
DWC: $50,423 CWC: $505,423

9/20/01 Present oper: Drlg @ 4,025' Made 808'/24 hrs Day 8
MW 9.1, Vis 42, WL 15, PH 9. Drlg 9 7/8" hole from 3,217' to 3,376'. Bit balling up. Pumped slug. POH, LD bit #2, no drag. MU bit #3, 9 7/8" HTC MX1-C, 2-13's, 2 14's, TIH w/same to 3,376', no problems, no drag, no fill. Drlg from 3,376' to 3,480'. Service rig. Drlg from 3,480' to 3,655'. Survey: ¼ deg @ 3,645'. Drlg 9 7/8" from 3,655' to 4,025'.
DWC: $17,492 CWC: $522,915

9/21/01 Present oper: Drlg @ 5,190'' Made 1,165'/24 hrs Day 9
MW 9.1, Vis 40, WL 13, PH 9.5. Drlg 9 7/8" hole from 4,015' to 4,653'. Surveys: ¼ deg @ 4,132', 1 deg @ 4,643'. Service rig. Drlg from 4,675' to 5,150'. Survey: ½ deg @ 5,140'. Drlg from 5,150' to 5,190'.
DWC: $42,884 CWC: $565,799

WELL NAME: State Tract 8 No. 1 **OPERATOR: NEG**
STATE: Texas COUNTY: Orange PROSPECT: Lower Hackberry
LOCATION: 521' FNL and 826' FEL of ST 8, Sabine Lake
SPUD DATE: AFE NO:01-001
API NO.:42-361-30785 PERMIT NO.: 513400
PROPOSED TD: 11,600 PRIMARY OBJECTIVE: S1 Sand
DRY HOLE COST: $2,238,375 COMPLETION COST: $1,780,644
TOTAL COST: $4,019,019 NEG WI: 25%
TYPE OF ACTIVITY: Development drilling well

9/22/01 Present oper: Drlg @ 6,560' Made 1,370'/24 hrs Day 10
MW 9.2+, Vis 35, WL 8.5, Ph 9.8. Drlg 9 7/8" hole from 5,190' to 5,220'. Pumped slug. POH 20 stds. Short trip to 3,376', no drag. Service rig. TIH to 5,220', no drag, no fill. Drlg from 5,220' to 5,653'. Survey @ 5,641', two attempts taking survey 1 deg. Drlg from 5,653' to 6,141'. Survey: 1 deg @ 6,131'. Drlg from 6,141' to 6,560'.
DWC: $49,924 CWC: $615,723

9/23/01 Present oper: Drlg @ 7,525' Made 965'/24 hrs Day 11
MW 9.8, Vis 44, WL 5.6, Ph 9.8. Drlg 9 7/8" hole from 6,560' to 6,665'. Survey: 1 deg @ 6,654'. Drlg from 6,665' to 6,788'. At 6,785', had trouble making connection , unable to go down w/connection. Reaming @ 6,788'. Increased Vis from 33 to 42, worked through tight spot. Drlg from 6,718' to 6,850', increased MW from 9.3 to 9.8 due to drag, lost pump pressure. Check surface equip, went through pumps, found pocket knife in mud pump. Test pumps, pumps still losing pressure. Mud pits aerated up. Drlg from 6,850' to 7,154'. Circ and survey @ 7,144' ½ deg. Drlg from 7,154' to 7,525'.
DWC: $40,159 CWC: $655,882

9/24/01 Present oper: Drlg @ 7,874' Made 349'/24 hrs Day 11
MW 0.7, Vis 17, WL 5.6, Ph 9.7. Drlg 9 7/8" hole from 7,525' to 7,736'. Circ BU for mud logger sample. Drop survey, pumped slug, POH "SLM", no correction – 7,695' 1 deg. Clean rig floor, shale and gumbo from stabilizers. MU RR bit #2, TIH to 7,694', no problems. Broke circ, wash from 7,694' to 7,736', no problems. Drlg from 7,736' to 7,874'.
DWC: $36,404 CWC: $692,286

9/25/01 Present oper: Drlg @ 8,130' Made 256'/24 hrs Day 12
MW 9.8, Vis 44, WL 5, Ph 10. Drlg 9 7/8" hole from 7,874' to 8,053', bit quit drilling. Slugged pipe and POH. Repaired bell nipple. Service rig. Cleaned floor. MU bit #4. TIH, filling pipe every 30 stds. Drlg from 8,053' to 8,130'.
DWC: $60,858 CWC: $753,144

9/26/01 Present oper: Drlg @ 8,785' Made 655'/24 hrs Day 13
MW 9.8+, Vis 44, WL 5.2, Ph 9.2. Drlg 9 7/8" hole from 8,130' to 8,785'. Surveys: 1 deg @ 8,189', 2 ½ deg @ 8,649'.
DWC: $35,846 CWC: $788,990

10-6-11

WELL NAME: State Tract 8 No. 1 **OPERATOR: NEG**
STATE: Texas COUNTY: Orange PROSPECT: Lower Hackberry
LOCATION: 521' FNL and 826' FEL of ST 8, Sabine Lake
SPUD DATE: AFE NO:01-001
API NO.:42-361-30785 PERMIT NO.: 513400
PROPOSED TD: 11,600 PRIMARY OBJECTIVE: S1 Sand
DRY HOLE COST: $2,238,375 COMPLETION COST: $1,780,644
TOTAL COST: $4,019,019 NEG WI: 25%
TYPE OF ACTIVITY: Development drilling well

9/27/01 Present oper: Drlg @ 9,360' Made 575'/24 hrs Day 14
MW 9.9+, Vis 41, WL 5.4, Ph 9.9. Drlg 9 7/8" hole from 8,785' to 9,360'. Survey: 4 deg @ 9,174'.
DWC: $39,611 CWC: $828,601

9/28/01 Present oper: TIH Made 286'/24 hrs Day 15
MW 10.2, Vis 40, WL 5.2, Ph 10. Drlg 9 7/8" hole from 9,360' to 9,646' @ 19'/hr. Survey: 4 ¼ deg @ 9,512'. Slugged pipe, SLMOOH, Bit #4 1,593' 65 hrs, OCS-5-ICS-7 seals #1 cone locked, 1/8" undergauged, no correction on pipe strap. TIH w/bit #5, 9 7/8" STC F6SS+ dressed w/3 14's and one 12. Gauged stabilizer, gauge ok.
DWC: $39,464 CWC: $868,065

9/29/01 Present oper: Drlg @ 9,897' Made 251'/24 hrs Day 16
MW: 10.2, Vis: 49, WL: 5.0, PH: 9.2. Service rig. TIH to 3,130'. Slip and cut 95' DL. TIH to 9,606', wash from 9,606' to 9,646'. Drlg from 9,646' to 9,865'. Changed out swivel packing, working pipe and circulating. Installed pump in sub, hole slick. Drlg from 9,865' to 9,897'.
DWC: $47,044 CWC: $915,109

9/30/01 Present oper: POH w/storm pkr and BHA Made 10'/24 hrs Day 17
MW: 10.4, Vis: 53, WL: 4.5, PH: 9.2. Drlg from 9,897' to 9,907'. Noticed mud coming out @ 11" SM SOW Wellhead. Weld inspected same – 10 ¾" csg cracked below weld bead. Crack is about 5 to 6" long. Stopped drilling operation, circ mixed plug and pumped same. POH up into 10 ¾" surface csg. Re-checked crack, total length is now 12" long. Test 11" 5M x 10 ¾" void to 1,000 psi, test good. Waited on BJ storm pkr. Finish POH. Attempt to retrieve wear bushing, unable to retrieve bushing. MU BJ storm pkr, TIH w/same. Ran BHA and pkr, set pkr @ 80'. Repaired 10 ¾" surface csg. Let csg cool off. Closed blind rams, test csg head, weld to 1,000 psi, test good. POH w/BJ storm pkr.
DWC: $43,482 CWC: $958,591

10/1/01 Present oper: Installing bell nipple Made 0'/24 hrs Day 18
MW: 10.4, Vis: 55, WL: 4.5, PH: 8.9. Service rig. Finish POH w/BJ TST II packer and BHA. MU Greene's "Octopus" retrieving tool for wear bushing, made 4 attempts to pull wear bushing. Max pull 26K lbs, no recovery. Rigged tool down. RIH w/BHA and BJ storm packer, set pkr @ 80' (BHA below packer). ND 11# 10M BOP stack, also ND 11" 10M Wood Group split speed head, wear bushing stuck in head. Removed wear bushing from speed head, beating and washing wear bushing. Heated 11" 5M 50W wellhead and welded inside to 10 ¾" CSG. Test

10-6-11

WELL NAME: State Tract 8 No. 1 **OPERATOR: NEG**
STATE: Texas COUNTY: Orange PROSPECT: Lower Hackberry
LOCATION: 521' FNL and 826' FEL of ST 8, Sabine Lake
SPUD DATE: AFE NO:01-001
API NO.:42-361-30785 PERMIT NO.: 513400
PROPOSED TD: 11,600 PRIMARY OBJECTIVE: S1 Sand
DRY HOLE COST: $2,238,375 COMPLETION COST: $1,780,644
TOTAL COST: $4,019,019 NEG WI: 25%
TYPE OF ACTIVITY: Development drilling well

void to 1,000 psi, test good. NU split speed head and 11" 10M BOP stack. Test split speed head break, pipe rams, choke/kill lines 250 low, 5,000 psi high. Installing bell nipple.
DWC: $34,560 CWC: $993,151

10/2/01 Present oper: Drilling Made 183'/24 hrs Day 19
MW: 10.4, Vis: 55, WL: 4.5, PH: 8.9. Service rig. TIH and retrieve storm packer, POOH. LD same. Install wear bushing, MU RR bit #5. TIH breaking circ every 30 stds. Tag tight spot @ 7,052'. Ream same, can't and TIH. Wash 60' to btm. Drill 9,902' – 10,090'.
DWC: $46,036 CWC: $1,038,965

10/3/01 Present oper: Making 32 Std Short Trip Made 25'/24 hrs Day 20
MW: 10.3, Vis: 49, WL: 5.0, PH: 10. Drill ahead, drld from 10,090' to 10,115'. Circ wellbore clean. Shakers clean. Slugged pipe SLM out of hole, no correction. RU Schlumberger. GIH w/ AIT-Sonic –GR-CAL-logged from 10,140' up to 10 ¾" csg. shoe @ 3140'. RD and load out Schlumberger. Retrieved wear busher. Inspected same – reinstalled make up bit #RR5. TIH to 10,115', no drag-no fill-no problems. C&C wellbore. Slugged pipe for wiper trip.
DWC: $56,815 CWC: $1,095,780

10/4/01 Present oper: Running 7 5/8" casing Made 0'/24 hrs Day 21
MW: 10.3, Vis: 46, WL: 4.6, PH:9.5. Made 33 std short trip up to 7,145', no problems. C&C mud @ 10,115'. Drop survey and pump slug. Pulling out of hole to run 7 5/8" csg 52 stds. LD 99 jts 4 ½" DP. Breakout kelly connections. Finish POH. Pull wear bushing. RU Casing Crew, PU landing jt, check connection and check landing jt in wellhead and check hanger. PU shoe, 2 shoe jts, float collar and running 7 5/8" P-110 33.7# LT&C csg.
DWC: $31,197 CWC: $1,126,977

10/5/01 Present oper: LD drill pipe Made 0'/24 hrs Day 22
MW: 10.4, Vis: 51, WL: 4.5, PH:9.5. Running 7 5/8" P-110 33.7# LT&C 8rd casing, 244 jts run total 10,103.76', set @ 10,009.76' RU BJ cementing head and circ out w/rig pumps. Held safety meeting w/BJ, test cmt lines to 5,000 psi. Pump 25 bbls spacer, 485 sks Class H cmt + 35% silica flour + 0.15% R3 mixed @ 16.2 ppg w/1.44 yield 124 bbls total pumped. Drop btm plug and displace w/446 bbl 10.3 ppg mud. Bumped plug w/2,500 psi, float equip held. RD BJ, back out landing jt, install packoff assembly and test to 2,500 psi. Clean rig floor and LD DC's and HW in mouse hole. Install wear bushing in well head. LD 4 ½" DP. Running 10 stds at a time out of derrick. NOTE: Should be picking up 3 ½" assembly by 9:00 a.m.
DWC: $214,099 CWC: $1,341,076

10-6-11

WELL NAME: State Tract 8 No. 1 **OPERATOR: NEG**
STATE: Texas COUNTY: Orange PROSPECT: Lower Hackberry
LOCATION: 521' FNL and 826' FEL of ST 8, Sabine Lake
SPUD DATE: AFE NO:01-001
API NO.:42-361-30785 PERMIT NO.: 513400
PROPOSED TD: 11,600 PRIMARY OBJECTIVE: S1 Sand
DRY HOLE COST: $2,238,375 COMPLETION COST: $1,780,644
TOTAL COST: $4,019,019 NEG WI: 25%
TYPE OF ACTIVITY: Development drilling well

10/6/01 Present oper: PU 3 ½" DP Made 0'/24 hrs Day 23
MW: 15, Vis: 39, WL: 5.0, PH:11.7. Finish LD 4 ½" DP 6 ½" Smith, XR+, 3-14's and offload 4 ½" DP to pipe barge. Change out kelly's. RU rig floor for 3 ½" DP. PU Bit #6, BHA and TIH picking up 3 ½" DP. Depth @ report time 5,800'.
DWC: $62,206 CWC: $1,403,254

10/7/01 Present oper: Circulating raising MW Made 36'/24 hrs Day 24
MW: 12.8, Vis: 43, WL: 4.4, PH: 10.7. Service rig. Continue TIH PU 3 ½" DP. Tagged cmt @ 9,818'. W&R ratty cmt from 9,818' to 10,015' float collar. Circ BU. Test csg to 2,800 psi, held for 20 min, no leak off. Drlg out float equip and wash to 10,115'. Circ BU, 19 units gas, BGG 3. Perform leak off test on csg shoe. Tested to 1,892 psi or 17.7 ppg EMW. Losing 3 BPH @ 2,200 psi or 16.4 ppg EMW. At 17.7 ppg, leaked to 17.2 ppg and held for 30 min. Survey: 6 ½ deg @ 10,110'. Drlg 9 7/8" hole from 10,115' to 10,151' (20' fill on connection @ 10,151'.) Circ raising MW to 12.8 ppg.
DWC: $46,972 CWC: $1,450,254

10/8/01 Present oper: Drlg @ 10,242' Made 91'/24 h rs Day 25
MW: 15.5, Vis: 47, WL: 3.4, PH: 9.9. Circ raising MW from 12.8 ppg to 14.0 ppg. Attempt to ream to btm, hole kept filling in. Circ raising MW from 14.0 ppg to 14.8 ppg. Attempting to ream to btm. On connection, attempt could not go to btm. Circ raising MW from 14.8 ppg to 15.3 ppg. Drlg 9 7/8" hole from 10,151' to 10,242', raised MW to 15.5 ppg.
DWC: $43,089 CWC: $1,493,343

10/9/01 Present oper: Drlg @ 10,438' Made 196'/24 h rs Day 26
MW: 15.5, Vis: 46, WL: 3.6, PH: 10. Drlg from 10,242' to 10,438'.
DWC: $40,140 CWC: $1,533,483

10/10/01 Present oper: Wireline Survey Made 93'/24 h rs Day 27
MW: 15.5, Vis: 45, WL: 3.0, PH: 9.5. Drlg from 10,438' to 10,51'. Drop survey and pump slug. POH w/bit #6. Pull and inspect wear bushing. PU Bit #7 and TIH to 9,941'. Cut and slip 104' DL. TIH to 10,458'. W&R from 10,458' to 10,511', no fill. Drlg from 10,511' to 10,531'. Trip gas 105 units, no mud cut. Taking WL survey @ 10,489'.
DWC: $56,141 CWC: $1,589,624

10-6-11

WELL NAME: State Tract 8 No. 1 **OPERATOR: NEG**
STATE: Texas COUNTY: Orange PROSPECT: Lower Hackberry
LOCATION: 521' FNL and 826' FEL of ST 8, Sabine Lake
SPUD DATE: AFE NO:01-001
API NO.:42-361-30785 PERMIT NO.: 513400
PROPOSED TD: 11,600 PRIMARY OBJECTIVE: S1 Sand
DRY HOLE COST: $2,238,375 COMPLETION COST: $1,780,644
TOTAL COST: $4,019,019 NEG WI: 25%
TYPE OF ACTIVITY: Development drilling well

10/11/01 Present oper: Taking survey Made 283'/24 h rs Day 28
MW: 15.5, Vis: 42, WL: 2.8, PH: 10.2. Survey: 2 deg @ 10,489'. Drlg 6 1/2" hole from 10,531' to 10,814. Circ to survey @ 10,774'.
DWC: $43,225 CWC: $1,632,849

10/12/01 Present oper: Drlg @ 11,180' Made 366'/24 hrs Day 29
MW: 16.2, Vis: 44, WL: 2.6, PH: 9.9. Survey: 1 ¾ deg @ 10,773'. Drlg 6 1/2" hole from 10,814' to 10,941'. Drilled into break @ 10,938', drilled 3' of break, check for flow, no flow, reamed kelly down. 16,000# drag pulling off btm, MW @ 15.7 ppg. C&C wellbore, increased MW from 15.7 ppg to 16.0 ppg. Drag off btm now 6-8,000#. BU, pressured shale and 26 gas units. Drlg from 10,941' to 11,113'. Circ and survey – Survey: 2 deg @ 11,073'. Drlg from 11,113' to 11,180'.
DWC: $38,092 CWC: $1,670,941

10/13/01 Present oper: C&C Wellbore Made 236'/24 hrs Day 30
MW: 16.8, Vis: 52, WL: 2.6, PH: 9.3. Drlg from 11,180' to 11,216', @ 11,210' encountered drill break. Drilled 2' checked for flow, no flow. Gas started to increase to 300 units. Circ BU @ 11,216', max gas 500 units. Low mud cut 15.3 ppg. Wt up from 16.2 to 16.5, gas down to 40 units. Drlg from 11,216' to 11,243', gas back up , max gas 623 units. Low MW 15.4 ppg. Circ BU @ 11,247', wt up from 16.5 ppg to 16.8 ppg, gas down to 25 units. Drlg from 11,247' to 11,416'. C&C wellbore.
DWC: $37,178 CWC: $1,708,119

10/14/01 Present oper: Logging SWC's Day 31
MW: 16.8, Vis: 4, WL: 2.2, PH: 10.5. Circ BU @ 11,416', shakers clean. 23 units max gas. Pumped slug, made 14 std short trip, no drag, no fill. C&C wellbore, shakers clean, 24 units gas. Dropped survey, pumped slug, POH "SLM Pipe". Retrieved Totco survey instrument 4 deg @ 11,376'. Finished POH. Waiting on Schlumberger. Offload Schlumberger and RU same. MU Platform Express, WIH w/same to 11,420' ELM, logged up to 10,088' ELM. POH, LD Platform Express. MU 60 shot sidewall core gun, GIH Gamma Ray failed. POH, changed out Gamma Ray. TIH w/SWC gun.
DWC: $34,333 CWC: $1,742,452

WELL NAME: State Tract 8 No. 1 **OPERATOR: NEG**
STATE: Texas COUNTY: Orange PROSPECT: Lower Hackberry
LOCATION: 521' FNL and 826' FEL of ST 8, Sabine Lake
SPUD DATE: AFE NO:01-001
API NO.:42-361-30785 PERMIT NO.: 513400
PROPOSED TD: 11,600 PRIMARY OBJECTIVE: S1 Sand
DRY HOLE COST: $2,238,375 COMPLETION COST: $1,780,644
TOTAL COST: $4,019,019 NEG WI: 25%
TYPE OF ACTIVITY: Development drilling well

10/15/01 Present oper: Circ BU Made 34'/24 hrs Day 32
MW: 16.8, Vis: 47, WL: 2.0, PH: 10.5. Made 2 more attempts to take SWC's - guns not firing - Gamma Ray inoperable. MU RR Bit #6, TH to 11,416', no problems. Circ BU, max gas 418 units, low MW 16.3 ppg. Drlg from 11,416' to 11,450'. Slug pipe, made 15 std wiper trip, ok. Circ BU @ 11,450'.
DMC: $31,671 CMC: $1,774,123

10/16/01 Present oper: Running 5" Liner Made 0'/24 hrs Day 33
MW: 16.8, Vis: 50, WL: 2.2, PH: 10.2. Slugged pipe and POH. RU Schlumberger, GIH w/SP and 2 SWC guns. 60 shots - took SWC's between 11,275' and 10,481'. Made 47 shots. 6 empty and1 misfired - nothing lost in hole. RD Schlumberger. MU RR Bit #6, LD stab and TIH to 11,410', washed to 11,450', no fill. Wellbore slick. Circ BU. Shaker clean, max gas 170 units. Dropped rabbit - slugged pipe and POH. Pull wear bushing, no problems. RU 5" csg. Held safety meeting. Running 5" 18 ppf, p110 STL liner. Float equipment circulated. RA tag installed and checked between jt #8 and jt #9, installed 15 SST cmt tubinglizers as of report time 20 jts ran. Full pipe displacement, filling every jt.
DWC: 87,926 CWC: 1,862,049

10/17/01 Present oper: Trip in Hole Made 0'/24 hrs Day 34
MW: 16.5, Vis: 44, WL: 2.4, PH: 10.2. Finish MU 5" 18 #/ft P110 STL liner and hanger assembly, total length 1,857'. RD csg crew and load out same. TIH w/5" liner. 3 minutes/STA, full pipe displacement, tagged TD @ 11,450'. RU BJ Lines. C&C wellbore for cmt, max gas 160 units, shakers clean. Stroked pipe 10' while circ, released from liner. Test lines to 5,000 psi, pumped 33 bbls ultra flush spacer @ 17.3 ppg. Pumped @ 3 BPM w/1,000 psi, followed by 300 sks Class H and additives @ 17.8 ppg, 80 ½ bbl slurry. Pumped @ 4 BPM w/1,500 psi, flush cmt lines. Dropped dart, displaced w/70 bbls, sheared dart w/1,350 psi, continued displacing w/16.8 ppg WBM, displaced and bumped plug to 1,950 psi, total displacement 101 bbls. POH w/10 stds and reverse circ 2 DP vols. Slugged pipe, POH, LD liner setting tools. Installed wear bushing. TIH w/RR bit #6 and BHA and DP.
DWC: $82,533 CWC: $1,944,582

NAME: State Tract 8 No. 1 **OPERATOR: NEG**
STATE: Texas COUNTY: Orange PROSPECT: Lower Hackberry
LOCATION: 521' FNL and 826' FEL of ST 8, Sabine Lake
SPUD DATE: AFE NO:01-001
API NO.:42-361-30785 PERMIT NO.: 513400
PROPOSED TD: 11,600 PRIMARY OBJECTIVE: S1 Sand
DRY HOLE COST: $2,238,375 COMPLETION COST: $1,780,644
TOTAL COST: $4,019,019 NEG WI: 25%
TYPE OF ACTIVITY: Development drilling well

10/18/01 Present oper: Drlg cmt Made 0'/24 hrs Day 35
MW: 16.9, Vis: 48. WOC, circ @ 8,500'. TIH, tag cmt @ 8,719'. Drlg cmt from 8,719' to 9,252'. Mud cut from 16.4 to 7.9 ppg. Circ through open chk and gas buster raising MW from 16.1 to 16.9 ppg. Drlg cmt from 9,252' to 9,450', BU on connections. Mud cut from 16.9 to 8.7/11.5 ppg.
DWC: $26,030 CWC: $1,970,612

10/19/01 Present oper: Circulating Made 0'/24 hrs Day 36
MW: 18, Vis: 48, WL: 2.4, PH: 12.7. Drlg cmt from 9,450' to 9,590', top of liner. Circ out @ 9,590', 16.9 ppg in, 11.5 ppg out. SD pump and monitor well, static, no flow. Circ out @ 9,590', low cut on BU 7.0 ppg. Circ, building MW to 17.9 ppg, 17.9 ppg in, 17.8 ppg out. SD pump and monitor well, static, no flow. Circ out @ 9,590', 17.9 ppg in, 17.8 ppg out. Max gas on BU 460 units, low cut 16.6
DWC: $41,285 CWC: $2,011,897

10/20/01 Present oper: POH Day 37
MW: 18.1, Vis: 46, WL: 2.4, PH: 12.7. Circ BU and pump slug @ 9,590'. Max gas 460 units, low cut mud 16.6 ppg. POH. PU tieback polishing mill and TIH to top of liner. Circ and cleaning out liner top, max gas 750 units, low cut mud 14.4 ppg. Cut and slip 450' DL. Circ BU, low cut 15.9 ppg, max gas 1,070 units. POH w/polishing mill.
DWC: $33,837 CWC: $2,045,734

10/21/01 Present oper: Service rig. Finish POH w/polishing mill. PU watermelon mill and TIH to top of liner @ 9,590'. Dress to of liner w/watermelon mill in preparation of running liner top pkr, and circ out. Max gas 5,000+ units, low cut mud 14.4 ppg. Pump slug and POH w/watermelon mill. PU polishing mill and TIH to top of liner @ 9,590'. Polishing mill tagged up on the liner top. Cleaned out liner top. Circ out. Max gas 2,300 units, low cut mud 14.9 ppg.
DWC: $27,093 CWC: $2,072,827

10/22/01 Present oper: Finish circ out and pump slug. Max gas 2,300 units, low cut mud 14.9 ppg. POH w/polishing mill assembly. Polishing mill was 3/32" under gauge. Waiting on polishing mill and locator mill. PU new polishing mill assembly and TIH. Dress off liner top and circ out max gas 4,770 units, low cut mud 16.2 ppg. POH w/polishing mill assembly. Polishing mill had no wear, and locator mill showed signs of being in the liner top. PU liner top pkr assembly and TIH.
DWC: $26,765 CWC: $2,099,592

10-6 .11

NAME: State Tract 8 No. 1 **OPERATOR: NEG**
STATE: Texas COUNTY: Orange PROSPECT: Lower Hackberry
LOCATION: 521' FNL and 826' FEL of ST 8, Sabine Lake
SPUD DATE: AFE NO:01-001
API NO.:42-361-30785 PERMIT NO.: 513400
PROPOSED TD: 11,600 PRIMARY OBJECTIVE: S1 Sand
DRY HOLE COST: $2,238,375 COMPLETION COST: $1,780,644
TOTAL COST: $4,019,019 NEG WI: 25%
TYPE OF ACTIVITY: Development drilling well

10/23/01 Present oper: Testing liner top Day 40
MW: 18, Vis: 45, WL: 2.6, PH: 11.9. TIH w/liner top pkr, string into TOC @ 9,590', set anchor, top @ 9,580'. Test liner package to 1,100 psi, test good. Released from pkr. Circ 2 BU - on first BU 500 units gas, on 2nd BU zero units. Slugged pipe and POH. MU Halliburton Champ pkr, TIH w/same to 9,480'. Circ BU, 0 gas. RU squeeze manifold and liners. Held safety meeting. Broke circ, set pkr @ 9,480'. Test lines to 6,000 psi. Test liner top to 1,500 psi, positive 21.0 ppg EMW, test good. Released pressure on by pass, displaced 65 bbls bay wtr into DP. Differential pressure 4,200 psi, held for 30 minutes, test good, 9.6 EMW. Opened tool by-pass, reversed out bay wtr, continued to reverse out 2 drill pipe volumes, max gas 1,450 units, LMW 16.3 ppg. Performed negative test again, displaced 65 bbls wtr into DP, differential pressure @ 4,200 psi.
DWC: $26,765 CWC: $2,126,358

10/24/01 Present oper: Testing liner top
MW: 18, Vis: 44, WL: 2.8, PH: 11.8. Finish performing negative test, no flow. Release test pkr, reversed out wtr. Max gas 2,750 units, LMU cut 15.7 ppg. Continued circ until gas out and MW good. Set test pkr, test backside to 1,000 psi, test good. Released test pkr, circ BU, no gas. Slugged pipe. POH, LD test pkr. MU TIW polishing mill, TIH w/same to 9,580'. Washed polish mill from 9,080' to 9,624', PBR was clean. Dressed off TIW pkr top @ 9,580'. Circ BU, max gas 1,950 units, low MW cut 16.7 ppg. POH w/polishing mill, inspected polish mill, good mark as top mill. LD polish mill assembly. MU 4 1/8" speed mill, PU 3 1/8" DC's and 2 3/8" tbg, TIH.
DWC: $27,965 CWC: $2,154,322

10/25/01 Present oper: TIH w/scraper Day 43
MW: 18.1, Vis: 47, WL: 2.4, PH: 12 TIH w/3 1/8" DC. Changed out handline tools. PU w/15 jts 2 3/8" PH-6 tbg. Slip and cut 87' DL. Finish PU 2 3/8 tbg. Total jts in hole 54. TIH w/3 1/2" DP, tagged @ 10,539'. LD 6 jts. TIH w/2 stds - wash from 10,539' to 10,726', no problems. Cont TIH, tagged @ 11,127' LD 9 jts DP. TIH w/3 stds. Wash from 11,127' to 11,349'. Top of landing collar. Circ BU and cond. mud 10 units gas max. POH with tapered string. TIH w/5" csg scraper.
DWC: $31,384 CWC: $2,185,709

10-6-11

NAME: State Tract 8 No. 1 **OPERATOR: NEG**
STATE: Texas COUNTY: Orange PROSPECT: Lower Hackberry
LOCATION: 521' FNL and 826' FEL of ST 8, Sabine Lake
SPUD DATE: AFE NO:01-001
API NO.:42-361-30785 PERMIT NO.: 513400
PROPOSED TD: 11,600 PRIMARY OBJECTIVE: S1 Sand
DRY HOLE COST: $2,238,375 COMPLETION COST: $1,780,644
TOTAL COST: $4,019,019 NEG WI: 25%
TYPE OF ACTIVITY: Development drilling well

10/26/01 Present oper: POH w/logging tools Day 43
MW: 18.1, Vis: 47, WL: 2.0, PH: 11.8 Finish TIH w/5" csg scraper, tagged up @ 11,349'. CBU, 5 units of gas. Made short trip up inside pkr. TIH back to 11,349', no problems. CBU, 5 units gas. Slugged pipe, POH. ND bell nipple, flanged up on anchor preventor. RU Baker Atlas. WIH w/RAL log, went through top of liner w/no problems, found TD @ 11,351' ELM. Logged up from 11,357' to 10,500' without pressure. No cmt seen. Went back to 11,351', pressured up to 1,000 psi on csg, logged from 11,351' up to 10,500', cmt is present, appears to be micro annulus. Increased pressure to 1,500 psi, logged from 11,351' ELM up to top of liner, cmt looks good, POH w/Baker Atlas.
DWC: $29,159 CWC: $2,214,868

10/27/01 Present oper: Circulating Day 44
MW: 18, Vis: 46 WL: 2.0, PH: 12. Finished POH w/Baker Atlas, RD same. Installed bell nipple. TIH w/3 1/8" DC and 2 3/8" tbg. POH and LD same. MU TIW polishing mill and csg scraper. TIH removing 3 1/2" DP rubbers. TIH to TOL @ 9580'. Wash thru TOL @ 9,580' to 9624', no problems. Dressed TOL @ 9,580'. POH w/1 stand – C&C mud while waiting on TIW and Baker completion tools.
DWC: $53,211 CWC: $2,268,079

10/28/01 Present oper: TIH w/conditioning
MW: 18.1 Vis: 47 W L: 2.0 PH:11.9 C&C while waiting on TIW and Baker tools. Slugging pipe and POH. LD csg scraper and polishing mill. Good mark on mill. Pulled wire bushing. Waiting on completion tools. Cleaning rig while WOT. Offloaded completion tools – strap and caliper same. PU completion tools. (TIW and Baker).
DWC: $27,880 CWC: $2,295,959

10/29/01 Present oper: Testing packer
MW: 19.2 Vis: 48 WL:2.0 PH:12 PU Baker Model FB pkr and PBR seal assembly. Waiting on Baker setting sleeve. TIH w/pkr and seal assembly - string into PBR. Test PBR seal assembly to 1,500 psi ok. Drop ball and wait to fall. PU on pkr and set @ 9,523'. RU Baker pump and shear ball seat w/4,500 psi. R/U Baker and pump slug. POH, LD Baker set tool. PU Halliburton RTTS and TIH to 9,423'. Circ. RU Baker pump, squeeze manifold and test lines to 5,000 psi.
DWC: $32,599 CWC: $2,328,558

10-6 .11

NAME: State Tract 8 No. 1 **OPERATOR: NEG**
STATE: Texas COUNTY: Orange PROSPECT: Lower Hackberry
LOCATION: 521' FNL and 826' FEL of ST 8, Sabine Lake
SPUD DATE: AFE NO:01-001
API NO.:42-361-30785 PERMIT NO.: 513400
PROPOSED TD: 11,600 PRIMARY OBJECTIVE: S1 Sand
DRY HOLE COST: $2,238,375 COMPLETION COST: $1,780,644
TOTAL COST: $4,019,019 NEG WI: 25%
TYPE OF ACTIVITY: Development drilling well

10/30/01 Present oper: Laying down DP
Positive test Baker pkr to 1,500 psi 21.1 ppg EMW. Held test for ½ hour, no leak off. Displace mud in DP w/65 bbls of bay wtr for negative test. Bled off pressure and held for ½ hour. No wtr back, test good. Reversed out 2 DP capacities, no gas to surface. Negative test 4,200 psi or 9.7 ppg EMW. RD Baker lines and Halliburton squeeze manifold. POH w/RTTS. PU bit, scraper and TIH to 9,522'. Cut and slip 90' of DL. Displace mud w/bay wtr and cleaning up csg w/HEC pills. Displace bay wtr w/11.3 ppg CACL2 and RD Baker pump liens. LD 3 ½" DP, 119 jts down @ 0600 hrs.
DWC: $39,164 CWC: $2,367,722

10/31/01 Present oper: Running 3 ½" tbg
PU kelly and break connections. LD 3 ½" DP and BHA. Offload DC's, HWDP, and LD kelly and swivel. On load 3 ½" tbg handling and testing equip and RU to run production tbg. Held safety meeting. PU seal assembly and running 3 ½" 9.3# P-110 BTS 8 tbg. Torque turning and testing each connection to 10,000 psi w/nitrogen.
DWC: $82,050 CWC: $2,449,772

11/1/01 Present oper: Landing tubing hanger
Depth: 11,450'. Service rig. Running 3 ½" 9.3# P-110 BTS 8 tbg, torque turning and testing each connection to 10,000 psi w/nitrogen. Total of 301 jts PU to 9,195'. PU SSSV, install control line, and test valve for ½ hour. Running 3 ½" 9.3# P-110 BTS 8 tbg, torque turning and testing each connection to 10,000 psi w/nitrogen to 9,522', tagged pkr and stung in. Test backside to 2,000 psi. PU, space out and landing tbg hanger.
DWC: $25,702 CWC: $2,475,474

11/2/01 Present oper: Displacing mud in liner
Depth: 11,450'. Finish spacing out, install control line to hanger, test SSSV line to 10,000 psi, and hang off production tbg, 77,000# on hanger. Lock down hanger @ wellhead, and test backside to 2,000 psi. Install back pressure valve. ND BOP's and load out on barge. NU 11" 10M x 3 1/16" 10M tree. Test void around hanger to 10,000 psi. Remove back pressure valve, install two way check valve and test tree to 10,000 psi. RU Advanced CT and test to 5,000 psi. TIH w/CT to 11,349' filling w/bay wtr. Displacing mud in liner, cleaning out w/bay wtr, then to displace w/11.3 ppg CACL2.
DWC: $297,381 CWC: $2,772,855

10-6 -11

NAME: State Tract 8 No. 1 **OPERATOR: NEG**
STATE: Texas COUNTY: Orange PROSPECT: Lower Hackberry
LOCATION: 521' FNL and 826' FEL of ST 8, Sabine Lake
SPUD DATE: AFE NO:01-001
API NO.:42-361-30785 PERMIT NO.: 513400
PROPOSED TD: 11,600 PRIMARY OBJECTIVE: S1 Sand
DRY HOLE COST: $2,238,375 COMPLETION COST: $1,780,644
TOTAL COST: $4,019,019 NEG WI: 25%
TYPE OF ACTIVITY: Development drilling well

11/3/01 Present oper: Perforating
Depth: 11,450'. Circ out mud w/bay wtr, displace bay wtr w/11.3 ppg CaCl wtr w/CT @ 11,439'. POH w/CT. RU Schlumberger and Fesco well testers and test lines and lubricator to 10,000 psi. (loaded out rental equip from pipe rack before running perf guns.) PU 20' 2.5" Hollow carrier 6 spf 60 deg phase gun, TIH pressure up to 2,700 psi (500 psi underbalance) and perforate from 11,272' to 11,252' 6 spf. Pressure increased from 2,700 psi to 3,200 psi. PU gun #2 20' x 2.5" Hollow carrier 6 spf 60 deg phase gun, attempted to perforate from 11,252' to 11,232'. Gun misfired. POH. PU gun #3 20' x 2" Expendable strip gun 6 spf 0 deg phase.
DWC: $31,193 CWC: $2,804,048

11/4/01 Present oper: Run pressure gauge w/slick line
Run innerjet perf guns and perforate from 12,232' to 12,252'. Pull out, PU 10'x 2.5" Hollow carrier 6 spf 60 deg phase perf gun and perforate from 12,222' to 12,232', pressure increased from 3,200 psi to 3,250 psi when guns fired. POH and RD Schlumberger. Unload 11.3 cacl2 from well and testing well. FTP 7,500 psi, 16/64" chk, 9,300 MCFD, 750 BOPD, 0 BWPD. Ran pressure gauge in hole on slick line to 11,100'. SI well. Monitor pressure w/pressure gauge in hole @ 11,100'. SITP 7,600 psi. Final flowing pressure 7,478 psi. NOTE: POH w/slick line stopping for gradient readings 10 min/500'.
DWC: $95,053 CWC: $2,899,101

11/5/01 Present oper: Jetting out barge
POH w/the pressure gauge taking 10 min gradient readings every 500'. RD and load out Fesco slick line. Close SSSV and bleed off pressure (final SITP 7,600 psi). RU Wood Group lubricator and install BPV 3 1/16" type H. Secure well close all valve. RD floor, derrick and LD derrick. Cleaning out rotary pan and rig floor, and preparing to jet out rig. Tugs arrived, jetting out rig for move.
DWC: $37,457 CWC: $2,936,558

10-6-11

File No. MF 97589 15,
Ltr. from National Energy Group
& Drilling Reports
Date Filed: 11-16-01

By David Dewhurst, Commissioner

Texas General Land Office

David Dewhurst
Commissioner

October 20, 2001

Mr. David V. Rigsby
National Energy Group, Inc.
1400 One Energy Square
4925 Greenville Avenue
Dallas, Texas 75206

RE: State Leases M-97589, M-97590, M-97591 and M-97592
Sabine Lake Gas Unit 1
Orange and Jefferson Counties, Texas

Dear Mr. Rigsby:

I hereby acknowledge receipt of your letter of November 6, 2001, wherein you have requested that the General Land Office confirm the position you have stated in your letter regarding the payment of extensions and shut-in royalties on the referenced State leases. The leases are currently held by extension payments that will maintain them until November 30, 2001.Based on the drilling reports that you furnished and the production obtained on November 4, 2001, extension payments will no longer be required to maintain the leases.

In response to your second question, in order to maintain the leases by payment of a shut-in royalty, the payments must be made on or before 60 days after the well ceases to produce. Therefore the payments must be received by the GLO on or before January 3, 2002.

Please let me know if you have any questions or if I may be of further assistance.

Sincerely,

J. Daryl Morgan, CPL
Energy Resources Division
(512) 305-9106

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

(16)

File No. M-97589
letter to National Energy
Group
Date Filed: 11/20/01

David Dewhurst, Commissioner
By Beryl Morgan

EXTENSION OF OIL AND GAS LEASE
TEXAS GENERAL LAND OFFICE
AUSTIN, TEXAS

WHEREAS, State Lease No. **M-97589** was issued to Benchmark Oil and Gas Company on the 1st day of October, 1996, covering the tract of land described as: **N/2 of Tract 8, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 320 acres**; and

WHEREAS, Section 52.031 of the Natural Resources Code (originally enacted as Article 5382e, Section 2, V.A.C.S.) provides for extensions of valid and subsisting leases issued pursuant to what is now codified as part of Subchapter B, Chapter 52 of the Natural Resources Code (formerly Chapter 271, Acts of the 42nd Legislature, 1931, as amended by House Bill No. 9, Acts of the 46th Legislature, 1939, Chapter 82, Acts of the 50th Legislature, 1947), and other applicable laws; and

WHEREAS, drilling operations are being conducted thereon in good faith and workmanlike manner; and

WHEREAS, the current owner of said lease has made written application for an extension in accordance with said Act, and timely paid the sum of **$3,000** as consideration therefor:

NOW, THEREFORE, I, David Dewhurst, Commissioner of the General Land Office of the State of Texas, by virtue of the authority vested in me, and in accordance with the provisions of said Act, do by these presents hereby extend said lease for an additional period of thirty (30) days beginning the **1st** day of **November, 2001,** said term extends to and includes the **30th** day of **November, 2001,** and so long thereafter as oil or gas is being produced in paying quantities.

IN TESTIMONY WHEREOF, witness the signature of the Commissioner of the Texas General Land Office, under the seal thereof, this the 14th day of November, 2001.

TEXAS GENERAL LAND OFFICE

David Dewhurst

David Dewhurst, Commissioner

APPROVED
Legal
Min. Leasing
Executive

MEMORANDUM

Texas General Land Office • David Dewhurst • Commissioner

TIME SENSITIVE: Action Required by: November 9, 2001

DATE: October 30, 2001

TO: Commissioner Dewhurst

THRU: Deputy Commissioner

FROM: J. Daryl Morgan

SUBJECT: Extensions of Oil and Gas Leases for signature

.....

SUMMARY: Attached for your **signature** are four Extensions of Oil and Gas Leases for State leases **M-97589 t**hrough **M-97592.**

DETAILS: These agreements comply with existing GLO rules and policies and have been reviewed by a Minerals Leasing staff member and a staff attorney. **Section 52.031** of the Texas Natural Resources Code gives the Commissioner the authority to extend Oil and Gas Leases for a thirty day period upon written application and tender of the proper extension payment. School Land Board action is not required.

State Lease Numbers	-	**M-97589, M-97590, M-97591 & M-97592**
Applicant	-	**National Energy Group, Inc.**
Well	-	**Sabine Lake Gas Unit No. 1**
Counties	-	**Jefferson and Orange**

Recommendation: **Please sign and return to Daryl Morgan in Energy Resources (5-9106)**

Attachments: 4 extensions of oil and gas leases

cc: LaNell Aston



NATIONAL ENERGY GROUP, INC.

VIA OVERNIGHT MAIL (Monday Morning Delivery)

October 26, 2001

Texas General Land Office
Stephen F. Austin Building
1700 North Congress Avenue
Austin, TX 78701-1495

Attention: Daryl Morgan

RE: State Lease Nos. 97589 thru 97592
Sabine Lake Prospect
Orange & Jefferson Counties, Texas

Gentlemen:

Enclosed are four (4) Applications for Extension of Oil and Gas Lease for State Lease Numbers M-97589 through M-97692 along with a check for $12,000 as an extension payment. These Leases are subject to a Term Pooling Agreement effective August 21, 2001 between the General Land Office and Benchmark Oil & Gas Company. National Energy Group, Inc. is scheduled to begin completion of its State Tract 8 #1 well this weekend (10-27-01 & 10-28-01). Pursuant to a telephone conversation with Ms. Tracey Throckmorton in your office today, it is our understanding that if this well is shown to be capable of producing in paying quantities prior to the end of our current extension period ending October 31, 2001, then the General Land Office will refund the $12,000 included with this letter. I will fax that documentation to Ms. Throckmorton if it is available on or before October 31.

If you have any questions or need any other instruments or documentation concerning this matter please call me at 214/692-9211.

Yours truly,

NATIONAL ENERGY GROUP, INC.

David V. Rigsby
Vice President-Land

RECEIVED
OCT 29 PM 4:

1400 One Energy Square • 4925 Greenville Avenue • Dallas, Texas 75206 • (214) 692-9211 • FAX (214) 692-9310

NATIONAL ENERGY GROUP, INC.
1400 One Energy Square . 4925 Greenville Avenue
Dallas, Texas 75206
Accounts Payable Account

BANK ONE, TEXAS, NA
Port Arthur, Texas Office

PAYEE		DATE	CHECK NUMBER	AMOUNT
TEXAS COMMISSIONER OF THE	10063	Oct/26/01	8070	$12,000.00

VOUCHER	VENDOR INV #	INV DATE	TOTAL AMOUNT	PRIOR PAYMENTS	NET AMOU
10-AP-692	102501	10/25/01	12,000.00	0.00	12,000.00
EXTENSION OF OGL M97590,M97589,M97591,M97592					
TOTAL INVOICES PAID					12,000.00

RECEIVED
01 OCT 29 PM 4:07
ENERGY RESOURCES

Attn: Daryle Morgan

02007421

12

X12,000.00

PAYEE: DETACH THIS STATEMENT BEFORE DEPOSITING

Application For Extension of Oil and Gas Lease

David Dewhurst, Commissioner
General Land Office
1700 North Congress Avenue
Austin, Texas 78701

Under the provisions of Section 52.031 of the Natural Resources Code, providing for extensions of valid and subsisting leases issued pursuant to Subchapter B, Chapter 52 of the Natural Resources Code, and other applicable laws, the undersigned hereby applies for a thirty (30) day extension of the oil and gas lease held by the lessee on the tract of land described below.

Enclosed herewith is the extension payment in the amount of $ 3,000.00 .

STATE LEASE NO. M- 97589 Lease Date October 1, 1996

TRACT N/2 8, AREA Sabine Lake,

SECTION _____, BLOCK _____, TSP._____,

SURVEY _____,

ACRES 320, COUNTY Jefferson and Orange, Texas.

(Only one lease should be included in this application, and the land must be described the same as in the original lease granted.)

Benchmark Oil and Gas Company
(Individual or Company Name)

By: Dorothy E. Pledger
Dorothy E. Pledger, Vice-President

Date: October 25, 2001

10-62-01

NATIONAL ENERGY GROUP, INC.

RECEIVED
01 NOV 26 AM 7:41
ENERGY RESOURCES

November 20, 2001

Texas General Land Office
Stephen F. Austin Building
1700 North Congress Avenue
Austin, TX 78701-1495

Attention: Mr. Daryl Morgan

RE: State Lease Nos. 97589-97592
Sabine Lake Prospect
Orange & Jefferson Counties, Texas

Gentlemen:

Pursuant to my telephone conversation of this date with Mr. Daryl Morgan in your office, enclosed are four (4) Affidavits of Drilling Operations for State Lease Numbers M-97589-97692. These Leases are subject to a Term Pooling Agreement effective August 21, 2001 between the General Land Office and Benchmark Oil & Gas Company. National Energy Group, Inc. is currently permitting for a pipeline and attempting to locate necessary shore land to install production facilities for its State Tract 8 #1 well.

If you have any questions or need any other instruments or documentation concerning this matter please call me at 214/692-9211.

Yours truly,

NATIONAL ENERGY GROUP, INC.

David V. Rigsby
Vice President-Land

1400 One Energy Square • 4925 Greenville Avenue • Dallas, Texas 75206 • (214) 692-9211 • FAX (214) 692-9310

Texas General Land Office

David Dewhurst Commissioner

November 20, 2001

Mr. David V. Rigsby
National Energy Group, Inc.
1400 One Energy Square
4925 Greenville Avenue
Dallas, Texas 75206

RE: Second Extension of Oil and Gas Leases
State Leases M-97589, M-97590, M-97591 and M-97592
Sabine Lake Gas Unit 1
Orange and Jefferson Counties, Texas

Dear Mr. Rigsby:

Enclosed are the second thirty day extensions of the referenced leases that have been executed by David Dewhurst, Commissioner of the General land Office. We have retained a copy of each for our files.

Your remittances of $3,000.00 for each lease have been applied to extend the leases for an additional thirty (30) day period beginning November 1, 2001 and ending November 30, 2001. The extensions will serve as receipt for your payments. If additional extensions are required, the same procedure should be followed, with the new applications and payments due prior to the expiration of the current extensions.

Please let me know if you have any questions, or need anything further.

Sincerely,

J. Daryl Morgan, CPL
Energy Resources
(512) 305-9106

Enclosures

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

Affidavit of Drilling Operations

THE STATE OF TEXAS §

COUNTY OF DALLAS §

Before me, the undersigned authority in and for the State of Texas, this day personally appeared David V. Rigsby, stated to me to be the person who subscribed his name below, and who after being by me duly sworn, upon oath deposes and says that National Energy Group, Inc. commenced drilling operations at 3:00 A.M. O'clock on September 15, 2001, and at the end of the primary term or extended term, on October 31, 2001, was engaged in drilling and completion operations for Tract N/2 8 Sabine Lake, Orange and Jefferson Counties, Texas which is covered by STATE LEASE NO. M- 97589 and a part of that certain Term Pooling Agreement dated effective August 21, 2001, by and between the Commissioner of the General Land Office, on behalf of the State of Texas and Benchmark Oil & Gas Company.

NATIONAL ENERGY GROUP, INC.

By: _____
David V. Rigsby, Vice-President, Land

Sworn to me and subscribed before me on this the 20th day of November, 2001.

DOROTHY L. WAGNER
Notary Public
State of Texas
My Commission Expires
May 12, 2005

_____
Notary Public in and for the State of Texas

(17)

File No. M-97589

Extension Packet

Date Filed: 11/26/01

David Dewhurst, Commissioner

By Patsy Morgan

11.30.01

Shut-In Affidavit

Enter appropriate comments, if any, and initial.
Pass to next department:

	INITIAL:	DATE:
Affidavit Auditor		1/31/02
Comments:		
Mineral Leasing		2/11/02
Comments:		
Legal-Energy		2/12/02
Comments:		

Shut-In Affidavit

Texas General Land Office
David Dewhurst, Commissioner
PO Box 12873
Austin, TX 78711-2873

Please respond fully to all applicable questions on this affidavit. Shut-in may be denied for failure to provide information establishing the validity of this request for shut-in status. For shut-in leases contained within units, separate affidavits must be submitted for each state lease within the unit.

Land Office lease no.	Operator		
M- 97589	National Energy Group, Inc.		
Lease name	Field name		
State Tr 8	Sabine Lake		
Area	Tract	Part	Acres
Sabine Lake	8	N/2	320
Section	Block	Grantee	County
			Jefferson and Orange

SHUT-IN PAYMENTS

Wells must be capable of producing in paying quantities. Attach an extra sheet to list additional gas wells.

GAS			
Well #	RRC ID #	Date shut-in	Produced in past?
1	Pending	November 4, 2001	☐ Yes ☑ No
Reason shut-in Waiting on pipeline connection			
Well capable of producing @ 9300 MCF/D + 750 Bbls condensate + 0 BBls Water			
Well #	RRC ID #	Date shut-in	Produced in past?
			☐ Yes ☐ No
Reason shut-in			
Well capable of producing @ _____ MCF/D + _____ Bbls condensate + _____ BBls Water			
Well #	RRC ID #	Date shut-in	Produced in past?
			☐ Yes ☐ No
Reason shut-in			
Well capable of producing @ _____ MCF/D + _____ Bbls condensate + _____ BBls Water			

Please list additional oil wells in the additional information section below

OIL					
RRC Lease ID #	No. of wells for ID #	Date shut-in	TOTAL DAILY POTENTIAL RATE FOR ID #		
			Bbls oil	MCF gas	Bbls water

Reason oil wells are shut-in _____

21-82.1

Method of water disposal for above gas and oil leases N/A

Total shut-in payment due for this lease $ 6,400.00

Indicate which one of these is applicable

- [x] payment is being made at the rate of twice the annual rental
- [ ] payment is being made at the rate of $ _____ for each well/completion

Are gas wells connected to a pipeline?

- [ ] YES
- [x] NO

Will purchaser take gas?

- [ ] yes-price per MCF offered $ Unknown
- [ ] no

Name of nearest purchaser Unknown

Distance _____

Price offered $ _____

List all producing wells within 1,000 feet of this lease. If there are wells more than 1,000 feet from the lease which are draining the lease, list these also.

Operator	Lease Name	Well #	RRC ID #	Distance	Completion Interval	Status
None						

Please provide any additional information here:

Contact David V. Rigsby **Phone** 214-692-9211 Ext. 132
Operator's representative

I certify that this statement is true and correct.

David V. Rigsby

By: David V. Rigsby Title: Vice-President, Land

Sworn and subscribed to before me, the undersigned authority

this 23rd day of January, 20 2

Dorothy L. Wagner

Notary Public in and for

Dallas County, State of Texas

DOROTHY L. WAGNER
Notary Public
State of Texas
My Commission Expires
May 12, 2005

GLO Use Only

Receiving Stamp

21-92-1

NATIONAL ENERGY GROUP, INC.
1400 One Energy Square 4925 Greenville Avenue
Dallas, Texas 75206
Accounts Payable Account

BANK ONE, TEXAS, NA
Port Arthur, Texas Office

RM

PAYEE		DATE	CHECK NUMBER	AMOUNT
TEXAS COMMISSIONER OF THE	16804	Dec/14/01	8802	$25,333.80

VOUCHER	VENDOR INV #	INV DATE	TOTAL AMOUNT	PRIOR PAYMENTS	NET AMOU
12-AP-220	121201	12/12/01	25,333.80	0.00	25,333.80
SHUT-IN ROYALTY PAY ST TX M-97589,M-97590,M-97591,M-97592					
TOTAL INVOICES PAID					25,333.80

02014240

121

RECEIVED
DEC 17 PM 2:29

ATTN: DARYL MORGAN

X 25,333.80

PAYEE: DETACH THIS STATEMENT BEFORE DEPOSITING

No. M-97589

Short Form Affidavit

Date Filed: 12/17/01

David Dewhurst, Commissioner

By _____

15.11.01

Texas General Land Office

David Dewhurst
Commissioner

May 10, 2002

Dorothy E. Pledger
Benchmark Oil&Gas Comp.
1500 Dairy Ashford, Suite 412
Houston, Texas 77077

RE: Assignment filing

Dear Ms. Pledger:

The General Land Office received the following instrument, covering the lease(s) shown in Exhibit "A":

> Assignment of Oil and Gas Lease, dated 9/27/01, from Stanco Oil & Gas Company, as Assignor, to Benchmark Oil & Gas Company, as Assignee.

Please be advised that in accordance with the pertinent provisions of the Texas Natural Resources Code, the General Land Office does not recognize indemnity language that may be contained in the instrument. Absent a specific request to the commissioner, the transferor remains liable to fully discharge its obligations under the lease, including properly plugging abandoned wells, removing platforms or pipelines, or remediation of contamination at drill sites.

Filing fees of $200.00 were received in connection with the above lease. If you have any questions, please feel free to call me at (800) 998-4GLO, or at my direct number at (512) 475-1516.

Sincerely,

Linda Anderson

Linda Anderson
Mineral Leasing
Energy Resources

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

EXHIBIT "A"

County	
3958	
Jefferson	State Lease Number
	MF097589
	MF097590
	MF097591
	MF097592
Orange	State Lease Number
	MF097589
	MF097590
	MF097591
	MF097592

BENCHMARK OIL & GAS COMPANY

1500 South Dairy Ashford, Suite 412
Houston, Texas 77077

Telephone: (281) 558-8585

Fax: (281) 558-7557

October 9, 2001

Texas General Land Office
ATTN: Ms. Linda Anderson, Mineral Leasing Division, Energy Resources
1700 North Congress Avenue
Austin, Texas 78701-1495

RE: **"Assignment of Oil and Gas Leases" (M-97590, M-97589, M-97591, M-97592)**
Stanco Oil & Gas Company to Benchmark Oil and Gas Company
Sabine Lake
Orange-Jefferson Counties, Texas

Dear Mrs. Anderson:

Enclosed are Certified Copies of the above referenced "Assignment of Oil and Gas Leases" which has been recorded in Orange and Jefferson County, Texas, as required. Also enclosed is a check in the amount of $200.00 to cover the cost of the Texas General Land Office filing fees.

If there are any further requirements for compliance with the State regulations, kindly let me know. My Email address is dpledger@swbell.com.

Sincerely,

Dorothy E. Pledger,
Vice-President, Land

02005800

attn: Linda Anderson 129

X200.00

Security enhanced document. See back for details.

ROBERT E. PLEDGER
CONSULTING GEOLOGIST
1210 TRACE DR. 281-558-8585
HOUSTON, TX 77077

Frost National Bank
P.O. Box 1315 Houston, Texas 77251

5101

DATE Oct. 9, 2001

PAY TO THE ORDER OF Texas General Land Office $200.00

Two hundred and 00/100 DOLLARS

THIS CHECK IS DELIVERED IN CONNECTION WITH THE FOLLOWING ACCOUNTS

filing fees			

Dorothy E. Pledger

⑈005101⑈ [redacted]

GUARDIAN ® SAFETY ©Clarke American FK

RECEIVED
01 OCT 12 PM 2:29
[illegible]

10-27-01

215833

VOL 1202 PAGE 320

200103341 9 4 pgs

ASSIGNMENT OF OIL AND GAS LEASES

THE STATE OF TEXAS }
} KNOW ALL MEN BY THESE PRESENTS
THE COUNTIES OF ORANGE AND JEFFERSON }

THAT, STANCO OIL & GAS COMPANY ("STANCO"), a Texas corporation, whose address is 3422 Townbluff Ct , Plano, Texas 75023, hereinafter called "Assignor", for and in consideration of Ten Dollars ($10 00) and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, does hereby Assign, Transfer, Sell and Convey unto, BENCHMARK OIL AND GAS COMPANY (BENCHMARK"), a Texas corporation, whose address is 1880 South Dairy Ashford Rd , Suite 540, Houston, Texas 77077 hereinafter called "Assignee", an undivided One Hundred percent (100 0%) of eight-eighths (8/8ths) interest in the Oil and Gas Leases (hereinafter called "said leases"), and interest therein, described in Exhibit "A" attached hereto (which by reference is attached and made a part hereof for all legal purposes), together with a like interest in all production, if any, produced under said leases and attributable to such interest, and a like interest in all personal property, fixtures and equipment, if any, located on the lands covered by said leases The lands covered by said leases are located in Orange County and Jefferson County, Texas

TO HAVE AND TO HOLD the same unto Assignee, its heirs, successors and assigns, forever, subject however, to the following terms, conditions and provisions, to-wit

1 This assignment is being made under the terms and conditions of an unrecorded Letter Agreement dated effective on September 20, 1996, between Assignor and Assignee, and is further made subject to all of the terms and conditions included therein and to the terms and conditions of all of the Exhibits attached to and incorporated therein by reference

2 It is specifically provided that if the assignment or attempted assignment of any of said leases without the consent of the lessor, or any party from whom consent to assign is necessary, would constitute a breach or result in a forfeiture thereof, this Assignment shall become effective with respect thereto only upon receipt of such consent, and Assignor shall continue to hold such interest for Assignee until such consent is obtained

3 The terms, conditions, provisions and covenants hereof shall be binding upon and inure to the benefit of Assignor and Assignee, and to their respective heirs, successors and assigns, and, such terms, covenants and conditions shall be covenants running with the lands covered by said leases and assigned premises and with each transfer or assignment of said leases Any conflict between the terms and conditions hereof and those of the Letter Agreement referenced in 1. above, shall be controlled by the terms and provisions of the Letter Agreement

FB:ROBERT & DOROTHY PLEDGER
1210 TRACE DRIVE
HOUSTON TX 77077

When Recorded, Return To:
BENCHMARK OIL AND GAS COMPANY
1880 S Dairy Ashford; Suite 540
Houston, Texas 77077
7.00 + 3.00RP + 1.00SF

When Recorded Please Return To

BENCHMARK OIL & GAS COMPANY
1500 S Dairy Ashford Rd , Ste 412
Houston, Texas 77077

I CERTIFY THIS IS A TRUE COPY
Witness my Hand and Seal of Office

OCT 01 2001

SANDY WALKER, COUNTY CLERK
JEFFERSON COUNTY, TEXAS

BY Sheila Peveto DEPUTY
SHEILA PEVETO

4 Assignor agrees to warrant and defend the title to said leases and the lands covered thereby, by, through and under it, but no further.

IN WITNESS WHEREOF, this instrument is executed this 27th day of September, 2000

ASSIGNOR
STANCO OIL & GAS COMPANY

BY _____
JOEL STANLEY, PRESIDENT

ASSIGNEE
BENCHMARK OIL AND GAS COMPANY

BY _____
ROBERT E PLEDGER, PRESIDENT

ACKNOWLEDGMENT

THE STATE OF TEXAS }
THE COUNTY OF Dallas }

This instrument was acknowledged before me on this 27th day of September, 2000, by JOEL STANLEY, as President of STANCO OIL & GAS COMPANY, a Texas corporation, on behalf of said corporation

DOROTHY K. PLEDGER
MY COMMISSION EXPIRES
AUG 3, 2003

_____
Notary Public in and for the State of Texas

Dorothy K. Pledger
Notary's Printed Name

ACKNOWLEDGMENT

THE STATE OF TEXAS }
THE COUNTY OF HARRIS }

This instrument was acknowledged before me on this 27th day of September, 2000, by ROBERT E PLEDGER, as President of BENCHMARK OIL AND GAS COMPANY, a Texas corporation, on behalf of said corporation.

_____
Notary Public in and for the State of Texas

Teresa O'Brien Beeman
Notary's Printed Name

TERESA O'BRIEN BEEMAN
MY COMMISSION EXPIRES
July 30, 2004

I CERTIFY THIS IS A TRUE COPY
Witness my Hand and Seal of Office
OCT 01 2001
SANDY WALKER, COUNTY CLERK
JEFFERSON COUNTY, TEXAS
BY Sheila Peveto DEPUTY
SHEILA PEVETO

EXHIBIT "A" VOL 1202 PAGE 322

THIS EXHIBIT "A" IS ATTACHED TO AND BY REFERENCE MADE A PART OF THAT CERTAIN ASSIGNMENT OF OIL AND GAS LEASES DATED SEPTEMBER 26, 2000 FROM STANCO OIL & GAS COMPANY TO BENCHMARK OIL AND GAS COMPANY.

1. Oil and Gas Lease No. M-97590 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering S/2 of Tract 8, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 161826 in Vol. 1015, Page 681 of the Official Public Records of Real Property of Orange County, Texas, and under Clerk's File No. 97-9702888 of the Official Public Records of Real Property of Jefferson County, Texas.

2. Oil and Gas Lease No. M-97589 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering N/2 of Tract 8, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 161825 in Vol. 1015, Page 672 of the Official Public Records of Real Property of Orange County, Texas, and under Clerk's File No. 97-9702887 of the Official Public Records of Real Property of Jefferson County, Texas.

3. Oil and Gas Lease No. M-97591 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering Tract 9, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 414.69 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 161828 in Vol. 1015, Page 699 of the Official Public Records of Real Property of Orange County, Texas, and under Clerk's File No. 97-9702889 of the Official Public Records of Real Property of Jefferson County, Texas.

4. Oil and Gas Lease No. M-97592 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering Tract 4, Sabine Lake, Orange County, Texas, containing approximately 522.33 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 161827 in Vol. 1015, Page 690 of the Official Public Records of Real Property of Orange County, Texas.

FILED FOR RECORD

'00 OCT 12 A11 :24

KAREN JO YANCE
COUNTY CLERK
ORANGE COUNTY, TEXAS

STATE OF TEXAS COUNTY OF ORANGE

I hereby certify that this instrument was filed on the date and time stamped hereon by me and was duly recorded in the Official Public Records of Real Property of Orange County, Texas, on

OCT 12 2000

COUNTY CLERK Orange County, Texas

I CERTIFY THIS IS A TRUE COPY
Witness my Hand and Seal of Office
OCT 01 2001
SANDY WALKER, COUNTY CLERK
JEFFERSON COUNTY, TEXAS
BY _____ DEPUTY
SHEILA PEVETO

FILED AND RECORDED

Sandy Walker

2001 SEP 17 01:11 PM 2001033419
SANDY WALKER
COUNTY CLERK
JEFFERSON COUNTY, TEXAS

I CERTIFY THIS IS A TRUE COPY
Witness my Hand and Seal of Office
OCT 01 2001
SANDY WALKER, COUNTY CLERK
JEFFERSON COUNTY, TEXAS
BY Sheila Peveto DEPUTY
SHEILA PEVETO

215833

VOL 1202 PAGE 320

ASSIGNMENT OF OIL AND GAS LEASES

THE STATE OF TEXAS }
} KNOW ALL MEN BY THESE PRESENTS:
THE COUNTIES OF ORANGE AND JEFFERSON }

THAT, STANCO OIL & GAS COMPANY ("STANCO"), a Texas corporation, whose address is 3422 Townbluff Ct., Plano, Texas 75023, hereinafter called "Assignor", for and in consideration of Ten Dollars ($10.00) and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, does hereby Assign, Transfer, Sell and Convey unto, BENCHMARK OIL AND GAS COMPANY (BENCHMARK"), a Texas corporation, whose address is 1880 South Dairy Ashford Rd., Suite 540, Houston, Texas 77077 hereinafter called "Assignee", an undivided One Hundred percent (100.0%) of eight-eighths (8/8ths) interest in the Oil and Gas Leases (hereinafter called "said leases"), and interest therein, described in Exhibit "A" attached hereto (which by reference is attached and made a part hereof for all legal purposes), together with a like interest in all production, if any, produced under said leases and attributable to such interest, and a like interest in all personal property, fixtures and equipment, if any, located on the lands covered by said leases. The lands covered by said leases are located in Orange County and Jefferson County, Texas.

TO HAVE AND TO HOLD the same unto Assignee, its heirs, successors and assigns, forever, subject however, to the following terms, conditions and provisions, to-wit:

1. This assignment is being made under the terms and conditions of an unrecorded Letter Agreement dated effective on September 20, 1996, between Assignor and Assignee, and is further made subject to all of the terms and conditions included therein and to the terms and conditions of all of the Exhibits attached to and incorporated therein by reference.

2. It is specifically provided that if the assignment or attempted assignment of any of said leases without the consent of the lessor, or any party from whom consent to assign is necessary, would constitute a breach or result in a forfeiture thereof, this Assignment shall become effective with respect thereto only upon receipt of such consent, and Assignor shall continue to hold such interest for Assignee until such consent is obtained.

3. The terms, conditions, provisions and covenants hereof shall be binding upon and inure to the benefit of Assignor and Assignee, and to their respective heirs, successors and assigns; and, such terms, covenants and conditions shall be covenants running with the lands covered by said leases and assigned premises and with each transfer or assignment of said leases. Any conflict between the terms and conditions hereof and those of the Letter Agreement referenced in 1. above, shall be controlled by the terms and provisions of the Letter Agreement.

FB:ROBERT & DOROTHY PLEDGER
1210 TRACE DRIVE
HOUSTON TX 77077

When Recorded, Return To:
BENCHMARK OIL AND GAS COMPANY
1880 S. Dairy Ashford; Suite 540
Houston, Texas 77077
7.00 + 3.00RP + 1.00SF

A CERTIFIED COPY OCT 04 2001
ATTEST:
KAREN JO VANCE, County Clerk
Orange County, Texas
By Pam Seastrunk
PAM SEASTRUNK, DEPUTY

4. Assignor agrees to warrant and defend the title to said leases and the lands covered thereby, by, through and under it, but no further.

IN WITNESS WHEREOF, this instrument is executed this 27th day of September, 2000.

ASSIGNOR:
STANCO OIL & GAS COMPANY

BY: _____
JOEL STANLEY, PRESIDENT

ASSIGNEE:
BENCHMARK OIL AND GAS COMPANY

BY: _____
ROBERT E. PLEDGER, PRESIDENT

ACKNOWLEDGMENT

THE STATE OF TEXAS }
THE COUNTY OF Dallas }

This instrument was acknowledged before me on this 27th day of September, 2000, by JOEL STANLEY, as President of STANCO OIL & GAS COMPANY, a Texas corporation, on behalf of said corporation.

_____
Notary Public in and for the State of Texas
Dorothy K. Pledger
Notary's Printed Name

OTHY K. PLEDGER
MISSION EXPIRES
3, 2003

ACKNOWLEDGMENT

THE STATE OF TEXAS }
THE COUNTY OF HARRIS }

This instrument was acknowledged before me on this 27th day of September, 2000, by ROBERT E. PLEDGER, as President of BENCHMARK OIL AND GAS COMPANY, a Texas corporation, on behalf of said corporation.

_____
Notary Public in and for the State of Texas
Teresa O'Brien Beeman
Notary's Printed Name

TERESA O'BRIEN BEEMAN
MY COMMISSION EXPIRES
July 30, 2004

A CERTIFIED COPY OCT 04 2001
ATTEST: _____
KAREN JO VANCE, County Clerk
Orange County, Texas
By _____
PAM SEASTRUNK, DEPUTY

EXHIBIT "A" VOL 1202 PAGE 322

THIS EXHIBIT "A" IS ATTACHED TO AND BY REFERENCE MADE A PART OF THAT CERTAIN ASSIGNMENT OF OIL AND GAS LEASES DATED SEPTEMBER 26, 2000 FROM STANCO OIL & GAS COMPANY TO BENCHMARK OIL AND GAS COMPANY.

1. Oil and Gas Lease No. M-97590 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering S/2 of Tract 8, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 161826 in Vol. 1015, Page 681 of the Official Public Records of Real Property of Orange County, Texas, and under Clerk's File No. 97-9702888 of the Official Public Records of Real Property of Jefferson County, Texas.

2. Oil and Gas Lease No. M-97589 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering N/2 of Tract 8, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 161825 in Vol. 1015, Page 672 of the Official Public Records of Real Property of Orange County, Texas, and under Clerk's File No. 97-9702887 of the Official Public Records of Real Property of Jefferson County, Texas.

3. Oil and Gas Lease No. M-97591 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering Tract 9, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 414.69 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 161828 in Vol. 1015, Page 699 of the Official Public Records of Real Property of Orange County, Texas, and under Clerk's File No. 97-9702889 of the Official Public Records of Real Property of Jefferson County, Texas.

4. Oil and Gas Lease No. M-97592 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering Tract 4, Sabine Lake, Orange County, Texas, containing approximately 522.33 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 161827 in Vol. 1015, Page 690 of the Official Public Records of Real Property of Orange County, Texas.

FILED FOR RECORD

'00 OCT 12 A11 :24

KAREN JO VANCE
COUNTY CLERK
ORANGE COUNTY, TEXAS

BY _____ DEPUTY

A CERTIFIED COPY OCT 04 2001
ATTEST: _____
KAREN JO VANCE, County Clerk
Orange County, Texas
By _____
PAM SEASTRUNK, DEPUTY

10-21-01

File No. MF097589

19.

Assignment

Date Filed: 5/15/02

David Dewhurst, Commissioner

By

Shut-In Affidavit

Enter appropriate comments, if any, and initial.
Pass to next department:

	INITIAL:	DATE:
Affidavit Auditor	[signature]	11 25 02
Comments:	2nd annual Request	
Mineral Leasing	[signature]	12/2/02
Comments:	Waiting on pipeline connection	
Legal-Energy	[signature]	12,2,02
Comments:		

Shut-In Affidavit

Texas General Land Office
David Dewhurst, Commissioner
PO Box 12873
Austin, TX 78711-2873

Please respond fully to all applicable questions on this affidavit. Shut-in may be denied for failure to provide information establishing the validity of this request for shut-in status. For shut-in leases contained within units, separate affidavits must be submitted for each state lease within the unit.

Land Office lease no.	Operator		
M- 97589	NEG Operating LLC		
Lease name	Field name		
State Tr 8	Sabine Lake		
Area	Tract	Part	Acres
Sabine Lake	8	N/2	320
Section	Block	Grantee	County
			Jefferson and Orange

SHUT-IN PAYMENTS

Wells must be capable of producing in paying quantities. Attach an extra sheet to list additional gas wells.

GAS			
Well #	RRC ID #	Date shut-in	Produced in past?
1	Pending	November 4, 2001	☐ Yes ☑ No

Reason shut-in Waiting on pipeline connection

Well capable of producing @ 9300 MCF/D + 750 Bbls condensate + 0 BBls Water

Well #	RRC ID #	Date shut-in	Produced in past?
			☐ Yes ☐ No

Reason shut-in _____

Well capable of producing @ _____ MCF/D + _____ Bbls condensate + _____ BBls Water

Well #	RRC ID #	Date shut-in	Produced in past?
			☐ Yes ☐ No

Reason shut-in _____

Well capable of producing @ _____ MCF/D + _____ Bbls condensate + _____ BBls Water

Please list additional oil wells in the additional information section below

OIL					
RRC Lease ID #	No. of wells for ID #	Date shut-in	TOTAL DAILY POTENTIAL RATE FOR ID #		
			Bbls oil	MCF gas	Bbls water

Reason oil wells are shut-in _____

20-41-11

Method of water disposal for above gas and oil leases _____

Total shut-in payment due for this lease $ 6,400.00

Indicate which one of these is applicable
- [x] payment is being made at the rate of twice the annual rental
- [ ] payment is being made at the rate of $ _____ for each well/completion

Are gas wells connected to a pipeline?

- [ ] YES
- [x] NO

Will purchaser take gas?

- [ ] yes-price per MCF offered $ Unknown
- [ ] no

Name of nearest purchaser Unknown

Distance _____

Price offered $ _____

List all producing wells within 1,000 feet of this lease. If there are wells more than 1,000 feet from the lease which are draining the lease, list these also.

Operator	Lease Name	Well #	RRC ID #	Distance	Completion Interval	Status
None						

Please provide any additional information here:

Contact David V. Rigsby **Phone** 214-692-9211 Ext. 132
Operator's representative

I certify that this statement is true and correct.

David V. Rigsby

By: David V. Rigsby Title: Vice-President, Land

Sworn and subscribed to before me, the undersigned authority

this 11th day of November, 20 2

Dorothy R. Wagner

Notary Public in and for

Dallas County, State of Texas

DOROTHY L. WAGNER
Notary Public
State of Texas
My Commission Expires
May 12, 2005

GLO Use Only

Receiving Stamp

20.11.11

NEG OPERATING LLC

November 12, 2002

Texas General Land Office
P.O. Box 12873
Austin, TX 78711-2873

Attn: Linda Anderson
Minerals Leasing Energy Resources

Re: M-97589, M-97590, M-97592, M-97592
Orange and Jefferson Counties, Texas

Dear Ms. Anderson:

Attached please find four (4) executed shut-in affidavits along with the shut-in payments due for each of the above listed oil and gas leases. Please let me know if you need additional information.

Sincerely,

NEG OPERATING LLC by
National Energy Group, Inc.

Susan K Hopson

Susan K. Hopson
Lease Records Manager

Enclosures

1400 One Energy Square • 4925 Greenville Avenue • Dallas, Texas 75206 • (214) 692-8211 • FAX (214) 692-9310

PAYMENT IS MADE UNDER INSTRUMENT DESCRIBED BELOW PLEASE DEPOSIT AMOUNT OF CHECK TO THE CREDIT OF PARTY OR PARTIES NAMED
DATE, SIGN AND RETURN THIS RECEIPT ON THE DAY YOU RECEIVE IT.
THIS PAYMENT IS MADE IN A MANNER TO CONFORM TO THE TERMS OF THE INSTRUMENT REFERRED TO WHEREIN YOU ARE NAMED DEPOSITORY

WHEN SIGNED, PLEASE MAIL TO:

NEG OPERATING LLC
1400 One Energy Square, 4925 Greenvile Avenue
Dallas, Texas 75206
Delay Rental Account

RENTAL RECEIPT/
SHUT IN RECEIPT

JP MORGANCHASE BANK
DALLAS, TEXAS

DATE 11/08/02 NO. 68

LEASE RECORDS ACCOUNT

COUNTY	STATE	RECORDED-BOOK PAGE	DATE OF LEASE	RENTAL PERIOD MONTHS	FROM	TO
JEFFERSON - ORANG	TEXAS	-	10/01/96	12	12/01/02	12/01/03

LEASE NUMBER	ORIGINAL LESSOR IDENTIFICATION OR LEASE SERIAL NUMBER		PAY EXACTLY
420531.00	ST TX M-97589	03010134	$6,400.00

PAY TO THE ORDER OF

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

RECEIVED ON _____ 20
THE AMOUNT SHOWN ABOVE

NAME OF BANK, CORPORATION OR INDIVIDUAL

BY _____

RECEIPT IS HEREBY ACKNOWLEDGED OF THE AMOUNT STATED WHICH IS IN FULL SETTLEMENT OF RENTAL/SHUT-IN DUE PARTY NAMED COVERING OUR INTEREST IN OIL AND GAS LEASE DESCRIBED HEREIN

PAYEE WILL PLEASE DATE, SIGN AND RETURN THIS RECEIPT BY NEXT MAIL. OFFICERS SIGNING FOR CORPORATIONS WILL PLEASE GIVE FULL NAME AND TITLE

TO BE CREDITED TO	RENTAL AMOUNT	BANK
** SHUT-INS ** TEXAS GENERAL LAND OFFICE P O BOX 12873 AUSTIN, TEXAS 78711-2873	SUN $6,400.00	

TRACT	WELL	LEASE/SECTION
1183	12591	STATE TRACT 8 #1

N/2 OF TRACT 8, SABINE LAKE,
JEFFERSON AND ORANGE COUNTIES, TEXAS,
CONTAINING 320 ACRES, MORE OR LESS,
AS SHOWN ON THE OFFICIAL MAP OF
SABINE LAKE, NOW ON FILE IN THE TEXAS
More Legal Description On File

RECEIVED
02 NOV 14 PM 3:41
ENERGY RESOURCES

PAYEE: DETACH THIS STATEMENT BEFORE DEPOSITING

File No. MF-97589

Shirah Haymart

Date Filed: 11-14-02

David Dewhurst, Commissioner

By

11.14.05

TEXAS GENERAL LAND OFFICE
JERRY PATTERSON, COMMISSIONER

February 18, 2003

M-97589

FILE COPY

Dotty Wagner
National Energy Group, Inc.
1400 One Energy Square
4925 Greenville Ave.
Dallas, Texas 75206

RE: Assignment filing; GLO ID 3624

Dear Ms. Wagner,

The General Land Office received the following instrument(s) and has filed them in the appropriate files. Please see attached "Exhibit A" for reference.

> Conveyance executed May 1st, 2002, from National Energy Group, Inc., as Assignor, to NEG Operating LLC, as Assignee. Orange and Jefferson Counties, MF09590, MF097589, MF097591, MF097592 MF102078. MF091590

Filing fees of $200.00 were received in connection with the above lease. If you have any questions, please feel free to call me at (800) 998-4GLO, or at my direct number at (512) 463-6521.

Sincerely,

Beverly Boyd
Mineral Leasing
Energy Resources
512-463-6521

Exhibit "A"

GLO ID	*County*	*Lease*
3624		
	Orange	MF097589
	Orange/Jeffer	MF097590
	Orange/Jeffer	MF097591
	Orange/Jeffer	MF097592
	Orange/Jeffer	MF102078

NATIONAL ENERGY GROUP, INC.
1400 One Energy Square . 4925 Greenville Avenue
Dallas, Texas 75206
Accounts Payable Account

JPMORGAN CHASE BANK
DALLAS, TEXAS

PAYEE		DATE	CHECK NUMBER	AMOUNT
STATE OF TEXAS	66222	06/07/02	667	$200.00

VOUCHER	VENDOR INV #	INV DATE	TOTAL AMOUNT	PRIOR PAYMENTS	NET AMOU
06-AP-11	060602	06/06/02	200.00	0.00	200.00
ORANGE & JEFFERSON COUNTIES, TX CONVEYANCE					
TOTAL INVOICES PAID					200.00

02040776

Attn: Linda Anderson

121

X 200.00

RECEIVED
02 JUN 26 PM 2:53

PAYEE: DETACH THIS STATEMENT BEFORE DEPOSITING

NATIONAL ENERGY GROUP, INC.

$0 IK

3624

June 21, 2002

State of Texas
General Land Office
P.O. Box 12873
Austin, Texas 78711-2873

Attention: Ms. Linda Anderson

Re: 1.Conveyance
between National Energy Group, Inc. & NEG Operating LLC
Orange County, Texas - Lease No.'s – M-97590, M-97589, M-97591, M97592 & M-102078

2.Conveyance
between National Energy Group, Inc. & NEG Operating LLC
Jefferson County, Texas - Lease No.'s – M-97590, M-97589 & M-97591

Dear Ms. Anderson:

Please find enclosed a certified copy of each Conveyance referenced above and a check in the amount of $200.00 for the filing fees.

If you have any questions, please contact me at the number listed below.

Thank you,

Dotty Wagner
Land Assistant

1400 One Energy Square • 1925 Greenville Avenue • Dallas, Texas 75206 • (214) 692-9211 • FAX (214) 692-9310

FILED BY AND RETURN TO
NATIONAL ENERGY GROUP INC
1400 ONE ENERGY SQUARE
4925 GREENVILLE AVENUE
DALLAS TX 75206

$11.00
+$3.00 RP
+$1.00 SF

VOL 1290 PAGE 442

FILED FOR RECORD
KAREN D VANCE
02 MAY 17 A7:34
COUNTY CLERK, ORANGE COUNTY, TEXAS
BY [illegible] DEPUTY

STATE OF TEXAS §
§
COUNTY OF ORANGE §

237068

CONVEYANCE

NATIONAL ENERGY GROUP, INC. (herein called "Grantor"), whose address is 4925 Greenville Avenue, Suite 1400, Dallas, Texas 75206, for Ten Dollars and other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged), does hereby GRANT, BARGAIN, SELL, CONVEY, ASSIGN, TRANSFER, SET OVER, and DELIVER unto **NEG OPERATING LLC**, a Delaware limited liability company (herein called "Grantee"), whose address is c/o Icahn Associates Corp., 767 Fifth Avenue, 47th Floor, New York, NY 10153 (all notices and correspondence should be addressed to National Energy Group, Inc., whose address is 4925 Greenville Avenue, Suite 1400, Dallas, Texas 75206), the following described properties, rights and interests (the "Assets"):

(a) All of Grantor's undivided right, title and interest in and to each of the oil, gas and/or mineral leases described in Exhibit "A" hereto, any ratifications and/or amendments to such lease (whether or not such ratifications or amendments are described in Exhibit "A"); and

(b) Without limitation of the foregoing, all of Grantor's right, title and interest (of whatever kind or character, whether legal or equitable, and whether vested or contingent) in and to the oil, gas and other minerals in and under or that may be produced from the lands or leases described in Exhibit "A" hereto, including, without limitation, interests in all oil, gas and/or mineral leases covering such lands, overriding royalties, production payments and net profits interests, fee mineral interests, fee royalty interests and all other interests in such oil, gas and other minerals, even though Grantor's interest in such oil, gas and other minerals may be incorrectly described in or omitted from such Exhibit "A"; and

(c) All of Grantor's right, title and interest in and to, or otherwise derived from, all presently existing and valid oil, gas and/or mineral unitization, pooling and/or communitization agreements, declarations and/or orders and in and to the oil and gas properties covered and the units created thereby (including, without limitation, all units formed under orders, rules, regulations, or other official acts of any federal, state or other authority having jurisdiction, and voluntary unitization agreements, designations and/or declarations) relating to the properties described in subsections (a) and (b) above; and

(d) All of Grantor's right, title and interest in and to all presently existing and valid rights-of-way and easements, production sales contracts, operating agreements, unit agreements and other agreements and contracts which relate to any of the oil and gas properties described herein; and

(e) All of Grantor's right, title and interest in and to all materials, supplies, machinery, equipment, improvements and other personal property and fixtures (including, but not by way of limitation, all wells, wellhead equipment, pumping units, flowlines, tanks, buildings, injection facilities, saltwater disposal facilities, compression facilities, gathering systems and other equipment) located on the properties described in subsections (a), (b) and (c) above and/or used in connection with the exploration, development, operation or maintenance thereof; and

(f) All of Grantor's interest in the operating agreements and certain oil and gas production, gas gathering, transportation, treating, processing and similar such contracts pertaining to the oil and gas properties described herein, which contracts are separately identified and assigned by Grantor to Grantee by a separate instrument between the parties; and

(g) All proceeds, benefits, income or revenue attributable to the properties described herein from and after October 16, 2001 at 7:00 a.m. local time at the location of the Assets, and received in connection with accounts relating to the properties (including joint interest billings under

20-92-9

A CERTIFIED COPY JUN 13 2002
ATTEST:_____
KAREN JO VANCE, County Clerk
Orange County, Texas
By: Tiffany Schleicher
TIFFANY SCHLEICHER, Deputy

applicable operating agreements and proceeds from the sale of oil and gas attributable to the properties from and after October 16, 2001 at 7:00 a.m. local time at the location of the Assets); and

(h) All of Grantor's lease files, abstracts and title opinions, production records, well files, accounting records (but not including general financial accounting or tax accounting records), electric logs and all other logs, engineering files, geological and geophysical data, maps, interpretations and records (subject to any contractual or other restrictions relating to the transfer of such data, maps, interpretations and records), and other files, documents and records which directly relate to the oil and gas properties described herein, subject to Grantor's right to retain copies of the same.

TO HAVE AND TO HOLD the Assets unto Grantee, its successors and assigns forever.

THIS CONVEYANCE IS MADE WITHOUT WARRANTIES OR REPRESENTATIONS OF ANY KIND; ALL REPRESENTATIONS AND WARRANTIES BEING EXPRESSLY DISCLAIMED, EXCEPT THAT GRANTOR WARRANTS AND AGREES TO DEFEND TITLE TO THE ASSETS AGAINST THE LAWFUL CLAIMS AND DEMANDS OF ALL PERSONS CLAIMING THE SAME OR ANY PART THEREOF BY, THROUGH, OR UNDER GRANTOR, BUT NOT OTHERWISE; AND SPECIFICALLY IN THIS CONNECTION, BUT WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, ALL EQUIPMENT, OTHER PERSONAL PROPERTY AND FIXTURES SOLD AND CONVEYED TO GRANTEE ARE SOLD AND CONVEYED ON AN "AS IS" AND "WHERE IS" BASIS; AND GRANTOR EXPRESSLY DISCLAIMS ANY AND ALL SUCH OTHER REPRESENTATIONS AND WARRANTIES. WITHOUT LIMITATION OF THE FOREGOING, THE ASSETS SHALL BE CONVEYED PURSUANT HERETO WITHOUT ANY WARRANTY OR REPRESENTATION, WHETHER EXPRESS, IMPLIED, STATUTORY OR OTHERWISE, RELATING TO THE CONDITION, QUANTITY, QUALITY, FITNESS FOR A PARTICULAR PURPOSE, CONFORMITY TO THE MODELS OR SAMPLES OF MATERIALS OR MERCHANTABILITY OF ANY EQUIPMENT OR ITS FITNESS FOR ANY PURPOSE WITHOUT ANY OTHER EXPRESS, IMPLIED, STATUTORY OR OTHER WARRANTY OR REPRESENTATION WHATSOEVER. GRANTEE SHALL HAVE INSPECTED OR WAIVED (AND UPON CLOSING SHALL BE DEEMED TO HAVE WAIVED) ITS RIGHT TO INSPECT THE ASSETS FOR ALL PURPOSES AND SATISFIED ITSELF AS TO THEIR PHYSICAL AND ENVIRONMENTAL CONDITION, BOTH SURFACE AND SUBSURFACE, INCLUDING BUT NOT LIMITED TO CONDITIONS SPECIFICALLY RELATED TO THE PRESENCE, RELEASE OR DISPOSAL OF HAZARDOUS SUBSTANCES, SOLID WASTES, ASBESTOS OR OTHER MANMADE FIBERS OR NATURALLY OCCURRING RADIOACTIVE MATERIALS ("NORM") IN, ON OR UNDER THE ASSETS. GRANTEE IS RELYING SOLELY UPON ITS OWN INSPECTION OF THE ASSETS, AND GRANTEE SHALL ACCEPT ALL OF THE SAME IN THEIR "AS IS, WHERE IS" CONDITION. ALSO WITHOUT LIMITATION OF THE FOREGOING, GRANTOR MAKES NO WARRANTY OR REPRESENTATION, EXPRESS, IMPLIED, STATUTORY OR OTHERWISE, AS TO THE ACCURACY OR COMPLETENESS OF ANY DATA, REPORTS, RECORDS, PROJECTIONS, INFORMATION OR MATERIALS NOW, HERETOFORE OR HEREAFTER FURNISHED OR MADE AVAILABLE TO GRANTEE IN CONNECTION WITH THIS CONVEYANCE INCLUDING, WITHOUT LIMITATION, RELATIVE TO PRICING ASSUMPTIONS, OR QUALITY OR QUANTITY OF HYDROCARBON RESERVES (IF ANY) ATTRIBUTABLE TO THE ASSETS OR THE ABILITY OR POTENTIAL OF THE ASSETS TO PRODUCE HYDROCARBONS OR THE ENVIRONMENTAL CONDITION OF THE ASSETS, OR ANY OTHER MATTERS CONTAINED IN THE PROPRIETARY DATA OR ANY OTHER MATERIALS FURNISHED OR MADE AVAILABLE TO GRANTEE BY GRANTOR OR BY GRANTOR'S AGENTS OR REPRESENTATIVES. ANY AND ALL SUCH DATA, RECORDS, REPORTS, PROJECTIONS, INFORMATION AND OTHER MATERIALS (WRITTEN OR ORAL) FURNISHED BY GRANTOR OR OTHERWISE MADE AVAILABLE OR DISCLOSED TO GRANTEE SHALL NOT CREATE OR GIVE RISE TO ANY LIABILITY OF OR AGAINST GRANTOR, AND ANY RELIANCE ON OR USE OF THE SAME SHALL BE AT GRANTEE'S SOLE RISK TO THE MAXIMUM EXTENT PERMITTED BY LAW.

A CERTIFIED COPY JUN 13 2002
ATTEST: _____
KAREN JO VANCE, County Clerk
Orange County, Texas
By Tiffany Schleicher
TIFFANY SCHLEICHER, Deputy

20.92.9

This Conveyance is made with subrogation of Grantee as to any representations and warranties heretofore made by others relative to the Assets.

This Conveyance may be executed in several counterparts all of which are identical, except that, to facilitate recordation, in certain counterparts hereof, only that portion of Exhibit "A" that contains specific descriptions of assets located in the recording jurisdiction in which the particular counterpart is to be recorded are included, and other portions of Exhibit "A" are included by reference only. All such counterparts together shall constitute one and the same instrument. Complete copies of this Conveyance containing the entire Exhibit "A" have been retained by Grantor and Grantee.

IN WITNESS WHEREOF this Conveyance has been executed on May 1, 2002, effective as to runs of oil and deliveries of gas and for all other purposes as of 7:00 A.M. local time at the locations of the Assets, respectively on October 16, 2001.

GRANTOR
NATIONAL ENERGY GROUP, INC.

By: _____
Name: David V. Rigsby
Title: Vice President-Land

GRANTEE
NEG OPERATING LLC
By: NEG Holding LLC, sole member
By: Gascon Partners, managing member
By: Astral Gas Corp. and Cigas Corp.
General Partners

By: _____
Name: Edward F. Mattner
Title: President

A CERTIFIED COPY
ATTEST: JUN 13 2002
KAREN JO VANCE, County Clerk
Orange County, Texas
By: Tiffany Schlicher
TIFFANY SCHLICHER, Deputy

20.92.0

ACKNOWLEDGMENTS

STATE OF TEXAS §
§
COUNTY OF DALLAS §

Before me, a Notary Public, in and for said county and state, on this 1st day of May, 2002, personally appeared David V. Rigsby, to me known to be the identical person who subscribed the name of National Energy Group, Inc. the maker thereof, to the foregoing instrument as its Vice President-Land and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of such corporation for the uses and purposes therein set forth.

Witness my hand and official seal.

DOROTHY L. WAGNER
Notary Public
State of Texas
My Commission Expires
May 12, 2005

Dorothy L. Wagner
Notary Public, State of Texas
Printed Name of Notary: Dorothy L. Wagner
My Commission Expires: May 12, 2005

STATE OF NEW YORK §
§
COUNTY OF NEW YORK §

Before me, a Notary Public, in and for said count and state, on this 6th day of May, 2002, personally appeared Edward E. Mattner, to me known to be the identical person who subscribed the name of Astral Gas Corp. and Cigas Corp., Delaware corporations, as general partners of Gascon Partners, a New York general partnership, as managing member for NEG Holding LLC, a Delaware limited liability company, as the sole member of NEG Operating LLC, a Delaware limited liability company, the maker thereof, to the foregoing instrument as its Presider.t and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of such limited liability company for the uses and purposes therein set forth.

Witness my hand and official seal

DOLORES TOOMEY
Notary Public, State of New York
No. 41-4771811
Qualified in Queens County
Commission Expires May 31, 2002

Dolores Toomey
Notary Public, State of New York
Printed Name of Notary: _____
My Commission Expires: _____

A CERTIFIED COPY JUN 13 2002
ATTEST: _____
KAREN JO VANCE, County Clerk
Orange County, Texas
By Tiffany Schlicher
TIFFANY SCHLICHER, Deputy

20.92.9

EXHIBIT "A"

Attached to that certain Conveyance, effective date October 16, 2001, by and between National Energy Group, Inc., and NEG Operating LLC.

1. Oil and Gas Lease No. M-97590 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering S/2 of Tract 8, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 161826 in Vol. 1015, Page 681 of the Official Public Records of Real Property of Orange County, Texas, and under Clerk's File No.97-9702888 of the Official Public Records of Real Property of Jefferson County, Texas.

2. Oil and Gas Lease No. M-97589 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering N/2 of Tract 8, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 161825 in Vol.1015, Page 672 of the Official Public Records of Real Property of Orange County, Texas, and under Clerk's File No. 97-9702887 of the Official Public Records of Real Property of Jefferson County, Texas.

3. Oil and Gas Lease No. M-97591 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering Tract 9, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 414.69 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 161828 in Vol. 1015, Page 699 of the Official Public Records Of Real Property of Orange County, Texas, and under Clerk's File No. 97-9702889 of the Official Public Records of Real Property of Jefferson County, Texas.

4. Oil and Gas Lease No. M-97592 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering Tract 4, Sabine Lake, Orange County, Texas, containing approximately 522.33 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 161827 in Vol. 1015, Page 690 of the Official Public Records of Real Property of Orange County, Texas.

5. Oil And Gas Lease No. M-102078 dated July 10, 2001, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering S/2 Tract 5, Sabine Lake, Orange County, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 227589 in Vol. 1249, Page 506 of the Official Public Records of Real Property of Orange County, Texas, and under Clerk's File No. 2001035007 of the Official Public Records of Real Property of Jefferson County, Texas.

A CERTIFIED COPY JUN 13 2002
ATTEST:_____
KAREN JO VANCE, County Clerk
Orange County, Texas
By Tiffany Schlicher
TIFFANY SCHLICHER, Deputy

20-92-9

The State of Texas

County of Orange

I, Karen Jo Vance, County Clerk for Orange County, Texas, do hereby certify that the above and foregoing is a true and correct copy of A CONVEYANCE

File No. 237068, BETWEEN NATIONAL ENERGY GROUP, INC. AND N E G OPERATING

as the same appears of record in Volume 1290, Page 442, Official Public Records of Real Property, Orange County, Texas.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 13TH day of JUNE, 2002.

KAREN JO VANCE,

COUNTY CLERK

ORANGE COUNTY, TEXAS

By Tiffany Schleicher Deputy.

Tiffany Schlicher

20.00.0

2002017862 5 pgs

STATE OF TEXAS §
§
COUNTY OF JEFFERSON §

CONVEYANCE

NATIONAL ENERGY GROUP, INC. (herein called "Grantor"), whose address is 4925 Greenville Avenue, Suite 1400, Dallas, Texas 75206, for Ten Dollars and other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged), does hereby GRANT, BARGAIN, SELL, CONVEY, ASSIGN, TRANSFER, SET OVER, and DELIVER unto **NEG OPERATING LLC**, a Delaware limited liability company (herein called "Grantee"), whose address is c/o Icahn Associates Corp , 767 Fifth Avenue, 47th Floor, New York, NY 10153 (all notices and correspondence should be addressed to National Energy Group, Inc., whose address is 4925 Greenville Avenue, Suite 1400, Dallas, Texas 75206), the following described properties, rights and interests (the "Assets")

(a) All of Grantor's undivided right, title and interest in and to each of the oil, gas and/or mineral leases described in Exhibit "A" hereto, any ratifications and/or amendments to such lease (whether or not such ratifications or amendments are described in Exhibit "A"); and

(b) Without limitation of the foregoing, all of Grantor's right, title and interest (of whatever kind or character, whether legal or equitable, and whether vested or contingent) in and to the oil, gas and other minerals in and under or that may be produced from the lands or leases described in Exhibit "A" hereto, including, without limitation, interests in all oil, gas and/or mineral leases covering such lands, overriding royalties, production payments and net profits interests, fee mineral interests, fee royalty interests and all other interests in such oil, gas and other minerals, even though Grantor's interest in such oil, gas and other minerals may be incorrectly described in or omitted from such Exhibit "A", and

(c) All of Grantor's right, title and interest in and to, or otherwise derived from, all presently existing and valid oil, gas and/or mineral unitization, pooling and/or communitization agreements, declarations and/or orders and in and to the oil and gas properties covered and the units created thereby (including, without limitation, all units formed under orders, rules, regulations, or other official acts of any federal, state or other authority having jurisdiction, and voluntary unitization agreements, designations and/or declarations) relating to the properties described in subsections (a) and (b) above, and

(d) All of Grantor's right, title and interest in and to all presently existing and valid rights-of-way and easements, production sales contracts, operating agreements, unit agreements and other agreements and contracts which relate to any of the oil and gas properties described herein; and

(e) All of Grantor's right, title and interest in and to all materials, supplies, machinery, equipment, improvements and other personal property and fixtures (including, but not by way of limitation, all wells, wellhead equipment, pumping units, flowlines, tanks, buildings, injection facilities, saltwater disposal facilities, compression facilities, gathering systems and other equipment) located on the properties described in subsections (a), (b) and (c) above and/or used in connection with the exploration, development, operation or maintenance thereof, and

(f) All of Grantor's interest in the operating agreements and certain oil and gas production, gas gathering, transportation, treating, processing and similar such contracts pertaining to the oil and gas properties described herein, which contracts are separately identified and assigned by Grantor to Grantee by a separate instrument between the parties, and

(g) All proceeds, benefits, income or revenue attributable to the properties described herein from and after October 16, 2001 at 7:00 a m local time at the location of the Assets, and received in connection with accounts relating to the properties (including joint interest billings under

COUNTY CLERK OF JEFFERSON COUNTY, TEXAS
TRUE AND CORRECT COPY OF ORIGINAL FILED IN JEFFERSON COUNTY CLERK'S OFFICE

applicable operating agreements and proceeds from the sale of oil and gas attributable to the properties from and after October 16, 2001 at 7:00 a.m local time at the location of the Assets); and

(h) All of Grantor's lease files, abstracts and title opinions, production records, well files, accounting records (but not including general financial accounting or tax accounting records), electric logs and all other logs, engineering files, geological and geophysical data, maps, interpretations and records (subject to any contractual or other restrictions relating to the transfer of such data, maps, interpretations and records), and other files, documents and records which directly relate to the oil and gas properties described herein, subject to Grantor's right to retain copies of the same.

TO HAVE AND TO HOLD the Assets unto Grantee, its successors and assigns forever.

THIS CONVEYANCE IS MADE WITHOUT WARRANTIES OR REPRESENTATIONS OF ANY KIND, ALL REPRESENTATIONS AND WARRANTIES BEING EXPRESSLY DISCLAIMED, EXCEPT THAT GRANTOR WARRANTS AND AGREES TO DEFEND TITLE TO THE ASSETS AGAINST THE LAWFUL CLAIMS AND DEMANDS OF ALL PERSONS CLAIMING THE SAME OR ANY PART THEREOF BY, THROUGH, OR UNDER GRANTOR, BUT NOT OTHERWISE, AND SPECIFICALLY IN THIS CONNECTION, BUT WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, ALL EQUIPMENT, OTHER PERSONAL PROPERTY AND FIXTURES SOLD AND CONVEYED TO GRANTEE ARE SOLD AND CONVEYED ON AN "AS IS" AND "WHERE IS" BASIS; AND GRANTOR EXPRESSLY DISCLAIMS ANY AND ALL SUCH OTHER REPRESENTATIONS AND WARRANTIES WITHOUT LIMITATION OF THE FOREGOING, THE ASSETS SHALL BE CONVEYED PURSUANT HERETO WITHOUT ANY WARRANTY OR REPRESENTATION, WHETHER EXPRESS, IMPLIED, STATUTORY OR OTHERWISE, RELATING TO THE CONDITION, QUANTITY, QUALITY, FITNESS FOR A PARTICULAR PURPOSE, CONFORMITY TO THE MODELS OR SAMPLES OF MATERIALS OR MERCHANTABILITY OF ANY EQUIPMENT OR ITS FITNESS FOR ANY PURPOSE WITHOUT ANY OTHER EXPRESS, IMPLIED, STATUTORY OR OTHER WARRANTY OR REPRESENTATION WHATSOEVER GRANTEE SHALL HAVE INSPECTED OR WAIVED (AND UPON CLOSING SHALL BE DEEMED TO HAVE WAIVED) ITS RIGHT TO INSPECT THE ASSETS FOR ALL PURPOSES AND SATISFIED ITSELF AS TO THEIR PHYSICAL AND ENVIRONMENTAL CONDITION, BOTH SURFACE AND SUBSURFACE, INCLUDING BUT NOT LIMITED TO CONDITIONS SPECIFICALLY RELATED TO THE PRESENCE, RELEASE OR DISPOSAL OF HAZARDOUS SUBSTANCES, SOLID WASTES, ASBESTOS OR OTHER MANMADE FIBERS OR NATURALLY OCCURRING RADIOACTIVE MATERIALS ("NORM") IN, ON OR UNDER THE ASSETS GRANTEE IS RELYING SOLELY UPON ITS OWN INSPECTION OF THE ASSETS, AND GRANTEE SHALL ACCEPT ALL OF THE SAME IN THEIR "AS IS, WHERE IS" CONDITION ALSO WITHOUT LIMITATION OF THE FOREGOING, GRANTOR MAKES NO WARRANTY OR REPRESENTATION, EXPRESS, IMPLIED, STATUTORY OR OTHERWISE, AS TO THE ACCURACY OR COMPLETENESS OF ANY DATA, REPORTS, RECORDS, PROJECTIONS, INFORMATION OR MATERIALS NOW, HERETOFORE OR HEREAFTER FURNISHED OR MADE AVAILABLE TO GRANTEE IN CONNECTION WITH THIS CONVEYANCE INCLUDING, WITHOUT LIMITATION, RELATIVE TO PRICING ASSUMPTIONS, OR QUALITY OR QUANTITY OF HYDROCARBON RESERVES (IF ANY) ATTRIBUTABLE TO THE ASSETS OR THE ABILITY OR POTENTIAL OF THE ASSETS TO PRODUCE HYDROCARBONS OR THE ENVIRONMENTAL CONDITION OF THE ASSETS, OR ANY OTHER MATTERS CONTAINED IN THE PROPRIETARY DATA OR ANY OTHER MATERIALS FURNISHED OR MADE AVAILABLE TO GRANTEE BY GRANTOR OR BY GRANTOR'S AGENTS OR REPRESENTATIVES ANY AND ALL SUCH DATA, RECORDS, REPORTS, PROJECTIONS, INFORMATION AND OTHER MATERIALS (WRITTEN OR ORAL) FURNISHED BY GRANTOR OR OTHERWISE MADE AVAILABLE OR DISCLOSED TO GRANTEE SHALL NOT CREATE OR GIVE RISE TO ANY LIABILITY OF OR AGAINST GRANTOR, AND ANY RELIANCE ON OR USE OF THE SAME SHALL BE AT GRANTEE'S SOLE RISK TO THE MAXIMUM EXTENT PERMITTED BY LAW.

TRUE AND CORRECT COPY OF ORIGINAL FILED IN JEFFERSON COUNTY CLERK'S OFFICE

This Conveyance is made with subrogation of Grantee as to any representations and warranties heretofore made by others relative to the Assets

This Conveyance may be executed in several counterparts all of which are identical, except that, to facilitate recordation, in certain counterparts hereof, only that portion of Exhibit "A" that contains specific descriptions of assets located in the recording jurisdiction in which the particular counterpart is to be recorded are included, and other portions of Exhibit "A" are included by reference only. All such counterparts together shall constitute one and the same instrument. Complete copies of this Conveyance containing the entire Exhibit "A" have been retained by Grantor and Grantee.

IN WITNESS WHEREOF this Conveyance has been executed on May 1, 2002, effective as to runs of oil and deliveries of gas and for all other purposes as of 7:00 A.M. local time at the locations of the Assets, respectively on October 16, 2001.

GRANTOR
NATIONAL ENERGY GROUP, INC.

By: _____
Name: David V. Rigsby
Title: Vice President-Land

GRANTEE
NEG OPERATING LLC
By: NEG Holding LLC, sole member
By: Gascon Partners, managing member
By: Astral Gas Corp. and Cigas Corp.
General Partners

By _____
Name: Edward E. Mattner
Title President

TRUE AND CORRECT
COPY OF ORIGINAL
FILED IN JEFFERSON
COUNTY CLERK'S OFFICE

ACKNOWLEDGMENTS

STATE OF TEXAS §
§
COUNTY OF DALLAS §

Before me, a Notary Public, in and for said county and state, on this 1st day of May, 2002, personally appeared David V. Rigsby, to me known to be the identical person who subscribed the name of National Energy Group, Inc the maker thereof, to the foregoing instrument as its Vice President-Land and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of such corporation for the uses and purposes therein set forth.

Witness my hand and official seal

DOROTHY L. WAGNER
Notary Public
State of Texas
My Commission Expires
May 12, 2005

Dorothy L. Wagner
Notary Public, State of Texas
Printed Name of Notary: Dorothy L. Wagner
My Commission Expires May 12, 2005

STATE OF NEW YORK §
§
COUNTY OF NEW YORK §

Before me, a Notary Public, in and for said count and state, on this 6th day of May, 2002, personally appeared Edward E. Mattner, to me known to be the identical person who subscribed the name of Astral Gas Corp and Cigas Corp , Delaware corporations, as general partners of Gascon Partners, a New York general partnership, as managing member for NEG Holding LLC, a Delaware limited liability company, as the sole member of NEG Operating LLC, a Delaware limited liability company, the maker thereof, to the foregoing instrument as its President and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of such limited liability company for the uses and purposes therein set forth

Witness my hand and official seal.

DOLORES TOOMEY
Notary Public, State of New York
No 41-4771811
Qualified in Queens County
Commission Expires May 31, 2002

Dolores Toomey
Notary Public, State of New York
Printed Name of Notary: _____
My Commission Expires: _____

TRUE AND CORRECT
COPY OF ORIGINAL
FILED IN JEFFERSON
COUNTY CLERK'S OFFICE

EXHIBIT "A"

Attached to that certain Conveyance, effective date October 16, 2001, by and between National Energy Group, Inc., and NEG Operating LLC.

1. Oil and Gas Lease No M-97590 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering S/2 of Tract 8, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No 161826 in Vol. 1015, Page 681 of the Official Public Records of Real Property of Orange County, Texas, and under Clerk's File No 97-9702888 of the Official Public Records of Real Property of Jefferson County, Texas

2 Oil and Gas Lease No M-97589 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering N/2 of Tract 8, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas Said lease is recorded under Clerk's File No. 161825 in Vol.1015, Page 672 of the Official Public Records of Real Property of Orange County, Texas, and under Clerk's File No 97-9702887 of the Official Public Records of Real Property of Jefferson County, Texas

3 Oil and Gas Lease No. M-97591 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering Tract 9, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 414 69 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No 161828 in Vol 1015, Page 699 of the Official Public Records Of Real Property of Orange County, Texas, and under Clerk's File No 97-9702889 of the Official Public Records of Real Property of Jefferson County, Texas

Return to:
National Energy Group
1400 One Energy Square
4925 Greenville Avenue
Dallas Texas 75206
attn: Patty Wagner

FILED AND RECORDED
OFFICIAL PUBLIC RECORDS

Sandy Walker

2002 MAY 15 07:51 AM 2002017862
SANDY WALKER
COUNTY CLERK
JEFFERSON COUNTY, TEXAS

I CERTIFY THIS IS A TRUE COPY
Witness my Hand and Seal of Office
JUN 17 2002
SANDY WALKER, COUNTY CLERK
JEFFERSON COUNTY, TEXAS
BY _____ DEPUTY
SUSAN HENDERSON

21.

File No. MF097589
Amendment
Date Filed: 9/18/03
Jerry E. Patterson, Commissioner
By

BENCHMARK OIL & GAS COMPANY

1500 South Dairy Ashford, Suite 412
Houston, Texas 77077

Telephone: (281) 558-8585 Fax: (281) 558-7557

See # 4 Assignments To w/ This Letter

January 31, 2002

Texas General Land Office
ATTN: Ms. Linda Anderson, Mineral Leasing Division, Energy Resources
1700 North Congress Avenue
Austin, Texas 78701-1495

RE: **"Assignment and Conveyance" from Benchmark Assets Company**
Texas State Oil and Gas Leases
#M-97589
#M-97590
#M-97591
#M-97592
#M-102078
Sabine Lake, Orange-Jefferson Counties, Texas

Dear Ms. Anderson:

Enclosed are Certified Copies of the above referenced "Assignment and Conveyance" documents which have been recorded in Orange and Jefferson County, Texas, as required. Also enclosed is a check in the amount of $250.00 to cover the cost of the Texas General Land Office filing fees.

If there are any further requirements for compliance with the State regulations, kindly let me know. My Email address is dpledger@swbell.com.

Sincerely,

Dorothy E. Pledger

Dorothy E. Pledger,
Vice-President, Land

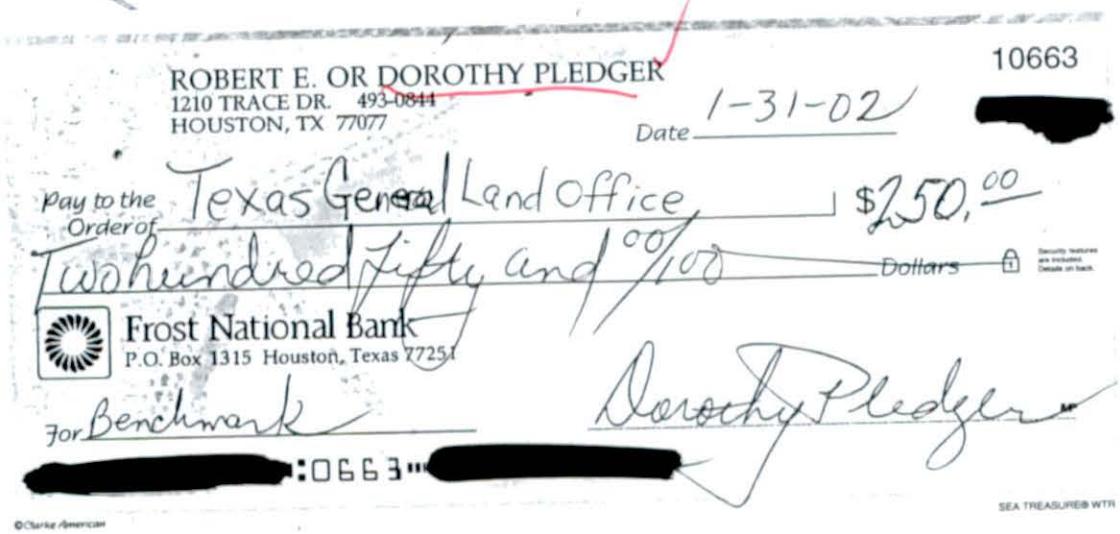
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121

atty
Lynda Anderson

X 250.00

02020179



ROBERT E. OR DOROTHY PLEDGER
1210 TRACE DR. 493-0844
HOUSTON, TX 77077

10663

Date 1-31-02

Pay to the Order of Texas General Land Office $250.00

Two hundred fifty and 00/100 Dollars

Security features are included. Details on back.

Frost National Bank
P.O. Box 1315 Houston, Texas 77251

For Benchmark

Dorothy Pledger

[redacted]:0663"[redacted]

©Clarke American

SEA TREASURER® WTR

RECEIVED
02 FEB -5 AM 8:12

20.5.3

MF- 97589 #22
Letter w/assignments
4/4/03

MF 097589

April 4, 2003

Dorthy Pledger
Benchmark Oil & Gas Co.
1500 South Dairy Ashford, Suite 412
Houston, Texas 77077

FILE COPY

RE: Assignment filing; GLO ID 3757

Dear Ms. Pledger,

The General Land Office received the following instrument(s) and has filed them in the appropriate files. Please see attached "Exhibit A" for reference.

> Assignment and Conveyance, executed October, 15th, 2001, from Benchmark Assets Company, as Assignor, to National Energy Group, Inc., as Assignee.

Filing fees of $250.00 were received in connection with the above lease. If you have any questions, please feel free to call me at (800) 998-4GLO, or at my direct number at (512) 463-6521.

Sincerely,

Beverly Boyd
Mineral Leasing
Energy Resources
512-463-6521

Exhibit "A"

GLO ID	*County*	*Lease*
3757		
	Jefferson	MF097589
	Jefferson	MF097590
	Jefferson	MF097591
	Jefferson	MF097592
	Jefferson	MF102078
	Orange	MF097589
	Orange	MF097590
	Orange	MF097591
	Orange	MF097592
	Orange	MF102078

2001044862 5 pgs

VOL 1269 PAGE 914

232215

ASSIGNMENT AND CONVEYANCE

3757

STATE OF TEXAS §
§ KNOW ALL MEN BY THESE PRESENTS:
COUNTIES OF ORANGE AND JEFFERSON §

THAT WHEREAS, **BENCHMARK ASSETS COMPANY (formerly BENCHMARK OIL AND GAS COMPANY)** ("BENCHMARK") whose address is 1500 South Dairy Ashford, Suite 412, Houston, Texas 77077 is the owner of those certain Oil and Gas Leases (hereinafter called the "Leases") and the Leasehold working interest contained therein covering lands situated in Sabine Lake, Orange and Jefferson Counties, Texas (hereinafter called the "Subject Interests") as more particularly described in Exhibit "A" attached hereto and made a part hereof for all purposes.

For and in consideration of the sum of Ten Dollars ($10.00) and other good and valuable consideration in hand paid to the undersigned, the receipt and sufficiency of which are hereby acknowledged, **BENCHMARK ASSETS COMPANY,** a Texas Corporation (hereinafter called "Assignor"), does by these presents BARGAIN, SELL, ASSIGN, TRANSFER, CONVEY and SET OVER unto **NATIONAL ENERGY GROUP, INC.**, a Delaware corporation (hereinafter called "Assignee"), whose address is 1400 One Energy Square, 4925 Greenville Ave., Dallas, Texas 75206 an undivided Twenty-one and 25/100 percent (21.25%) of eight-eighths (8/8^{ths}) interest in and to the lands, and oil and gas leases described in Exhibit "A" It being the intent of Assignor to convey to Assignee a 21.25% working interest and not less than a 15.40625% net revenue interest in and to the Leases described on Exhibit "A".

And for the same consideration, Assignor does by these presents BARGAIN, SELL, ASSIGN, TRANSFER, CONVEY and SET OVER unto Assignee an undivided Twenty-one and 25/100 percent (21.25%) of eight-eighths (8/8ths) interest in and to all improvements now owned by Assignor and located thereon; all rights, privileges and appurtenances thereto with all reversions and remainders; all equipment, apparatus, machinery and fixtures of whatever kind, nature and description belonging to Assignor which are or may be used in the conduct of operations on said land and leases, whether the same to be considered real, personal or mixed property, including but not limited to all casing, tubing, rods, pumps, derricks, separators, engines, motors, tanks, flow lines, valves, meters, loading racks, processing equipment, water disposal equipment, power and lighting plants, utility lines, leaseholds, sheds; all pipelines, rights-of-way, franchises, licenses, tenements and easements owned by Assignor as are pertinent to such leases or used or useful in the operation thereof.

This Assignment is especially made subject to the following:

The terms and conditions of that certain Participation Agreement dated effective August 21, 2001 by and between Benchmark Assets Company and **NATIONAL ENERGY GROUP, INC.** relating to the Sabine Lake Field Prospect, Orange and Jefferson Counties, Texas, including all royalty interest, overriding royalty interest, production payments, and all other lease burdens of any type, whatsoever affecting or applying to the above described lands and leases and equipment thereon or pertaining thereto as set forth in the Participation Agreement.

The terms and conditions of that certain Operating Agreement dated August 1, 2001 by and between National Energy Group, Inc., as operator, and ROSE ENERGY, LTD., et al covering the Sabine Lake Field Prospect, Orange and Jefferson Counties, Texas.

F.B. &
When Recorded Please Return To:

BENCHMARK OIL & GAS COMPANY
1500 S. Dairy Ashford Rd., Ste. 412
Houston, Texas 77077
$11.00 + 3.00 RP + 1.00 SF

A CERTIFIED COPY JAN 15 2002
ATTEST:
KARENJO VANCE, County Clerk
Orange County, Texas
By
LISA ROBERTS, CHIEF DEPUTY

All of the terms, provisions, conditions and obligations contained in each of the oil and gas leases described in Exhibit "A" hereto;

All agreements, assignments, unitization agreements, communization agreements, gas contracts, easements, rights-of-ways, encumbrances, amendments, or any other instruments or documents of any type whatsoever, of record or not, which affect the above described lands and leases and equipment thereon or pertaining thereto.

Assignee shall comply with and hereby assumes all express and implied covenants and obligations contained in the leases herein assigned, and in the agreements, assignments and instruments which are applicable to the interests herein assigned including the obligation to plug and abandon any well described herein at Assignee's sole cost and expense. Assignee, at its sole cost and expense, agrees to indemnify, defend and save Assignor harmless from and against any and all claims for damage whether to person or property, arising after the effective date hereof, made by any person or concern by reason of the failure of Assignee to comply with any such covenants and obligations as herein provided, or by reason of, or on account of, or in any way associated with any operations conducted by Assignee after the effective date hereof on the leases or premises herein assigned.

Assignor warrants that it is the lawful owner of the oil and gas leases described with full power and authority to sell and convey the said leases, personal property, machinery and equipment located thereon; and that said leases, personal property, machinery and equipment are free and clear of any and all liens and encumbrances. Further Assignor covenants that it has not sold, pledged as collateral, or made assignments on any part of said equipment or leases to any third party. Assignor agrees to warrant and defend the title to said Leases and the lands covered thereby, by, through and under it, but no further.

TO HAVE AND TO HOLD THE ASSIGNED PROPERTY unto Assignee forever. The provisions hereof shall be covenants running with the land and shall inure to the benefit of and be binding upon the Assignor and Assignee, their respective heirs, personal representatives, successors and assigns.

IN WITNESS WHEREOF, this instrument is executed this 15TH day of October, 2001.

ASSIGNOR:

BENCHMARK ASSETS COMPANY (formerly BENCHMARK OIL AND GAS COMPANY)

By: Dorothy E. Pledger
Dorothy E. Pledger, Vice-President

ASSIGNEE:

NATIONAL ENERGY GROUP, INC.

By: David V. Rigsby
David V. Rigsby, Vice-President, Land

A CERTIFIED COPY
ATTEST: JAN 15 2002
KAREN JO VANCE, County Clerk
Orange County, Texas
By LISA ROBERTS, CHIEF DEPUTY

ACKNOWLEDGMENT

STATE OF TEXAS §

COUNTY OF HARRIS §

This instrument was acknowledged before me on this 15TH day of October, 2001 by **DOROTHY E. PLEDGER** as Vice-President of **BENCHMARK ASSETS COMPANY (formerly BENCHMARK OIL AND GAS COMPANY)**, a Texas corporation, on behalf of said corporation.

TERESA O'BRIEN BEEMAN
MY COMMISSION EXPIRES
July 30, 2004

NOTARY PUBLIC IN AND FOR THE STATE OF TEXAS

Printed Name of Notary

STATE OF TEXAS §

COUNTY OF DALLAS §

This instrument was acknowledged before me on this 5th day of November, 2001 by **DAVID V. RIGSBY** as Vice-President of **NATIONAL ENERGY GROUP, INC.**, a Delaware corporation, on behalf of said corporation.

DOROTHY L. WAGNER
Notary Public
State of Texas
My Commission Expires
May 12, 2005

NOTARY PUBLIC IN AND FOR THE STATE OF TEXAS

Dorothy L. Wagner

Printed Name of Notary

A CERTIFIED COPY JAN 15 2002
ATTEST:
KAREN JO VANCE, County Clerk
Orange County, Texas
By
LISA ROBERTS, CHIEF DEPUTY

EXHIBIT "A"

Attached to that certain Assignment and Conveyance, dated October 15th, 2001 by and between BENCHMARK ASSETS COMPANY, (formerly BENCHMARK OIL AND GAS COMPANY), Assignor and NATIONAL ENERGY GROUP, INC., Assignee

THE STATE OF TEXAS §

COUNTIES OF ORANGE AND JEFFERSON §

1. Oil and Gas Lease No. M-97590 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering S/2 of Tract 8, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 161826 in Vol. 1015, Page 681 of the Official Public Records of Real Property of Orange County, Texas, and under Clerk's File No. 97-9702888 of the Official Public Records of Real Property of Jefferson County, Texas.

2. Oil and Gas Lease No. M-97589 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering N/2 of Tract 8, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 161825 in Vol. 1015, Page 672 of the Official Public Records of Real Property of Orange County, Texas, and under Clerk's File No. 97-9702887 of the Official Public Records of Real Property of Jefferson County, Texas.

3. Oil and Gas Lease No. M-97591 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering Tract 9, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 414.69 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 161828 in Vol. 1015, Page 699 of the Official Public Records of Real Property of Orange County, Texas, and under Clerk's File No. 97-9702889 of the Official Public Records of Real Property of Jefferson County, Texas.

4. Oil and Gas Lease No. M-97592 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering Tract 4, Sabine Lake, Orange County, Texas, containing approximately 522.33 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 161827 in Vol. 1015, Page 690 of the Official Public Records of Real Property of Orange County, Texas.

5. Oil and Gas Lease No. M-102078 dated July 10, 2001, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering S/2 Tract 5, Sabine Lake, Orange County, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 227589 in Vol. 1249, Page 506 of the Official Public Records of Real Property of Orange County, Texas, and under Clerk's File No. 2001035007 of the Official Public Records of Real Property of Jefferson County, Texas.

FILED AND RECORDED
OFFICIAL PUBLIC RECORDS

VOL 1269 PAGE 918

Sandy Walker

2001 DEC 21 10:23 AM 2001044862
SANDY WALKER
COUNTY CLERK
JEFFERSON COUNTY, TEXAS

STATE OF TEXAS COUNTY OF JEFFERSON

I hereby certify that this instrument was filed on the date and time stamped hereon by me and was duly recorded in the Official Public Records of Real Property of Jefferson County, Texas, on

DEC 21 2001

Sandy Walker
County Clerk, Jefferson County, Texas

FILED FOR RECORD

KAREN JO VANCE

'02 JAN 15 A10:18

COUNTY CLERK
ORANGE COUNTY, TEXAS
BY Lisa Roberts
DEPUTY

A CERTIFIED COPY JAN 15 2002
ATTEST:
KAREN JO VANCE, County Clerk
Orange County, Texas
By Lisa Roberts
LISA ROBERTS, CHIEF DEPUTY

THE STATE OF TEXAS

COUNTY OF ORANGE

I, Karen Jo Vance, County Clerk for Orange County, Texas, do hereby certify that the above and foregoing is a true and correct copy of **ASSIGNMENT AND CONVEYANCE**, File No. **232215,** as the same appears of record in Volume **1269**, Pages **914 - 918**, in the **OFFICIAL PUBLIC RECORDS OF REAL PROPERTY**, Orange County, Texas.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 15th day of January, A.D., 2002

KAREN JO VANCE
COUNTY CLERK
ORANGE COUNTY, TEXAS

By Lisa Roberts
Lisa Roberts, Chief Deputy County Clerk

20.5 .3

ASSIGNMENT AND CONVEYANCE

STATE OF TEXAS §
§ KNOW ALL MEN BY THESE PRESENTS:
COUNTIES OF ORANGE AND JEFFERSON §

THAT WHEREAS, **BENCHMARK ASSETS COMPANY (formerly BENCHMARK OIL AND GAS COMPANY)** ("BENCHMARK") whose address is 1500 South Dairy Ashford, Suite 412, Houston, Texas 77077 is the owner of those certain Oil and Gas Leases (hereinafter called the "Leases") and the Leasehold working interest contained therein covering lands situated in Sabine Lake, Orange and Jefferson Counties, Texas (hereinafter called the "Subject Interests") as more particularly described in Exhibit "A" attached hereto and made a part hereof for all purposes.

For and in consideration of the sum of Ten Dollars ($10.00) and other good and valuable consideration in hand paid to the undersigned, the receipt and sufficiency of which are hereby acknowledged, **BENCHMARK ASSETS COMPANY,** a Texas Corporation (hereinafter called "Assignor"), does by these presents BARGAIN, SELL, ASSIGN, TRANSFER, CONVEY and SET OVER unto **NATIONAL ENERGY GROUP, INC.,** a Delaware corporation (hereinafter called "Assignee"), whose address is 1400 One Energy Square, 4925 Greenville Ave., Dallas, Texas 75206 an undivided Twenty-one and 25/100 percent (21.25%) of eight-eighths (8/8^{ths}) interest in and to the lands, and oil and gas leases described in Exhibit "A" It being the intent of Assignor to convey to Assignee a 21.25% working interest and not less than a 15.40625% net revenue interest in and to the Leases described on Exhibit "A".

And for the same consideration, Assignor does by these presents BARGAIN, SELL, ASSIGN, TRANSFER, CONVEY and SET OVER unto Assignee an undivided Twenty-one and 25/100 percent (21.25%) of eight-eighths (8/8ths) interest in and to all improvements now owned by Assignor and located thereon; all rights, privileges and appurtenances thereto with all reversions and remainders; all equipment, apparatus, machinery and fixtures of whatever kind, nature and description belonging to Assignor which are or may be used in the conduct of operations on said land and leases, whether the same to be considered real, personal or mixed property, including but not limited to all casing, tubing, rods, pumps, derricks, separators, engines, motors, tanks, flow lines, valves, meters, loading racks, processing equipment, water disposal equipment, power and lighting plants, utility lines, leaseholds, sheds; all pipelines, rights-of-way, franchises, licenses, tenements and easements owned by Assignor as are pertinent to such leases or used or useful in the operation thereof.

This Assignment is especially made subject to the following:

The terms and conditions of that certain Participation Agreement dated effective August 21, 2001 by and between Benchmark Assets Company and **NATIONAL ENERGY GROUP, INC.** relating to the Sabine Lake Field Prospect, Orange and Jefferson Counties, Texas, including all royalty interest, overriding royalty interest, production payments, and all other lease burdens of any type, whatsoever affecting or applying to the above described lands and leases and equipment thereon or pertaining thereto as set forth in the Participation Agreement.

The terms and conditions of that certain Operating Agreement dated August 1, 2001 by and between National Energy Group, Inc., as operator, and ROSE ENERGY, LTD., et al covering the Sabine Lake Field Prospect, Orange and Jefferson Counties, Texas.

When Recorded Please Return To:

BENCHMARK OIL & GAS COMPANY
1500 S. Dairy Ashford Rd., Ste. 412
Houston, Texas 77077

TRUE AND CORRECT
COPY OF ORIGINAL
FILED IN JEFFERSON
COUNTY CLERK'S OFFICE

All of the terms, provisions, conditions and obligations contained in each of the oil and gas leases described in Exhibit "A" hereto;

All agreements, assignments, unitization agreements, communization agreements, gas contracts, easements, rights-of-ways, encumbrances, amendments, or any other instruments or documents of any type whatsoever, of record or not, which affect the above described lands and leases and equipment thereon or pertaining thereto.

Assignee shall comply with and hereby assumes all express and implied covenants and obligations contained in the leases herein assigned, and in the agreements, assignments and instruments which are applicable to the interests herein assigned including the obligation to plug and abandon any well described herein at Assignee's sole cost and expense. Assignee, at its sole cost and expense, agrees to indemnify, defend and save Assignor harmless from and against any and all claims for damage whether to person or property, arising after the effective date hereof, made by any person or concern by reason of the failure of Assignee to comply with any such covenants and obligations as herein provided, or by reason of, or on account of, or in any way associated with any operations conducted by Assignee after the effective date hereof on the leases or premises herein assigned.

Assignor warrants that it is the lawful owner of the oil and gas leases described with full power and authority to sell and convey the said leases, personal property, machinery and equipment located thereon; and that said leases, personal property, machinery and equipment are free and clear of any and all liens and encumbrances. Further Assignor covenants that it has not sold, pledged as collateral, or made assignments on any part of said equipment or leases to any third party. Assignor agrees to warrant and defend the title to said Leases and the lands covered thereby, by, through and under it, but no further.

TO HAVE AND TO HOLD THE ASSIGNED PROPERTY unto Assignee forever. The provisions hereof shall be covenants running with the land and shall inure to the benefit of and be binding upon the Assignor and Assignee, their respective heirs, personal representatives, successors and assigns.

IN WITNESS WHEREOF, this instrument is executed this 15TH day of October, 2001.

ASSIGNOR:

BENCHMARK ASSETS COMPANY (formerly BENCHMARK OIL AND GAS COMPANY)

By: Dorothy E. Pledger
Dorothy E. Pledger, Vice-President

ASSIGNEE:

NATIONAL ENERGY GROUP, INC.

By: David V. Rigsby
David V. Rigsby, Vice-President, Land

TRUE AND CORRECT
COPY OF ORIGINAL
FILED IN JEFFERSON
COUNTY CLERK'S OFFICE

ACKNOWLEDGMENT

STATE OF TEXAS §

COUNTY OF HARRIS §

This instrument was acknowledged before me on this 15TH day of October, 2001 by **DOROTHY E. PLEDGER** as Vice-President of **BENCHMARK ASSETS COMPANY (formerly BENCHMARK OIL AND GAS COMPANY)**, a Texas corporation, on behalf of said corporation.



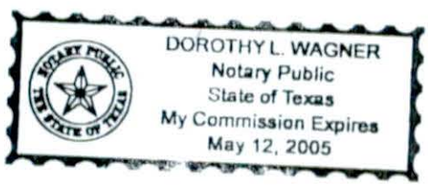
Teresa O'Brien Beeman
NOTARY PUBLIC IN AND FOR THE STATE OF TEXAS

Teresa O'Brien Beeman
Printed Name of Notary

STATE OF TEXAS §

COUNTY OF DALLAS §

This instrument was acknowledged before me on this 5th day of November, 2001 by **DAVID V. RIGSBY** as Vice-President of **NATIONAL ENERGY GROUP, INC.**, a Delaware corporation, on behalf of said corporation.



Dorothy R. Wagner
NOTARY PUBLIC IN AND FOR THE STATE OF TEXAS

Dorothy L. Wagner
Printed Name of Notary



TRUE AND CORRECT
COPY OF ORIGINAL
FILED IN JEFFERSON
COUNTY CLERK'S OFFICE

EXHIBIT "A"

Attached to that certain Assignment and Conveyance, dated October 15th, 2001 by and between BENCHMARK ASSETS COMPANY, (formerly BENCHMARK OIL AND GAS COMPANY), Assignor and NATIONAL ENERGY GROUP, INC., Assignee

THE STATE OF TEXAS §

COUNTIES OF ORANGE AND JEFFERSON §

1. Oil and Gas Lease No. M-97590 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering S/2 of Tract 8, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 161826 in Vol. 1015, Page 681 of the Official Public Records of Real Property of Orange County, Texas, and under Clerk's File No. 97-9702888 of the Official Public Records of Real Property of Jefferson County, Texas.

2. Oil and Gas Lease No. M-97589 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering N/2 of Tract 8, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 161825 in Vol. 1015, Page 672 of the Official Public Records of Real Property of Orange County, Texas, and under Clerk's File No. 97-9702887 of the Official Public Records of Real Property of Jefferson County, Texas.

3. Oil and Gas Lease No. M-97591 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering Tract 9, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 414.69 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 161828 in Vol. 1015, Page 699 of the Official Public Records of Real Property of Orange County, Texas, and under Clerk's File No. 97-9702889 of the Official Public Records of Real Property of Jefferson County, Texas.

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TRUE AND CORRECT COPY OF ORIGINAL FILED IN JEFFERSON COUNTY CLERK'S OFFICE

FILED AND RECORDED
OFFICIAL PUBLIC RECORDS

Sandy Walker

2001 DEC 21 10:23 AM 2001044862
SANDY WALKER
COUNTY CLERK
JEFFERSON COUNTY, TEXAS

I CERTIFY THIS IS A TRUE COPY
Witness my Hand and Seal of Office
DEC 2 1 2001
SANDY WALKER, COUNTY CLERK
JEFFERSON COUNTY, TEXAS
BY Marian Page DEPUTY
MARIAN PAGE

205 -2

#22 MF-97589
Assignments

FILE COPY

April 4, 2003

Dorothy Pledger
Benchmark Oil & Gas Co.
150 South Dairy Ashford, Suite 412
Houston, Texas 77077

RE: Assignment filing; GLO ID 3754

Dear Ms. Pledger,

The General Land Office received the following instrument(s) and has filed them in the appropriate files. Please see attached "Exhibit A" for reference.

> Assignment and Conveyance, executed October 15th, 2001, from Benchmark Assets Company, as Assignor, to Coastal Exploration And Development Corporation, as Assignee.

Filing fees of $250.00 were received in connection with the above lease. If you have any questions, please feel free to call me at (800) 998-4GLO, or at my direct number at (512) 463-6521.

Sincerely,

Beverly Boyd
Mineral Leasing
Energy Resources
512-463-6521

Exhibit "A"

GLO ID	*County*	*Lease*
3754		
	Jefferson	MF097589
	Jefferson	MF097591
	Jefferson	MF097592
	Jefferson	MF1020078
	Orange	MF097589
	Orange	MF097591
	Orange	MF097592
	Orange	MF102078

200104486I 5 pgs

VOL 1269 PAGE 909

232214

3754

ASSIGNMENT AND CONVEYANCE

STATE OF TEXAS §
§ KNOW ALL MEN BY THESE PRESENTS:
COUNTIES OF ORANGE AND JEFFERSON §

THAT WHEREAS, **BENCHMARK ASSETS COMPANY (formerly BENCHMARK OIL AND GAS COMPANY)** ("BENCHMARK") whose address is 1500 South Dairy Ashford, Suite 412, Houston, Texas 77077 is the owner of those certain Oil and Gas Leases (hereinafter called the "Leases") and the Leasehold working interest contained therein covering lands situated in Sabine Lake, Orange and Jefferson Counties, Texas (hereinafter called the "Subject Interests") as more particularly described in Exhibit "A" attached hereto and made a part hereof for all purposes.

For and in consideration of the sum of Ten Dollars ($10.00) and other good and valuable consideration in hand paid to the undersigned, the receipt and sufficiency of which are hereby acknowledged, **BENCHMARK ASSETS COMPANY,** a Texas Corporation (hereinafter called "Assignor"), does by these presents BARGAIN, SELL, ASSIGN, TRANSFER, CONVEY and SET OVER unto **COASTAL EXPLORATION AND DEVELOPMENT CORPORATION**, a Texas corporation (hereinafter called "Assignee"), whose address is 6220 Gaston Avenue, Suite 603, Dallas, Texas 75214 an undivided FIFTEEN and 00/100 percent (15.00%) of eight-eighths (8/8^{ths}) interest in and to the lands, and oil and gas leases described in Exhibit "A" It being the intent of Assignor to convey to Assignee a 15.00% working interest and not less than a 10.875% net revenue interest in and to the Leases described on Exhibit "A".

And for the same consideration, Assignor does by these presents BARGAIN, SELL, ASSIGN, TRANSFER, CONVEY and SET OVER unto Assignee an undivided FIFTEEN and 00/100 percent (15.00%) of eight-eighths (8/8ths) interest in and to all improvements now owned by Assignor and located thereon; all rights, privileges and appurtenances thereto with all reversions and remainders; all equipment, apparatus, machinery and fixtures of whatever kind, nature and description belonging to Assignor which are or may be used in the conduct of operations on said land and leases, whether the same to be considered real, personal or mixed property, including but not limited to all casing, tubing, rods, pumps, derricks, separators, engines, motors, tanks, flow lines, valves, meters, loading racks, processing equipment, water disposal equipment, power and lighting plants, utility lines, leaseholds, sheds; all pipelines, rights-of-way, franchises, licenses, tenements and easements owned by Assignor as are pertinent to such leases or used or useful in the operation thereof.

This Assignment is especially made subject to the following:

The terms and conditions of that certain Participation Agreement dated effective August 21, 2001 by and between Benchmark Assets Company and **COASTAL EXPLORATION AND DEVELOPMENT CORPORATION** relating to the Sabine Lake Field Prospect, Orange and Jefferson Counties, Texas, including all royalty interest, overriding royalty interest, production payments, and all other lease burdens of any type, whatsoever affecting or applying to the above described lands and leases and equipment thereon or pertaining thereto as set forth in the Participation Agreement.

The terms and conditions of that certain Operating Agreement dated August 1, 2001 by and between National Energy Group, Inc., as operator, and ROSE ENERGY, LTD., et al covering the Sabine Lake Field Prospect, Orange and Jefferson Counties, Texas.

F.B. &
When Recorded Please Return To:

BENCHMARK OIL & GAS COMPANY
1500 S. Dairy Ashford Rd., Ste. 412
Houston, Texas 77077
$11.00 + 3.00 RP + 1.00 SF

A CERTIFIED COPY JAN 15 2002
ATTEST:
KAREN JO VANCE, County Clerk
Orange County, Texas
By
LISA ROBERTS, CHIEF DEPUTY

All of the terms, provisions, conditions and obligations contained in each of the oil and gas leases described in Exhibit "A" hereto;

All agreements, assignments, unitization agreements, communization agreements, gas contracts, easements, rights-of-ways, encumbrances, amendments, or any other instruments or documents of any type whatsoever, of record or not, which affect the above described lands and leases and equipment thereon or pertaining thereto.

Assignee shall comply with and hereby assumes all express and implied covenants and obligations contained in the leases herein assigned, and in the agreements, assignments and instruments which are applicable to the interests herein assigned including the obligation to plug and abandon any well described herein at Assignee's sole cost and expense. Assignee, at its sole cost and expense, agrees to indemnify, defend and save Assignor harmless from and against any and all claims for damage whether to person or property, arising after the effective date hereof, made by any person or concern by reason of the failure of Assignee to comply with any such covenants and obligations as herein provided, or by reason of, or on account of, or in any way associated with any operations conducted by Assignee after the effective date hereof on the leases or premises herein assigned.

Assignor warrants that it is the lawful owner of the oil and gas leases described with full power and authority to sell and convey the said leases, personal property, machinery and equipment located thereon; and that said leases, personal property, machinery and equipment are free and clear of any and all liens and encumbrances. Further Assignor covenants that it has not sold, pledged as collateral, or made assignments on any part of said equipment or leases to any third party. Assignor agrees to warrant and defend the title to said Leases and the lands covered thereby, by, through and under it, but no further.

TO HAVE AND TO HOLD THE ASSIGNED PROPERTY unto Assignee forever. The provisions hereof shall be covenants running with the land and shall inure to the benefit of and be binding upon the Assignor and Assignee, their respective heirs, personal representatives, successors and assigns.

IN WITNESS WHEREOF, this instrument is executed this 15TH day of October, 2001

ASSIGNOR:

BENCHMARK ASSETS COMPANY (formerly BENCHMARK OIL AND GAS COMPANY)

BY: Dorothy E. Pledger
Dorothy E. Pledger, Vice-President

ASSIGNEE:

COASTAL EXPLORATION AND DEVELOPMENT CORPORATION

By: Choice Smith
CHOICE SMITH, President

A CERTIFIED COPY JAN 15 2002
ATTEST:
KAREN JO VANCE, County Clerk
Orange County, Texas
By Lisa Roberts
LISA ROBERTS, CHIEF DEPUTY

ACKNOWLEDGMENT

STATE OF TEXAS §

COUNTY OF HARRIS §

This instrument was acknowledged before me on this 15TH day of October, 2001 by DOROTHY E. PLEDGER as Vice-President of **BENCHMARK ASSETS COMPANY (formerly BENCHMARK OIL AND GAS COMPANY)**, a Texas corporation, on behalf of said corporation.

NOTARY PUBLIC IN AND FOR THE STATE OF TEXAS

Teresa O'Brien Beeman

Printed Name of Notary

TERESA O'BRIEN BEEMAN
MY COMMISSION EXPIRES
July 30, 2004

ACKNOWLEDGMENT

STATE OF TEXAS §

COUNTY OF DALLAS §

This instrument was acknowledged before me on this 13 day of NOVEMBER, 2001 by CHOICE SMITH as President of **COASTAL EXPLORATION AND DEVELOPMENT CORPORATION**, a Texas corporation, on behalf of said corporation.

NOTARY PUBLIC IN AND FOR THE STATE OF TEXAS

KAYLA G. MOYER

Printed Name of Notary

Kayla G. Moyer

KAYLA G. MOYER
MY COMMISSION EXPIRES
October 3, 2004

A CERTIFIED COPY JAN 15 2002
ATTEST:
KAREN JO VANCE, County Clerk
Orange County, Texas
By Lisa Roberts
LISA ROBERTS, CHIEF DEPUTY

EXHIBIT "A"

Attached to that certain Assignment and Conveyance, dated October 15, 2001
by and between
BENCHMARK ASSETS COMPANY
(formerly BENCHMARK OIL AND GAS COMPANY) , Assignor
and
COASTAL EXPLORATION AND DEVELOPMENT CORPORATION, Assignee

THE STATE OF TEXAS §

COUNTIES OF ORANGE AND JEFFERSON §

1. Oil and Gas Lease No. M-97590 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering S/2 of Tract 8, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 161826 in Vol. 1015, Page 681 of the Official Public Records of Real Property of Orange County, Texas, and under Clerk's File No. 97-9702888 of the Official Public Records of Real Property of Jefferson County, Texas.

2. Oil and Gas Lease No. M-97589 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering N/2 of Tract 8, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 161825 in Vol. 1015, Page 672 of the Official Public Records of Real Property of Orange County, Texas, and under Clerk's File No. 97-9702887 of the Official Public Records of Real Property of Jefferson County, Texas.

3. Oil and Gas Lease No. M-97591 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering Tract 9, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 414.69 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 161828 in Vol. 1015, Page 699 of the Official Public Records of Real Property of Orange County, Texas, and under Clerk's File No. 97-9702889 of the Official Public Records of Real Property of Jefferson County, Texas.

4. Oil and Gas Lease No. M-97592 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering Tract 4, Sabine Lake, Orange County, Texas, containing approximately 522.33 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 161827 in Vol. 1015, Page 690 of the Official Public Records of Real Property of Orange County, Texas.

5. Oil and Gas Lease No. M-102078 dated July 10, 2001, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering S/2 Tract 5, Sabine Lake, Orange County, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 227589 in Vol. 1249, Page 506 of the Official Public Records of Real Property of Orange County, Texas, and under Clerk's File No. 2001035007 of the Official Public Records of Real Property of Jefferson County, Texas.

SOUTHEAST TX

FILED AND RECORDED
OFFICIAL PUBLIC RECORDS

VOL 1269 PAGE 913

Sandy Walker

2001 DEC 21 10:23 AM 2001044861
SANDY WALKER
COUNTY CLERK
JEFFERSON COUNTY, TEXAS

STATE OF TEXAS COUNTY OF JEFFERSON

I hereby certify that this instrument was filed on the date and time stamped hereon by me and was duly recorded in the Official Public Records of Real Property of Jefferson County, Texas, on

DEC 21 2001

Sandy Walker
County Clerk, Jefferson County, Texas

FILED FOR RECORD

KAREN JO VANCE

'02 JAN 15 A10:18

COUNTY CLERK
ORANGE COUNTY, TEXAS
BY Lisa Roberts
DEPUTY

A CERTIFIED COPY JAN 15 2002
ATTEST:
KAREN JO VANCE, County Clerk
Orange County, Texas
By Lisa Roberts
LISA ROBERTS, CHIEF DEPUTY

5.2.05

THE STATE OF TEXAS

COUNTY OF ORANGE

I, Karen Jo Vance, County Clerk for Orange County, Texas, do hereby certify that the above and foregoing is a true and correct copy of **ASSIGNMENT AND CONVEYANCE**, File No. **232214,** as the same appears of record in Volume **1269**, Pages **909 - 913**, in the **OFFICIAL PUBLIC RECORDS OF REAL PROPERTY**, Orange County, Texas.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 15th day of January, A.D., 2002

KAREN JO VANCE
COUNTY CLERK
ORANGE COUNTY, TEXAS

By Lisa Roberts
Lisa Roberts, Chief Deputy County Clerk

205 3

ASSIGNMENT AND CONVEYANCE

STATE OF TEXAS §
§ KNOW ALL MEN BY THESE PRESENTS:
COUNTIES OF ORANGE AND JEFFERSON §

THAT WHEREAS, **BENCHMARK ASSETS COMPANY (formerly BENCHMARK OIL AND GAS COMPANY)** ("BENCHMARK") whose address is 1500 South Dairy Ashford, Suite 412, Houston, Texas 77077 is the owner of those certain Oil and Gas Leases (hereinafter called the "Leases") and the Leasehold working interest contained therein covering lands situated in Sabine Lake, Orange and Jefferson Counties, Texas (hereinafter called the "Subject Interests") as more particularly described in Exhibit "A" attached hereto and made a part hereof for all purposes.

For and in consideration of the sum of Ten Dollars ($10.00) and other good and valuable consideration in hand paid to the undersigned, the receipt and sufficiency of which are hereby acknowledged, **BENCHMARK ASSETS COMPANY,** a Texas Corporation (hereinafter called "Assignor"), does by these presents BARGAIN, SELL, ASSIGN, TRANSFER, CONVEY and SET OVER unto **COASTAL EXPLORATION AND DEVELOPMENT CORPORATION**, a Texas corporation (hereinafter called "Assignee"), whose address is 6220 Gaston Avenue, Suite 603, Dallas, Texas 75214 an undivided FIFTEEN and 00/100 percent (15.00%) of eight-eighths ($8/8^{ths}$) interest in and to the lands, and oil and gas leases described in Exhibit "A" It being the intent of Assignor to convey to Assignee a 15.00% working interest and not less than a 10.875% net revenue interest in and to the Leases described on Exhibit "A".

And for the same consideration, Assignor does by these presents BARGAIN, SELL, ASSIGN, TRANSFER, CONVEY and SET OVER unto Assignee an undivided FIFTEEN and 00/100 percent (15.00%) of eight-eighths (8/8ths) interest in and to all improvements now owned by Assignor and located thereon; all rights, privileges and appurtenances thereto with all reversions and remainders; all equipment, apparatus, machinery and fixtures of whatever kind, nature and description belonging to Assignor which are or may be used in the conduct of operations on said land and leases, whether the same to be considered real, personal or mixed property, including but not limited to all casing, tubing, rods, pumps, derricks, separators, engines, motors, tanks, flow lines, valves, meters, loading racks, processing equipment, water disposal equipment, power and lighting plants, utility lines, leaseholds, sheds; all pipelines, rights-of-way, franchises, licenses, tenements and easements owned by Assignor as are pertinent to such leases or used or useful in the operation thereof.

This Assignment is especially made subject to the following:

The terms and conditions of that certain Participation Agreement dated effective August 21, 2001 by and between Benchmark Assets Company and **COASTAL EXPLORATION AND DEVELOPMENT CORPORATION** relating to the Sabine Lake Field Prospect, Orange and Jefferson Counties, Texas, including all royalty interest, overriding royalty interest, production payments, and all other lease burdens of any type, whatsoever affecting or applying to the above described lands and leases and equipment thereon or pertaining thereto as set forth in the Participation Agreement.

The terms and conditions of that certain Operating Agreement dated August 1, 2001 by and between National Energy Group, Inc., as operator, and ROSE ENERGY, LTD., et al covering the Sabine Lake Field Prospect, Orange and Jefferson Counties, Texas.

When Recorded Please Return To:

BENCHMARK OIL & GAS COMPANY
1500 S. Dairy Ashford Rd., Ste. 412
Houston, Texas 77077

TRUE AND CORRECT
COPY OF ORIGINAL
FILED IN JEFFERSON
COUNTY CLERK'S OFFICE

All of the terms, provisions, conditions and obligations contained in each of the oil and gas leases described in Exhibit "A" hereto;

All agreements, assignments, unitization agreements, communization agreements, gas contracts, easements, rights-of-ways, encumbrances, amendments, or any other instruments or documents of any type whatsoever, of record or not, which affect the above described lands and leases and equipment thereon or pertaining thereto.

Assignee shall comply with and hereby assumes all express and implied covenants and obligations contained in the leases herein assigned, and in the agreements, assignments and instruments which are applicable to the interests herein assigned including the obligation to plug and abandon any well described herein at Assignee's sole cost and expense. Assignee, at its sole cost and expense, agrees to indemnify, defend and save Assignor harmless from and against any and all claims for damage whether to person or property, arising after the effective date hereof, made by any person or concern by reason of the failure of Assignee to comply with any such covenants and obligations as herein provided, or by reason of, or on account of, or in any way associated with any operations conducted by Assignee after the effective date hereof on the leases or premises herein assigned.

Assignor warrants that it is the lawful owner of the oil and gas leases described with full power and authority to sell and convey the said leases, personal property, machinery and equipment located thereon; and that said leases, personal property, machinery and equipment are free and clear of any and all liens and encumbrances. Further Assignor covenants that it has not sold, pledged as collateral, or made assignments on any part of said equipment or leases to any third party. Assignor agrees to warrant and defend the title to said Leases and the lands covered thereby, by, through and under it, but no further.

TO HAVE AND TO HOLD THE ASSIGNED PROPERTY unto Assignee forever. The provisions hereof shall be covenants running with the land and shall inure to the benefit of and be binding upon the Assignor and Assignee, their respective heirs, personal representatives, successors and assigns.

IN WITNESS WHEREOF, this instrument is executed this 15TH day of October, 2001

ASSIGNOR:

BENCHMARK ASSETS COMPANY (formerly BENCHMARK OIL AND GAS COMPANY)

BY: Dorothy E. Pledger

Dorothy E. Pledger, Vice-President

ASSIGNEE:

COASTAL EXPLORATION AND DEVELOPMENT CORPORATION

By: Choice Smith

CHOICE SMITH, President

TRUE AND CORRECT
COPY OF ORIGINAL
FILED IN JEFFERSON
COUNTY CLERK'S OFFICE

ACKNOWLEDGMENT

STATE OF TEXAS §

COUNTY OF HARRIS §

This instrument was acknowledged before me on this 15TH day of October, 2001 by DOROTHY E. PLEDGER as Vice-President of **BENCHMARK ASSETS COMPANY (formerly BENCHMARK OIL AND GAS COMPANY)**, a Texas corporation, on behalf of said corporation.

NOTARY PUBLIC IN AND FOR THE STATE OF TEXAS

Printed Name of Notary

TERESA O'BRIEN BEEMAN
MY COMMISSION EXPIRES
July 30, 2004

ACKNOWLEDGMENT

STATE OF TEXAS §

COUNTY OF DALLAS §

This instrument was acknowledged before me on this 13 day of NOVEMBER, 2001 by CHOICE SMITH as President of **COASTAL EXPLORATION AND DEVELOPMENT CORPORATION**, a Texas corporation, on behalf of said corporation.

NOTARY PUBLIC IN AND FOR THE STATE OF TEXAS

KAYLA G. MOYER

Printed Name of Notary

KAYLA G. MOYER
MY COMMISSION EXPIRES
October 3, 2004

TRUE AND CORRECT
COPY OF ORIGINAL
FILED IN JEFFERSON
COUNTY CLERK'S OFFICE

205 .3

EXHIBIT "A"

Attached to that certain Assignment and Conveyance, dated October 15, 2001
by and between
BENCHMARK ASSETS COMPANY
(formerly BENCHMARK OIL AND GAS COMPANY) , Assignor
and
COASTAL EXPLORATION AND DEVELOPMENT CORPORATION, Assignee

THE STATE OF TEXAS §

COUNTIES OF ORANGE AND JEFFERSON §

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4. Oil and Gas Lease No. M-97592 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering Tract 4, Sabine Lake, Orange County, Texas, containing approximately 522.33 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 161827 in Vol. 1015, Page 690 of the Official Public Records of Real Property of Orange County, Texas.

5. Oil and Gas Lease No. M-102078 dated July 10, 2001, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering S/2 Tract 5, Sabine Lake, Orange County, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 227589 in Vol. 1249, Page 506 of the Official Public Records of Real Property of Orange County, Texas, and under Clerk's File No. 2001035007 of the Official Public Records of Real Property of Jefferson County, Texas.

TRUE AND CORRECT
COPY OF ORIGINAL
FILED IN JEFFERSON
COUNTY CLERK'S OFFICE

FILED AND RECORDED
OFFICIAL PUBLIC RECORDS

Sandy Walker

2001 DEC 21 10:23 AM 2001044861
SANDY WALKER
COUNTY CLERK
JEFFERSON COUNTY, TEXAS

I CERTIFY THIS IS A TRUE COPY
Witness my Hand and Seal of Office

DEC 2 1 2001
SANDY WALKER, COUNTY CLERK
JEFFERSON COUNTY, TEXAS
BY Marian Page DEPUTY
MARIAN PAGE

20.5 .3

#22 -
assignment

April 4, 2003

FILE COPY

Dorthy Pledger
Benchmark Oil & Gas Co.
1500 South Dairy Ashford, Suite 412
Houston, Texas 77077

RE: Assignment filing; GLO ID 3755

Dear Ms. Pledger,

The General Land Office received the following instrument(s) and has filed them in the appropriate files. Please see attached "Exhibit A" for reference.

> Assignment and Conveyance, executed October 15th, 2001, from Benchmark Assets Company, as Assignor, to Rose Energy, Inc., As Assignee.

Filing fees of $250.00 were received in connection with the above lease. If you have any questions, please feel free to call me at (800) 998-4GLO, or at my direct number at (512) 463-6521.

Sincerely,

Beverly Boyd
Mineral Leasing
Energy Resources
512-463-6521

Exhibit "A"

GLO ID	*County*	*Lease*
3755		
	Jefferson	MF097589
	Jefferson	MF097590
	Jefferson	MF097591
	Jefferson	MF097592
	Jefferson	MF102078
	Orange	MF097589
	Orange	MF097590
	Orange	MF097591
	Orange	MF097592
	Orange	MF102078

2001044864 5 pgs
VOL 1269 PAGE 924

232217

ASSIGNMENT AND CONVEYANCE

3755

STATE OF TEXAS §
§ KNOW ALL MEN BY THESE PRESENTS:
COUNTIES OF ORANGE AND JEFFERSON §

THAT WHEREAS, **BENCHMARK ASSETS COMPANY (formerly BENCHMARK OIL AND GAS COMPANY)** ("BENCHMARK") whose address is 1500 South Dairy Ashford, Suite 412, Houston, Texas 77077 is the owner of those certain Oil and Gas Leases (hereinafter called the "Leases") and the Leasehold working interest contained therein covering lands situated in Sabine Lake, Orange and Jefferson Counties, Texas (hereinafter called the "Subject Interests") as more particularly described in Exhibit "A" attached hereto and made a part hereof for all purposes.

For and in consideration of the sum of Ten Dollars ($10.00) and other good and valuable consideration in hand paid to the undersigned, the receipt and sufficiency of which are hereby acknowledged, **BENCHMARK ASSETS COMPANY**, a Texas Corporation (hereinafter called "Assignor"), does by these presents BARGAIN, SELL, ASSIGN, TRANSFER, CONVEY and SET OVER unto **ROSE ENERGY, LTD**, a Nevada corporation (hereinafter called "Assignee"), whose address is c/oSunclear Energy, Inc., 942 Searcy Way, Suite 200, Bowling Green, Kentucky 42103 an undivided Thirty-one and 45/100 percent (31.45%) of eight-eighths (8/8^{ths}) interest in and to the lands, and oil and gas leases described in Exhibit "A" It being the intent of Assignor to convey to Assignee a 31.45% working interest and not less that a 22.80125% net revenue interest in and to the Leases described on Exhibit "A".

And for the same consideration, Assignor does by these presents BARGAIN, SELL, ASSIGN, TRANSFER, CONVEY and SET OVER unto Assignee an undivided Thirty-one and 45/100 percent (31.45%) of eight-eighths (8/8ths) interest in and to all improvements now owned by Assignor and located thereon; all rights, privileges and appurtenances thereto with all reversions and remainders; all equipment, apparatus, machinery and fixtures of whatever kind, nature and description belonging to Assignor which are or may be used in the conduct of operations on said land and leases, whether the same to be considered real, personal or mixed property, including but not limited to all casing, tubing, rods, pumps, derricks, separators, engines, motors, tanks, flow lines, valves, meters, loading racks, processing equipment, water disposal equipment, power and lighting plants, utility lines, leaseholds, sheds; all pipelines, rights-of-way, franchises, licenses, tenements and easements owned by Assignor as are pertinent to such leases or used or useful in the operation thereof.

This Assignment is especially made subject to the following:

The terms and conditions of that certain Participation Agreement dated effective August 21, 2001 by and between Benchmark Assets Company and **ROSE ENERGY, LTD.** relating to the Sabine Lake Field Prospect, Orange and Jefferson Counties, Texas, including all royalty interest, overriding royalty interest, production payments, and all other lease burdens of any type, whatsoever affecting or applying to the above described lands and leases and equipment thereon or pertaining thereto as set forth in the Participation Agreement.

The terms and conditions of that certain Operating Agreement dated August 1, 2001 by and between National Energy Group, Inc., as operator, and **ROSE ENERGY, LTD.**, et al [illegible] Sabine Lake Field Prospect, Orange and Jefferson Counties, Texas.

F.B. &
When Recorded Please Return To:

BENCHMARK OIL & GAS COMPANY
1500 S. Dairy Ashford Rd., Ste. 412
Houston, Texas 77077

$11.00
3.00 RP
1.00 SF

A CERTIFIED COPY
ATTEST: JAN 15 2002
KAREN JO VANCE, County Clerk
Orange County, Texas
By
LISA ROBERTS, CHIEF DEPUTY

All of the terms, provisions, conditions and obligations contained in each of the oil and gas leases described in Exhibit "A" hereto;

All agreements, assignments, unitization agreements, communization agreements, gas contracts, easements, rights-of-ways, encumbrances, amendments, or any other instruments or documents of any type whatsoever, of record or not, which affect the above described lands and leases and equipment thereon or pertaining thereto.

Assignee shall comply with and hereby assumes all express and implied covenants and obligations contained in the leases herein assigned, and in the agreements, assignments and instruments which are applicable to the interests herein assigned including the obligation to plug and abandon any well described herein at Assignee's sole cost and expense. Assignee, at its sole cost and expense, agrees to indemnify, defend and save Assignor harmless from and against any and all claims for damage whether to person or property, arising after the effective date hereof, made by any person or concern by reason of the failure of Assignee to comply with any such covenants and obligations as herein provided, or by reason of, or on account of, or in any way associated with any operations conducted by Assignee after the effective date hereof on the leases or premises herein assigned.

Assignor warrants that it is the lawful owner of the oil and gas leases described with full power and authority to sell and convey the said leases, personal property, machinery and equipment located thereon; and that said leases, personal property, machinery and equipment are free and clear of any and all liens and encumbrances. Further Assignor covenants that it has not sold, pledged as collateral, or made assignments on any part of said equipment or leases to any third party. Assignor agrees to warrant and defend the title to said Leases and the lands covered thereby, by, through and under it, but no further.

TO HAVE AND TO HOLD THE ASSIGNED PROPERTY unto Assignee forever. The provisions hereof shall be covenants running with the land and shall inure to the benefit of and be binding upon the Assignor and Assignee, their respective heirs, personal representatives, successors and assigns.

IN WITNESS WHEREOF, this instrument is executed this 15th day of October, 2001.

ASSIGNOR:

BENCHMARK ASSETS COMPANY

By: Dorothy E. Pledger
Dorothy E. Pledger, Vice-President

ASSIGNEE:

ROSE ENERGY, LTD.

By: _____
David G. Rose, President

A CERTIFIED COPY JAN 15 2002
ATTEST: _____
KAREN JO VANCE, County Clerk
Orange County, Texas
By Lisa Roberts
LISA ROBERTS, CHIEF DEPUTY

ACKNOWLEDGMENT

STATE OF TEXAS §

COUNTY OF HARRIS §

This instrument was acknowledged before me on this 15th day of October, 2001 by **DOROTHY E. PLEDGER** as Vice-President of **BENCHMARK ASSETS COMPANY (formerly BENCHMARK OIL AND GAS COMPANY)**, a Texas corporation, on behalf of said corporation.

NOTARY PUBLIC IN AND FOR THE STATE OF TEXAS

Printed Name of Notary

TERESA O'BRIEN BEEMAN
MY COMMISSION EXPIRES
July 30, 2004

STATE OF KENTUCKY §

COUNTY OF WARREN §

This instrument was acknowledged before me on this 2 day of November, 2001 by **DAVID G. ROSE** as President of **ROSE ENERGY, LTD.**, a Nevada corporation, on behalf of said corporation.

NOTARY PUBLIC IN AND FOR THE STATE OF Kentucky

Printed Name of Notary

A CERTIFIED COPY JAN 15 2002
ATTEST:
KAREN JO VANCE, County Clerk
Orange County, Texas
By
LISA ROBERTS, CHIEF DEPUTY

EXHIBIT "A"

**Attached to that certain Assignment and Conveyance,
dated October 15, 2001
by and between BENCHMARK ASSETS COMPANY
(formerly BENCHMARK OIL AND GAS COMPANY), Assignor
and ROSE ENERGY, LTD., Assignee**

THE STATE OF TEXAS §

COUNTIES OF ORANGE AND JEFFERSON §

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FILED AND RECORDED
OFFICIAL PUBLIC RECORDS

VOL 1269 PAGE 928

Sandy Walker

2001 DEC 21 10:23 AM 2001044864
SANDY WALKER
COUNTY CLERK
JEFFERSON COUNTY, TEXAS

STATE OF TEXAS COUNTY OF JEFFERSON

I hereby certify that this instrument was filed on the date and time stamped hereon by me and was duly recorded in the Official Public Records of Real Property of Jefferson County, Texas, on

DEC 21 2001

Sandy Walker
County Clerk, Jefferson County, Texas

FILED FOR RECORD

KAREN JO VANCE

'02 JAN 15 A10:18

COUNTY CLERK
ORANGE COUNTY, TEXAS
BY Lisa Roberts DEPUTY

A CERTIFIED COPY
ATTEST: JAN 15 2002
KAREN JO VANCE, County Clerk
Orange County, Texas
By Lisa Roberts
LISA ROBERTS, CHIEF DEPUTY

THE STATE OF TEXAS

COUNTY OF ORANGE

I, Karen Jo Vance, County Clerk for Orange County, Texas, do hereby certify that the above and foregoing is a true and correct copy of **ASSIGNMENT AND CONVEYANCE**, File No. **232217,** as the same appears of record in Volume **1269**, Pages **924 - 928**, in the **OFFICIAL PUBLIC RECORDS OF REAL PROPERTY**, Orange County, Texas.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 15th day of January, A.D., 2002

KAREN JO VANCE
COUNTY CLERK
ORANGE COUNTY, TEXAS

By Lisa Roberts
Lisa Roberts, Chief Deputy County Clerk

205 .3

ASSIGNMENT AND CONVEYANCE

STATE OF TEXAS §
§ KNOW ALL MEN BY THESE PRESENTS:
COUNTIES OF ORANGE AND JEFFERSON §

THAT WHEREAS, **BENCHMARK ASSETS COMPANY (formerly BENCHMARK OIL AND GAS COMPANY)** ("BENCHMARK") whose address is 1500 South Dairy Ashford, Suite 412, Houston, Texas 77077 is the owner of those certain Oil and Gas Leases (hereinafter called the "Leases") and the Leasehold working interest contained therein covering lands situated in Sabine Lake, Orange and Jefferson Counties, Texas (hereinafter called the "Subject Interests") as more particularly described in Exhibit "A" attached hereto and made a part hereof for all purposes.

For and in consideration of the sum of Ten Dollars ($10.00) and other good and valuable consideration in hand paid to the undersigned, the receipt and sufficiency of which are hereby acknowledged, **BENCHMARK ASSETS COMPANY,** a Texas Corporation (hereinafter called "Assignor"), does by these presents BARGAIN, SELL, ASSIGN, TRANSFER, CONVEY and SET OVER unto **ROSE ENERGY, LTD,** a Nevada corporation (hereinafter called "Assignee"), whose address is c/oSunclear Energy, Inc., 942 Searcy Way, Suite 200, Bowling Green, Kentucky 42103 an undivided Thirty-one and 45/100 percent (31.45%) of eight-eighths (8/8^{ths}) interest in and to the lands, and oil and gas leases described in Exhibit "A" It being the intent of Assignor to convey to Assignee a 31.45% working interest and not less that a 22.80125% net revenue interest in and to the Leases described on Exhibit "A".

And for the same consideration, Assignor does by these presents BARGAIN, SELL, ASSIGN, TRANSFER, CONVEY and SET OVER unto Assignee an undivided Thirty-one and 45/100 percent (31.45%) of eight-eighths (8/8ths) interest in and to all improvements now owned by Assignor and located thereon; all rights, privileges and appurtenances thereto with all reversions and remainders; all equipment, apparatus, machinery and fixtures of whatever kind, nature and description belonging to Assignor which are or may be used in the conduct of operations on said land and leases, whether the same to be considered real, personal or mixed property, including but not limited to all casing, tubing, rods, pumps, derricks, separators, engines, motors, tanks, flow lines, valves, meters, loading racks, processing equipment, water disposal equipment, power and lighting plants, utility lines, leaseholds, sheds; all pipelines, rights-of-way, franchises, licenses, tenements and easements owned by Assignor as are pertinent to such leases or used or useful in the operation thereof.

This Assignment is especially made subject to the following:

The terms and conditions of that certain Participation Agreement dated effective August 21, 2001 by and between Benchmark Assets Company and **ROSE ENERGY, LTD.** relating to the Sabine Lake Field Prospect, Orange and Jefferson Counties, Texas, including all royalty interest, overriding royalty interest, production payments, and all other lease burdens of any type, whatsoever affecting or applying to the above described lands and leases and equipment thereon or pertaining thereto as set forth in the Participation Agreement.

The terms and conditions of that certain Operating Agreement dated August 1, 2001 by and between National Energy Group, Inc., as operator, and **ROSE ENERGY, LTD.**, et al : Sabine Lake Field Prospect, Orange and Jefferson Counties, Texas.

When Recorded Please Return To:

BENCHMARK OIL & GAS COMPANY
1500 S. Dairy Ashford Rd., Ste. 412
Houston, Texas 77077

TRUE AND CORRECT
COPY OF ORIGINAL
FILED IN JEFFERSON
COUNTY CLERK'S OFFICE

All of the terms, provisions, conditions and obligations contained in each of the oil and gas leases described in Exhibit "A" hereto;

All agreements, assignments, unitization agreements, communization agreements, gas contracts, easements, rights-of-ways, encumbrances, amendments, or any other instruments or documents of any type whatsoever, of record or not, which affect the above described lands and leases and equipment thereon or pertaining thereto.

Assignee shall comply with and hereby assumes all express and implied covenants and obligations contained in the leases herein assigned, and in the agreements, assignments and instruments which are applicable to the interests herein assigned including the obligation to plug and abandon any well described herein at Assignee's sole cost and expense. Assignee, at its sole cost and expense, agrees to indemnify, defend and save Assignor harmless from and against any and all claims for damage whether to person or property, arising after the effective date hereof, made by any person or concern by reason of the failure of Assignee to comply with any such covenants and obligations as herein provided, or by reason of, or on account of, or in any way associated with any operations conducted by Assignee after the effective date hereof on the leases or premises herein assigned.

Assignor warrants that it is the lawful owner of the oil and gas leases described with full power and authority to sell and convey the said leases, personal property, machinery and equipment located thereon; and that said leases, personal property, machinery and equipment are free and clear of any and all liens and encumbrances. Further Assignor covenants that it has not sold, pledged as collateral, or made assignments on any part of said equipment or leases to any third party. Assignor agrees to warrant and defend the title to said Leases and the lands covered thereby, by, through and under it, but no further.

TO HAVE AND TO HOLD THE ASSIGNED PROPERTY unto Assignee forever. The provisions hereof shall be covenants running with the land and shall inure to the benefit of and be binding upon the Assignor and Assignee, their respective heirs, personal representatives, successors and assigns.

IN WITNESS WHEREOF, this instrument is executed this 15th day of October, 2001.

ASSIGNOR:

BENCHMARK ASSETS COMPANY

By: Dorothy E. Pledger
Dorothy E. Pledger, Vice-President

ASSIGNEE:

ROSE ENERGY, LTD.

By: _____
David G. Rose, President

TRUE AND CORRECT
COPY OF ORIGINAL
FILED IN JEFFERSON
COUNTY CLERK'S OFFICE

ACKNOWLEDGMENT

STATE OF TEXAS §

COUNTY OF HARRIS §

This instrument was acknowledged before me on this 15th day of October, 2001 by **DOROTHY E. PLEDGER** as Vice-President of **BENCHMARK ASSETS COMPANY (formerly BENCHMARK OIL AND GAS COMPANY)**, a Texas corporation, on behalf of said corporation.

TERESA O'BRIEN BEEMAN
MY COMMISSION EXPIRES
July 30, 2004

NOTARY PUBLIC IN AND FOR THE STATE OF TEXAS

Teresa O'Brien Beeman
Printed Name of Notary

STATE OF KENTUCKY §

COUNTY OF WARREN §

This instrument was acknowledged before me on this 2 day of November, 2001 by **DAVID G. ROSE** as President of **ROSE ENERGY, LTD.**, a Nevada corporation, on behalf of said corporation.

NOTARY PUBLIC IN AND FOR THE STATE OF Kentucky

Linda D. Madison
Printed Name of Notary

TRUE AND CORRECT
COPY OF ORIGINAL
FILED IN JEFFERSON
COUNTY CLERK'S OFFICE

20.5 .2

EXHIBIT "A"

**Attached to that certain Assignment and Conveyance,
dated October 15, 2001
by and between BENCHMARK ASSETS COMPANY
(formerly BENCHMARK OIL AND GAS COMPANY), Assignor
and ROSE ENERGY, LTD., Assignee**

THE STATE OF TEXAS §

COUNTIES OF ORANGE AND JEFFERSON §

1. Oil and Gas Lease No. M-97590 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering S/2 of Tract 8, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 161826 in Vol. 1015, Page 681 of the Official Public Records of Real Property of Orange County, Texas, and under Clerk's File No. 97-9702888 of the Official Public Records of Real Property of Jefferson County, Texas.

2. Oil and Gas Lease No. M-97589 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering N/2 of Tract 8, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 161825 in Vol. 1015, Page 672 of the Official Public Records of Real Property of Orange County, Texas, and under Clerk's File No. 97-9702887 of the Official Public Records of Real Property of Jefferson County, Texas.

3. Oil and Gas Lease No. M-97591 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering Tract 9, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 414.69 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 161828 in Vol. 1015, Page 699 of the Official Public Records of Real Property of Orange County, Texas, and under Clerk's File No. 97-9702889 of the Official Public Records of Real Property of Jefferson County, Texas.

4. Oil and Gas Lease No. M-97592 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering Tract 4, Sabine Lake, Orange County, Texas, containing approximately 522.33 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 161827 in Vol. 1015, Page 690 of the Official Public Records of Real Property of Orange County, Texas.

5. Oil and Gas Lease No. M-102078 dated July 10, 2001, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering S/2 Tract 5, Sabine Lake, Orange County, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 227589 in Vol. 1249, Page 506 of the Official Public Records of Real Property of Orange County, Texas, and under Clerk's File No. 2001035007 of the Official Public Records of Real Property of Jefferson County, Texas.

TRUE AND CORRECT
COPY OF ORIGINAL
FILED IN JEFFERSON
COUNTY CLERK'S OFFICE

FILED AND RECORDED
OFFICIAL PUBLIC RECORDS

Sandy Walker

2001 DEC 21 10:23 AM 2001044864
SANDY WALKER
COUNTY CLERK
JEFFERSON COUNTY, TEXAS

I CERTIFY THIS IS A TRUE COPY
Witness my Hand and Seal of Office
DEC 21 2001
SANDY WALKER, COUNTY CLERK
JEFFERSON COUNTY, TEXAS
BY Marian Page DEPUTY
MARIAN PAGE

205-3

#22
Assignment

April 4, 2003

FILE COPY

Dorth Pledger
Benchmark Oil & Gas Co.
1500 South Dairy Ashfor, Suite 412
Houston, Texas 77077

RE: Assignment filing; GLO ID 3756

Dear Ms. Pledger,

The General Land Office received the following instrument(s) and has filed them in the appropriate files. Please see attached "Exhibit A" for reference.

> Assignment and Conveyance, executed October 15th, 2001, from Benchmark Assets Company, as Assignor, to Aminex USA, Inc. As Assignee.

Filing fees of $250.00 were received in connection with the above lease. If you have any questions, please feel free to call me at (800) 998-4GLO, or at my direct number at (512) 463-6521.

Sincerely,

Beverly Boyd
Mineral Leasing
Energy Resources
512-463-6521

Exhibit "A"

GLO ID	*County*	*Lease*
3756		
	Jefferson	MF097589
	Jefferson	MF097590
	Jefferson	MF097591
	Jefferson	MF097592
	Jefferson	MF102078
	Orange	MF097589
	Orange	MF097590
	Orange	MF097591
	Orange	MF097592
	Orange	MF102078

232216

ASSIGNMENT AND CONVEYANCE

3756

STATE OF TEXAS §
§ KNOW ALL MEN BY THESE PRESENTS:
COUNTIES OF ORANGE AND JEFFERSON §

THAT WHEREAS, **BENCHMARK ASSETS COMPANY (formerly BENCHMARK OIL AND GAS COMPANY)** ("BENCHMARK") whose address is 1500 South Dairy Ashford, Suite 412, Houston, Texas 77077 is the owner of those certain Oil and Gas Leases (hereinafter called the "Leases") and the Leasehold working interest contained therein covering lands situated in Sabine Lake, Orange and Jefferson Counties, Texas (hereinafter called the "Subject Interests") as more particularly described in Exhibit "A" attached hereto and made a part hereof for all purposes.

For and in consideration of the sum of Ten Dollars ($10.00) and other good and valuable consideration in hand paid to the undersigned, the receipt and sufficiency of which are hereby acknowledged, **BENCHMARK ASSETS COMPANY,** a Texas Corporation (hereinafter called "Assignor"), does by these presents BARGAIN, SELL, ASSIGN, TRANSFER, CONVEY and SET OVER unto **AMINEX USA, INC.**, a Delaware corporation (hereinafter called "Assignee"), whose address is 16500 San Pedro Ave., Suite 350, San Antonio, Texas 78232 an undivided TEN and 625/100 percent (10.625%) of eight-eighths (8/8^{ths}) interest in and to the lands, and oil and gas leases described in Exhibit "A" It being the intent of Assignor to convey to Assignee a 10.625% working interest and not less than a 7.703125% net revenue interest in and to the Leases described on Exhibit "A".

And for the same consideration, Assignor does by these presents BARGAIN, SELL, ASSIGN, TRANSFER, CONVEY and SET OVER unto Assignee an undivided TEN and 625/100 percent (10.625%) of eight-eighths (8/8ths) interest in and to all improvements now owned by Assignor and located thereon; all rights, privileges and appurtenances thereto with all reversions and remainders; all equipment, apparatus, machinery and fixtures of whatever kind, nature and description belonging to Assignor which are or may be used in the conduct of operations on said land and leases, whether the same to be considered real, personal or mixed property, including but not limited to all casing, tubing, rods, pumps, derricks, separators, engines, motors, tanks, flow lines, valves, meters, loading racks, processing equipment, water disposal equipment, power and lighting plants, utility lines, leaseholds, sheds; all pipelines, rights-of-way, franchises, licenses, tenements and easements owned by Assignor as are pertinent to such leases or used or useful in the operation thereof.

This Assignment is especially made subject to the following:

The terms and conditions of that certain Participation Agreement dated effective August 21, 2001 by and between Benchmark Assets Company and **AMINEX USA, INC.** relating to the Sabine Lake Field Prospect, Orange and Jefferson Counties, Texas, including all royalty interest, overriding royalty interest, production payments, and all other lease burdens of any type, whatsoever affecting or applying to the above described lands and leases and equipment thereon or pertaining thereto as set forth in the Participation Agreement.

The terms and conditions of that certain Operating Agreement dated August 1, 2001 by and between National Energy Group, Inc., as operator, and ROSE ENERGY, LTD., et al covering the Sabine Lake Field Prospect, Orange and Jefferson Counties, Texas.

F.B. &
When Recorded Please Return To:

BENCHMARK OIL & GAS COMPANY
1500 S. Dairy Ashford Rd., Ste. 412
Houston, Texas 77077

$11.00
3.00 RP
1.00 SF

A CERTIFIED COPY
ATTEST: JAN 15 2002
KAREN G. VANCE, County Clerk
Orange County, Texas
By
LISA ROBERTS, CHIEF DEPUTY

All of the terms, provisions, conditions and obligations contained in each of the oil and gas leases described in Exhibit "A" hereto;

All agreements, assignments, unitization agreements, communization agreements, gas contracts, easements, rights-of-ways, encumbrances, amendments, or any other instruments or documents of any type whatsoever, of record or not, which affect the above described lands and leases and equipment thereon or pertaining thereto.

Assignee shall comply with and hereby assumes all express and implied covenants and obligations contained in the leases herein assigned, and in the agreements, assignments and instruments which are applicable to the interests herein assigned including the obligation to plug and abandon any well described herein at Assignee's sole cost and expense. Assignee, at its sole cost and expense, agrees to indemnify, defend and save Assignor harmless from and against any and all claims for damage whether to person or property, arising after the effective date hereof, made by any person or concern by reason of the failure of Assignee to comply with any such covenants and obligations as herein provided, or by reason of, or on account of, or in any way associated with any operations conducted by Assignee after the effective date hereof on the leases or premises herein assigned.

Assignor warrants that it is the lawful owner of the oil and gas leases described with full power and authority to sell and convey the said leases, personal property, machinery and equipment located thereon; and that said leases, personal property, machinery and equipment are free and clear of any and all liens and encumbrances. Further Assignor covenants that it has not sold, pledged as collateral, or made assignments on any part of said equipment or leases to any third party. Assignor agrees to warrant and defend the title to said Leases and the lands covered thereby, by, through and under it, but no further.

TO HAVE AND TO HOLD THE ASSIGNED PROPERTY unto Assignee forever. The provisions hereof shall be covenants running with the land and shall inure to the benefit of and be binding upon the Assignor and Assignee, their respective heirs, personal representatives, successors and assigns.

IN WITNESS WHEREOF, this instrument is executed this 15TH day of October, 2001.

ASSIGNOR:

BENCHMARK ASSETS COMPANY (formerly BENCHMARK OIL AND GAS COMPANY)

BY: Dorothy E. Pledger
Dorothy E. Pledger, Vice-President

ASSIGNEE:

AMINEX USA, INC.

By: _____
John Hayes, Senior Vice-President

A CERTIFIED COPY
ATTEST: JAN 15 2002
KAREN JO VANCE, County Clerk
Orange County, Texas
By Lisa Roberts
LISA ROBERTS, CHIEF DEPUTY

ACKNOWLEDGMENT

STATE OF TEXAS §

COUNTY OF HARRIS §

This instrument was acknowledged before me on this 15TH day of October, 2001 by **DOROTHY E. PLEDGER** as Vice-President of **BENCHMARK ASSETS COMPANY**, a Texas corporation, on behalf of said corporation.

Teresa O'Brien Beeman
NOTARY PUBLIC IN AND FOR THE STATE OF TEXAS

TERESA O'BRIEN BEEMAN
MY COMMISSION EXPIRES
July 30, 2004

Teresa O'Brien Beeman
Printed Name of Notary

ACKNOWLEDGMENT

STATE OF TEXAS §

COUNTY OF BEXAR §

This instrument was acknowledged before me on this 2 day of November, 2001 by **JOHN HAYES** as Senior Vice-President of **AMINEX USA, INC.**, a Delaware corporation, on behalf of said corporation.

Caprice Ritcheson
NOTARY PUBLIC IN AND FOR THE STATE OF TEXAS

CAPRICE M. RITCHESON
Notary Public, State of Texas
My Commission Expires
September 14, 2005

Caprice Ritcheson
Printed Name of Notary

A CERTIFIED COPY JAN 15 2002
ATTEST:
KAREN JO VANCE, County Clerk
Orange County, Texas
By Lisa Roberts
LISA ROBERTS, CHIEF DEPUTY

EXHIBIT "A"

Attached to that certain Assignment and Conveyance, dated October 15th, 2001 by and between BENCHMARK ASSETS COMPANY, (formerly BENCHMARK OIL AND GAS COMPANY), Assignor and AMINEX USA, INC., Assignee

THE STATE OF TEXAS §

COUNTIES OF ORANGE AND JEFFERSON §

1. Oil and Gas Lease No. M-97590 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering S/2 of Tract 8, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 161826 in Vol. 1015, Page 681 of the Official Public Records of Real Property of Orange County, Texas, and under Clerk's File No. 97-9702888 of the Official Public Records of Real Property of Jefferson County, Texas.

2. Oil and Gas Lease No. M-97589 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering N/2 of Tract 8, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 161825 in Vol. 1015, Page 672 of the Official Public Records of Real Property of Orange County, Texas, and under Clerk's File No. 97-9702887 of the Official Public Records of Real Property of Jefferson County, Texas.

3. Oil and Gas Lease No. M-97591 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering Tract 9, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 414.69 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 161828 in Vol. 1015, Page 699 of the Official Public Records of Real Property of Orange County, Texas, and under Clerk's File No. 97-9702889 of the Official Public Records of Real Property of Jefferson County, Texas.

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5. Oil and Gas Lease No. M-102078 dated July 10, 2001, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering S/2 Tract 5, Sabine Lake, Orange County, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 227589 in Vol. 1249, Page 506 of the Official Public Records of Real Property of Orange County, Texas, and under Clerk's File No. 2001035007 of the Official Public Records of Real Property of Jefferson County, Texas.

FILED AND RECORDED
OFFICIAL PUBLIC RECORDS

VOL 1269 PAGE 923

Sandy Walker

2001 DEC 21 10:23 AM 2001044863
SANDY WALKER
COUNTY CLERK
JEFFERSON COUNTY, TEXAS

STATE OF TEXAS COUNTY OF JEFFERSON

I hereby certify that this instrument was filed on the date and time stamped hereon by me and was duly recorded in the Official Public Records of Real Property of Jefferson County, Texas, on

DEC 21 2001

Sandy Walker
County Clerk, Jefferson County, Texas

FILED FOR RECORD

KAREN JO VANCE

'02 JAN 15 A10:18

COUNTY CLERK
ORANGE COUNTY, TEXAS
BY Lisa Roberts
DEPUTY

A CERTIFIED COPY JAN 15 2002
ATTEST:
KAREN JO VANCE, County Clerk
Orange County, Texas
By Lisa Roberts
LISA ROBERTS, CHIEF DEPUTY

THE STATE OF TEXAS

COUNTY OF ORANGE

I, Karen Jo Vance, County Clerk for Orange County, Texas, do hereby certify that the above and foregoing is a true and correct copy of **ASSIGNMENT AND CONVEYANCE**, File No. **232216,** as the same appears of record in Volume **1269**, Pages **919 - 923**, in the **OFFICIAL PUBLIC RECORDS OF REAL PROPERTY**, Orange County, Texas.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 15th day of January, A.D., 2002

KAREN JO VANCE
COUNTY CLERK
ORANGE COUNTY, TEXAS

By Lisa Roberts
Lisa Roberts, Chief Deputy County Clerk

20.5 .3

ASSIGNMENT AND CONVEYANCE

STATE OF TEXAS §
§ KNOW ALL MEN BY THESE PRESENTS:
COUNTIES OF ORANGE AND JEFFERSON §

THAT WHEREAS, **BENCHMARK ASSETS COMPANY (formerly BENCHMARK OIL AND GAS COMPANY)** ("BENCHMARK") whose address is 1500 South Dairy Ashford, Suite 412, Houston, Texas 77077 is the owner of those certain Oil and Gas Leases (hereinafter called the "Leases") and the Leasehold working interest contained therein covering lands situated in Sabine Lake, Orange and Jefferson Counties, Texas (hereinafter called the "Subject Interests") as more particularly described in Exhibit "A" attached hereto and made a part hereof for all purposes.

For and in consideration of the sum of Ten Dollars ($10.00) and other good and valuable consideration in hand paid to the undersigned, the receipt and sufficiency of which are hereby acknowledged, **BENCHMARK ASSETS COMPANY,** a Texas Corporation (hereinafter called "Assignor"), does by these presents BARGAIN, SELL, ASSIGN, TRANSFER, CONVEY and SET OVER unto **AMINEX USA, INC.**, a Delaware corporation (hereinafter called "Assignee"), whose address is 16500 San Pedro Ave., Suite 350, San Antonio, Texas 78232 an undivided TEN and 625/100 percent (10.625%) of eight-eighths (8/8^{ths}) interest in and to the lands, and oil and gas leases described in Exhibit "A" It being the intent of Assignor to convey to Assignee a 10.625% working interest and not less than a 7.703125% net revenue interest in and to the Leases described on Exhibit "A".

And for the same consideration, Assignor does by these presents BARGAIN, SELL, ASSIGN, TRANSFER, CONVEY and SET OVER unto Assignee an undivided TEN and 625/100 percent (10.625%) of eight-eighths (8/8ths) interest in and to all improvements now owned by Assignor and located thereon; all rights, privileges and appurtenances thereto with all reversions and remainders; all equipment, apparatus, machinery and fixtures of whatever kind, nature and description belonging to Assignor which are or may be used in the conduct of operations on said land and leases, whether the same to be considered real, personal or mixed property, including but not limited to all casing, tubing, rods, pumps, derricks, separators, engines, motors, tanks, flow lines, valves, meters, loading racks, processing equipment, water disposal equipment, power and lighting plants, utility lines, leaseholds, sheds; all pipelines, rights-of-way, franchises, licenses, tenements and easements owned by Assignor as are pertinent to such leases or used or useful in the operation thereof.

This Assignment is especially made subject to the following:

The terms and conditions of that certain Participation Agreement dated effective August 21, 2001 by and between Benchmark Assets Company and **AMINEX USA, INC.** relating to the Sabine Lake Field Prospect, Orange and Jefferson Counties, Texas, including all royalty interest, overriding royalty interest, production payments, and all other lease burdens of any type, whatsoever affecting or applying to the above described lands and leases and equipment thereon or pertaining thereto as set forth in the Participation Agreement.

The terms and conditions of that certain Operating Agreement dated August 1, 2001 by and between National Energy Group, Inc., as operator, and ROSE ENERGY, LTD., et al covering the Sabine Lake Field Prospect, Orange and Jefferson Counties, Texas.

When Recorded Please Return To:

BENCHMARK OIL & GAS COMPANY
1500 S. Dairy Ashford Rd., Ste. 412
Houston, Texas 77077

TRUE AND CORRECT
COPY OF ORIGINAL
FILED IN JEFFERSON
COUNTY CLERK'S OFFICE

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Assignee shall comply with and hereby assumes all express and implied covenants and obligations contained in the leases herein assigned, and in the agreements, assignments and instruments which are applicable to the interests herein assigned including the obligation to plug and abandon any well described herein at Assignee's sole cost and expense. Assignee, at its sole cost and expense, agrees to indemnify, defend and save Assignor harmless from and against any and all claims for damage whether to person or property, arising after the effective date hereof, made by any person or concern by reason of the failure of Assignee to comply with any such covenants and obligations as herein provided, or by reason of, or on account of, or in any way associated with any operations conducted by Assignee after the effective date hereof on the leases or premises herein assigned.

Assignor warrants that it is the lawful owner of the oil and gas leases described with full power and authority to sell and convey the said leases, personal property, machinery and equipment located thereon; and that said leases, personal property, machinery and equipment are free and clear of any and all liens and encumbrances. Further Assignor covenants that it has not sold, pledged as collateral, or made assignments on any part of said equipment or leases to any third party. Assignor agrees to warrant and defend the title to said Leases and the lands covered thereby, by, through and under it, but no further.

TO HAVE AND TO HOLD THE ASSIGNED PROPERTY unto Assignee forever. The provisions hereof shall be covenants running with the land and shall inure to the benefit of and be binding upon the Assignor and Assignee, their respective heirs, personal representatives, successors and assigns.

IN WITNESS WHEREOF, this instrument is executed this 15TH day of October, 2001.

ASSIGNOR:

BENCHMARK ASSETS COMPANY (formerly BENCHMARK OIL AND GAS COMPANY)

BY: Dorothy E. Pledger
Dorothy E. Pledger, Vice-President

ASSIGNEE:

AMINEX USA, INC.

By: _____
John Hayes, Senior Vice-President

COUNTY CLERK OF JEFFERSON COUNTY, TEXAS
TRUE AND CORRECT
COPY OF ORIGINAL
FILED IN JEFFERSON
COUNTY CLERK'S OFFICE

ACKNOWLEDGMENT

STATE OF TEXAS §

COUNTY OF HARRIS §

This instrument was acknowledged before me on this 15TH day of October, 2001 by **DOROTHY E. PLEDGER** as Vice-President of **BENCHMARK ASSETS COMPANY**, a Texas corporation, on behalf of said corporation.

NOTARY PUBLIC IN AND FOR THE STATE OF TEXAS

TERESA O'BRIEN BEEMAN
MY COMMISSION EXPIRES
July 30, 2004

Printed Name of Notary

ACKNOWLEDGMENT

STATE OF TEXAS §

COUNTY OF BEXAR §

This instrument was acknowledged before me on this 2 day of November, 2001 by **JOHN HAYES** as Senior Vice-President of **AMINEX USA, INC.**, a Delaware corporation, on behalf of said corporation.

CAPRICE M. RITCHESON
Notary Public, State of Texas
My Commission Expires
September 14, 2005

NOTARY PUBLIC IN AND FOR THE STATE OF TEXAS

Printed Name of Notary

TRUE AND CORRECT
COPY OF ORIGINAL
FILED IN JEFFERSON
COUNTY CLERK'S OFFICE

205 -2

EXHIBIT "A"

Attached to that certain Assignment and Conveyance, dated October 15th, 2001 by and between BENCHMARK ASSETS COMPANY, (formerly BENCHMARK OIL AND GAS COMPANY), Assignor and AMINEX USA, INC., Assignee

THE STATE OF TEXAS §

COUNTIES OF ORANGE AND JEFFERSON §

1. Oil and Gas Lease No. M-97590 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering S/2 of Tract 8, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 161826 in Vol. 1015, Page 681 of the Official Public Records of Real Property of Orange County, Texas, and under Clerk's File No. 97-9702888 of the Official Public Records of Real Property of Jefferson County, Texas.

2. Oil and Gas Lease No. M-97589 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering N/2 of Tract 8, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 161825 in Vol. 1015, Page 672 of the Official Public Records of Real Property of Orange County, Texas, and under Clerk's File No. 97-9702887 of the Official Public Records of Real Property of Jefferson County, Texas.

3. Oil and Gas Lease No. M-97591 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering Tract 9, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 414.69 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 161828 in Vol. 1015, Page 699 of the Official Public Records of Real Property of Orange County, Texas, and under Clerk's File No. 97-9702889 of the Official Public Records of Real Property of Jefferson County, Texas.

4. Oil and Gas Lease No. M-97592 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering Tract 4, Sabine Lake, Orange County, Texas, containing approximately 522.33 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 161827 in Vol. 1015, Page 690 of the Official Public Records of Real Property of Orange County, Texas.

5. Oil and Gas Lease No. M-102078 dated July 10, 2001, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering S/2 Tract 5, Sabine Lake, Orange County, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 227589 in Vol. 1249, Page 506 of the Official Public Records of Real Property of Orange County, Texas, and under Clerk's File No. 2001035007 of the Official Public Records of Real Property of Jefferson County, Texas.

COUNTY CLERK OF JEFFERSON COUNTY, TEXAS
TRUE AND CORRECT COPY OF ORIGINAL FILED IN JEFFERSON COUNTY CLERK'S OFFICE

FILED AND RECORDED
OFFICIAL PUBLIC RECORDS

Sandy Walker

2001 DEC 21 10:23 AM 2001044863
SANDY WALKER
COUNTY CLERK
JEFFERSON COUNTY, TEXAS

I CERTIFY THIS IS A TRUE COPY
Witness my Hand and Seal of Office

DEC 2 1 2001

SANDY WALKER, COUNTY CLERK
JEFFERSON COUNTY, TEXAS

BY Marian Page DEPUTY
MARIAN PAGE

20.5

22.

File No. MF097589
Assignments
Date Filed: 4/4/03
Jerry E. Patterson, Commissioner
By

DO NOT DESTROY

Texas General Land Office

UNIT AGREEMENT MEMO

PA03-15

Unit Number	*3243*		
Operator Name	*NEG OPERATING LLC*	*Effective Date*	*2/21/03*
TaxID:	[redacted]	*Unitized For*	*Oil & Gas*
Unit Name	*Sabine Lake Gas Unit 1*	*Unit Term*	12 *Months*
County1	*Jefferson*		
County 2	*Orange*		
RRC District:	*03*		
Unit Type:	Temporary		

Old Unit Number	*Inactive Status Date*
3046	*2/21/03*
0	
0	
0	
0	

Unit Depth	All	*Well:*	*Unit*
Below Depth	0	*Formation:*	*Hackberry, Vicksburg*
Above Depth	0	*[If Exclusions Apply: See Remarks]*	

MF Number	MF097589		*Tract Number*	1	
Lease Acres	320	/	*Total Unit Acres*	1586.69	=
Tract Participation:	0.2016777	X			
Lease Royalty	0.25	=	*Manual Tract Participation:*	0	*See Remark*
Tract Royalty Participation	0.0504194		*Manual Tract Royalty:*	0	

Tract Royaly Reduction	No
Tract Royalty Rate	0
Tract On-Line Date:	

RRC

API 36130785

MF Number	**MF097590**		*Tract Number*	2			
Lease Acres	320	/	*Total Unit Acres*	1586.69	=		
Tract Participation:	0.2016777	X					
Lease Royalty	0.25	=	*Manual Tract Participation:*			0	*See Remark*
Tract Royalty Participation	0.0504194		*Manual Tract Royalty:*			0	

Tract Royaly Reduction	No
Tract Royalty Rate	0
Tract On-Line Date:	

MF Number	**MF097591**		*Tract Number*	3			
Lease Acres	414.69	/	*Total Unit Acres*	1586.69	=		
Tract Participation:	0.2613554	X					
Lease Royalty	0.25	=	*Manual Tract Participation:*			0	*See Remark*
Tract Royalty Participation	0.0653389		*Manual Tract Royalty:*			0	

Tract Royaly Reduction	No
Tract Royalty Rate	0
Tract On-Line Date:	

MF Number	**MF097592**		*Tract Number*	4			
Lease Acres	212	/	*Total Unit Acres*	1586.69	=		
Tract Participation:	0.1336115	X					
Lease Royalty	0.25	=	*Manual Tract Participation:*			0	*See Remark*
Tract Royalty Participation	0.0334029		*Manual Tract Royalty:*			0	

Tract Royaly Reduction	No
Tract Royalty Rate	0
Tract On-Line Date:	

MF Number	MF102078		*Tract Number*	5	
Lease Acres	320	/	*Total Unit Acres*	1586.69	=
Tract Participation:	0.2016777	X			
Lease Royalty	0.2	=	*Manual Tract Participation:*	0	See Remark
Tract Royalty Participation	0.0403355		*Manual Tract Royalty:*	0	

Tract Royaly Reduction	No
Tract Royalty Rate	0
Tract On-Line Date:	

Remarks: API 42-361-30785

Prepared By:	TM	*Prepared Date:*	2-4-03
GLO Base Updated By:	M. Silva	*GLOBase Date:*	2/5/03
RAM Approval By:	CL	*RAM Approval Date:*	2/6/03
GIS By:	WK	*GIS Date:*	5/28/03
Mineral Maps By:	R	*Mineral Maps Date:*	5-29-03

POOLING COMMITTEE REPORT

TO: SCHOOL LAND BOARD **PA#: 03-15**
DATE OF BOARD MEETING: February 4, 2003
EFFECTIVE DATE: February 21, 2003
UNIT EXPIRATION DATE: February 21, 2004

APPLICANT: NEG Operating LLC
OPERATOR: NEG Operating LLC **COUNTY:** Jefferson & Orange

UNIT NAME: Sabine Lake Gas Unit 1 **FIELD:** Sabine Lake, North (Hackberry)

STATE LEASE(S) IN UNIT

Lease *Type	State Number	State Royalty	Expiration Date	Term Year	Acres	Acres In Unit	Lessee of Record	Royalty Participation
SF	M-97589	¼	HBP	5	320	320	Benchmark et al	5.0420%
SF	M-97590	¼	HBP	5	320	320	Benchmark et al	5.0420%
SF	M-97591	¼	HBP	5	414.69	414.69	Benchmark et al	6.5339%
SF	M-97592	¼	HBP	5	212	212	Benchmark et al	3.3403%
SF	M-102078	¼ **	7/10/06	5	320	320	Benchmark et al	4.0336%

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

**** Subject to variable royalty provision in the lease**

PRIVATE ACRES: _____
STATE ACRES: 1586.69
TOTAL UNIT ACRES: 1586.69

Type Unit:
Permanent _____
Temporary x
Term 12-month

Unitized for:
Oil _____
Gas _____
Both x

Well Location:
State Land x
Private Land ____

Participation:
Basis Surface acreage
State Acreage 100%
State Unit Royalty 23.9918%

Railroad Commission Rules:
Statewide x
Special Field Rules _____
Spacing _____ Acres

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

REMARKS:

- NEG Operating LLC is requesting a 12-month extension of the temporary Sabine Lake Gas Unit 1.

- The School Land Board approved 18-month temporary oil and gas pooling to all depths on August 21, 2001.

- The applicant drilled and completed a well on Sabine Lake Tract 8 on November 6, 2001. Initial tests indicate the well is capable of producing approximately 8 to 10 MMCF of gas and 800 to 1,000 bbls of condensate per day. The applicant drilled a dry hole on Sabine Lake Tract 9 in June 2002.

- The applicant has been attempting to secure a pipeline permit from the Corps of Engineers for over a year and has indicated the unit well should be on-line to sales sometime in March of this year. The extension will allow the applicant to evaluate the production from the unit well, complete the interpretation of the reprocessed 3-D seismic survey to determine the feasibility of drilling another well, and re-enter the Exxon GU 3-1 well.

- If the extension is approved, the state's unit royalty participation will remain unchanged at 23.9918%.

- Horizontal severance is provided for in the leases.

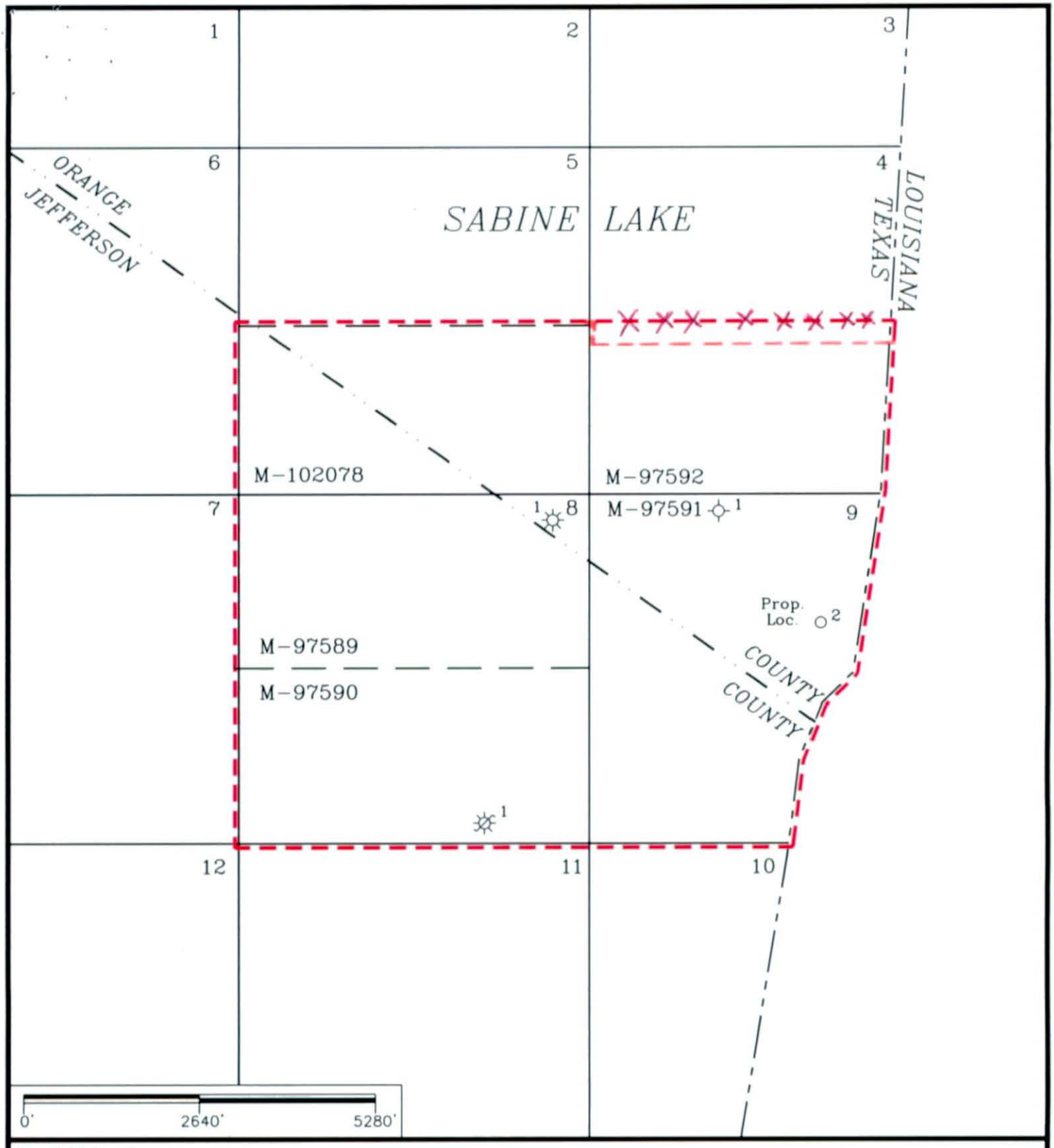
- APPROVAL BY THE SCHOOL LAND BOARD IN NO WAY RATIFIES ANY OF THE STATE LEASES INCLUDED IN THIS PROPOSED UNIT.

POOLING COMMITTEE RECOMMENDATION:

- The Pooling Committee recommends Board approval of a 12-month extension of the Sabine Lake Gas Unit 1 under the above-stated provisions.

Jeffee Martinez-Vargas — Date: 1/22/03

Peter A. Boone — Date: 1-22-03



03-15\ft\02-03

N. E. G. OPERATING L. L. C.

SABINE LAKE GAS UNIT 1

SABINE LAKE, NORTH (HACKBERRY)

M-97589, M-97590, M-97591, M-97592 & M-102078

JEFFERSON & ORANGE COUNTIES

AMENDMENT OF TERM POOLING AGREEMENT
BENCHMARK OIL & GAS COMPANY
SABINE LAKE GAS UNIT 1
JEFFERSON AND ORANGE COUNTIES, TEXAS

WHEREAS, on August 21, 2001, the Benchmark Oil & Gas Company, Sabine Lake Gas Unit 1 in Jefferson and Orange Counties, Texas, was presented to and approved by the School Land Board of the State of Texas pursuant to the provisions of Subchapter E, Chapter 52, of the Texas Natural Resources Code; and

WHEREAS, pursuant to such approval, Benchmark Oil & Gas Company and the Commissioner of the General Land Office of the State of Texas entered into that certain Term Pooling Agreement ("Agreement") to pool certain State lands into the Sabine Lake Gas Unit 1 covering 1,586.69 acres of land in Jefferson and Orange Counties, Texas, as more particularly described in said Agreement on file in the Archives and Records of the Texas General Land Office at Austin, Texas, in Mineral File No. M-97589; and

WHEREAS, said Agreement was executed by the parties thereto subject to the provision that it would expire on February 21, 2003; and

WHEREAS, NEG Operating LLC is the current operator of the Sabine Lake Gas Unit 1; and

WHEREAS, on February 4, 2003, NEG Operating LLC made application and the School Land Board approved its application to extend the term of said Agreement for an additional one year until February 21, 2004; and

WHEREAS, the Commissioner of the General Land Office finds that amending said Agreement as approved by the School Land Board is in the best interest of the State of Texas:

NOW THEREFORE, in consideration of the premises and of the mutual agreements contained in said Agreement, it is agreed that said Agreement be amended as to Paragraph 9 thereof by deleting said paragraph in its entirety and substituting the following paragraph therefor:

"TERM: 9.

Unless this Agreement expires earlier pursuant to the terms of the respective leases included as a part of this Agreement, or on such other date approved by the School Land Board and mutually agreed to by the undersigned parties, their successors or assigns, this Agreement shall expire on February 21, 2004. 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."

Nothing in this Amendment, nor the approval of this Amendment by the School Land Board, nor the execution of this Amendment 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; or (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.

This Amendment of Term Pooling 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 Amendment of Term Pooling Agreement are executed, the executed pages, together with the pages necessary to show acknowledgments, may be combined with the other pages of this Amendment of Term Pooling 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 Amendment of Term Pooling Agreement upon the respective dates indicated below but to be effective as of February 4, 2003.

Date Executed 4-22-03

STATE OF TEXAS

Legal
Content
Geology
Executive

By: _____
Jerry E. Patterson, Commissioner
General Land Office

Date Executed _____

NEG OPERATING LLC

By: _____

Its: _____

CERTIFICATE

I, Amber Maxwell, 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 4th day of February, 2003, 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 23 day of April, 2003.

Amber Maxwell

Secretary of the School Land Board

STATE OF TEXAS

COUNTY OF _____

This instrument was acknowledged before me on _____, 2003, by _____ as _____ of NEG Operating LLC, a _____ corporation on behalf of said corporation

_____

Notary Public in and for the
State of Texas

Date Executed March 7, 2003

NEG OPERATING LLC
By: NEG Holding LLC, Sole Member
By: Gascon Partners, Managing Member
By: Cigas Corp., Managing General Partner

By: _____
Name: Edward E. Mattner
Title: President

STATE OF NEW YORK §
§
COUNTY OF NEW YORK §

Before me, a Notary Public, in and for said county and state, on this 7th day of March, 2003, personally appeared Edward E. Mattner, to me known to be the identical person who subscribed the name of Cigas Corp., a Delaware corporation, as managing general partner of Gascon Partners, a New York general partnership, as managing member for NEG Holding LLC, a Delaware limited liability company, as the sole member of **NEG Operating LLC**, a Delaware limited liability company, the maker thereof, to the foregoing instrument as its President and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of such limited liability company for the uses and purposes therein set forth.

Witness my hand and official seal.

_____
Notary Public, State of New York
Printed Name of Notary: _____
My Commission Expires: _____

Date Executed March 31, 2003

SUNCLEAR ENERGY, INC.

By: _____

Name: Michael L. Toms

Title: Pres.

STATE OF KENTUCKY §
§
COUNTY OF Warren §

This instrument was acknowledged before me on March 31, 2003, by Michael L. Toms as President of Sunclear Energy, Inc., a Nevada corporation on behalf of said corporation.

My Commission Expires 2-6-2004

Connie B. Younger

Notary Public

Date Executed MARCH 26, 2003

BENCHMARK ASSETS COMPANY

By: _____
Name: ROBERT E. PLEDGER
Title: PRESIDENT

STATE OF TEXAS §
§
COUNTY OF Harris §

This instrument was acknowledged before me on 3-26-03, 2003, by Robert E. Pledger as President of Benchmark Assets Company, a Texas corporation on behalf of said corporation.

My Commission Expires Sept. 16, 2003.

A. A. Desai
Notary Public

A. A. DESAI
MY COMMISSION EXPIRES
September 16, 2003

Date Executed 2-24-03

RIMCO PRODUCTION COMPANY

By: _____
Name: A.L. Jorden
Title: President

STATE OF TEXAS §
§
COUNTY OF Harris §

This instrument was acknowledged before me on February 24th, 2003, by A.L. Jorden as President of Rimco Production Company, a Delaware corporation on behalf of said corporation.

TERESA A. FOSS
NOTARY PUBLIC STATE OF TEXAS
COMMISSION EXPIRES:
OCTOBER 22, 2005

My Commission Expires 10-22-05

Teresa A Foss
Notary Public

Date Executed 2/24/03

D & E ENERGY INC.

By: Michael W. Englert
Name: Michael W. Englert
Title: President

STATE OF TEXAS §
§
COUNTY OF Harris §

This instrument was acknowledged before me on February 24th, 2003, by Michael W. Englert as President of D & E Energy Inc., a Texas corporation on behalf of said corporation.

TERESA A. FOSS
NOTARY PUBLIC STATE OF TEXAS
COMMISSION EXPIRES:
OCTOBER 22, 2005

My Commission Expires 10-22-05

Teresa A. Foss
Notary Public

Date Executed 2-28-03

FORT APACHE ENERGY VENTURES 2002, INC.

By: Allan P. Bloxsom III
Name: Allan P. Bloxsom III
Title: President

STATE OF TEXAS §
§
COUNTY OF Uvalde §

This instrument was acknowledged before me on February 28, 2003, by Allan P. Bloxsom III as President of Fort Apache Energy Venture 2202, Inc., a Texas corporation on behalf of said corporation.

My Commission Expires 6-20-2004
Cynthia Randez
Notary Public

CYNTHIA RANDEZ
Notary Public
State of Texas
My Comm. Exp. 06-20-2004

Date Executed 03-10-03

COASTAL EXPLORATION AND DEVELOPMENT CORPORATION

By: Choice Smith
Name: Choice Smith
Title: President

STATE OF TEXAS §
§
COUNTY OF DALLAS §

This instrument was acknowledged before me on March 10, 2003, by Choice Smith as President of Coastal Exploration and Development Corporation, a Texas corporation on behalf of said corporation.

DOROTHY CARRIGAN
MY COMMISSION EXPIRES
October 3, 2004

My Commission Expires 10-03-04

Dorothy Carrigan
Notary Public

Date Executed March 25, 2003

AMINEX USA, INC.

By: _____

Name: John Hayes

Title: Sr. V.P.

STATE OF TEXAS §
§
COUNTY OF Bexar §

This instrument was acknowledged before me on March 25, 2003, by John Hayes as Sr. VP of Aminex USA, Inc., a Delaware corporation on behalf of said corporation.

CAPRICE M. RITCHESON
Notary Public, State of Texas
My Commission Expires
September 14, 2005

My Commission Expires 9/14/05

_____
Notary Public

Date Executed March 26, 2003

ROBERT E. PLEDGER

STATE OF TEXAS §
§
COUNTY OF Harris §

This instrument was acknowledged before me on 3-26-03, 2003, by Robert E. Pledger.

A. A. DESAI
MY COMMISSION EXPIRES
September 16, 2003

My Commission Expires Sept. 16, 2003.

Notary Public

Date Executed April 1, 2003

ROBERT CORNWELL

STATE OF TEXAS §
§
COUNTY OF Dallas §

This instrument was acknowledged before me on April 1, 2003, 2003, by Robert Cornwell.

CHIH HUAN TANG
Notary Public, State of Texas
My Commission Expires
July 22, 2006

My Commission Expires July 22, 2006

Notary Public

33.

File No: MF097589
Pooling Committee Report
Texas Pooling Agreement
Date Filed: 4/29/03 Amendment

Jerry E. Patterson, Commissioner

By _____

NATIONAL ENERGY GROUP, INC.

RECEIVED
03 JUN 11 AM 11:05

June 4, 2003

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

Attention: Mr. J. Daryl Morgan, CPL
Energy Resources Division

Re: Amendment of Term Pooling Agreement M-97589
NEG Operating LLC
Sabine Lake Gas Unit
Jefferson and Orange Counties, Texas

Dear Mr. Morgan:

Please find enclosed for your files a recorded copy of the referenced Amendment of Term Pooling Agreement.

Should you have any questions, please do not hesitate to contact me at the number listed below.

Thank you,

NEG Operating LLC by
NATIONAL ENERGY GROUP, INC.

Dotty Wagner
Land Assistant

Enclosure

4925 Greenville Avenue • Suite 1400 • Dallas, Texas 75206 • (214) 692-9211 • FAX (214) 692-9310

2003020131

13 PGS

251787

VOL 1357 PAGE 426

AMENDMENT OF TERM POOLING AGREEMENT
BENCHMARK OIL & GAS COMPANY
SABINE LAKE GAS UNIT 1
JEFFERSON AND ORANGE COUNTIES, TEXAS

WHEREAS, on August 21, 2001, the Benchmark Oil & Gas Company, Sabine Lake Gas Unit 1 in Jefferson and Orange Counties, Texas, was presented to and approved by the School Land Board of the State of Texas pursuant to the provisions of Subchapter E, Chapter 52, of the Texas Natural Resources Code; and

WHEREAS, pursuant to such approval, Benchmark Oil & Gas Company and the Commissioner of the General Land Office of the State of Texas entered into that certain Term Pooling Agreement ("Agreement") to pool certain State lands into the Sabine Lake Gas Unit 1 covering 1,586.69 acres of land in Jefferson and Orange Counties, Texas, as more particularly described in said Agreement on file in the Archives and Records of the Texas General Land Office at Austin, Texas, in Mineral File No. M-97589; and

WHEREAS, said Agreement was executed by the parties thereto subject to the provision that it would expire on February 21, 2003; and

WHEREAS, NEG Operating LLC is the current operator of the Sabine Lake Gas Unit 1; and

WHEREAS, on February 4, 2003, NEG Operating LLC made application and the School Land Board approved its application to extend the term of said Agreement for an additional one year until February 21, 2004; and

WHEREAS, the Commissioner of the General Land Office finds that amending said Agreement as approved by the School Land Board is in the best interest of the State of Texas:

NOW THEREFORE, in consideration of the premises and of the mutual agreements contained in said Agreement, it is agreed that said Agreement be amended as to Paragraph 9 thereof by deleting said paragraph in its entirety and substituting the following paragraph therefor:

"TERM: 9.

Unless this Agreement expires earlier pursuant to the terms of the respective leases included as a part of this Agreement, or on such other date approved by the School Land Board and mutually agreed to by the undersigned parties, their successors or assigns, this Agreement shall expire on February 21, 2004. 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."

Nothing in this Amendment, nor the approval of this Amendment by the School Land Board, nor the execution of this Amendment 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; or (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.

This Amendment of Term Pooling 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 Amendment of Term Pooling Agreement are executed, the executed pages, together with the pages necessary to show acknowledgments, may be combined with the other pages of this Amendment of Term Pooling 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 Amendment of Term Pooling Agreement upon the respective dates indicated below but to be effective as of February 4, 2003.

Date Executed 4-22-03

STATE OF TEXAS

By: _____
Jerry E. Patterson, Commissioner
General Land Office

Legal
Content
Geology
Executive

Date Executed _____

NEG OPERATING LLC

By: _____

Its: _____

CERTIFICATE

I, Amber Maxwell, 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 4th day of February, 2003, 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 23 day of April, 2003.

Amber Maxwell

Secretary of the School Land Board

STATE OF TEXAS

COUNTY OF _____

This instrument was acknowledged before me on _____, 2003, by _____ as _____ of NEG Operating LLC, a _____ corporation on behalf of said corporation

_____

Notary Public in and for the
State of Texas

Date Executed March 7, 2003

NEG OPERATING LLC
By: NEG Holding LLC, Sole Member
By: Gascon Partners, Managing Member
By: Cigas Corp., Managing General Partner

By: _____
Name: Edward E. Mattner
Title: President

STATE OF NEW YORK §
§
COUNTY OF NEW YORK §

Before me, a Notary Public, in and for said county and state, on this 7th day of March, 2003, personally appeared Edward E. Mattner, to me known to be the identical person who subscribed the name of Cigas Corp., a Delaware corporation, as managing general partner of Gascon Partners, a New York general partnership, as managing member for NEG Holding LLC, a Delaware limited liability company, as the sole member of **NEG Operating LLC**, a Delaware limited liability company, the maker thereof, to the foregoing instrument as its President and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of such limited liability company for the uses and purposes therein set forth.

Witness my hand and official seal.

_____
Notary Public, State of New York
Printed Name of Notary: _____
My Commission Expires: _____

DOLORES TOOMEY
Notary Public, State of New York
No. 41-4771811
Qualified in Queens County
Commission Expires May 31, 2008

Date Executed March 31, 2003

SUNCLEAR ENERGY, INC.

By: _____
Name: Michael L. Tom
Title: Pres.

STATE OF KENTUCKY §
§
COUNTY OF Warren §

This instrument was acknowledged before me on March 31, 2003, by Michael L. Tom as President of Sunclear Energy, Inc., a Nevada corporation on behalf of said corporation.

My Commission Expires 2-6-2004

Connie B. Younger
Notary Public

Date Executed MARCH 26, 2003

BENCHMARK ASSETS COMPANY

By: Robert E. Pledger
Name: ROBERT E. PLEDGER
Title: PRESIDENT

STATE OF TEXAS §
§
COUNTY OF Harris §

This instrument was acknowledged before me on 3-26-03, 2003, by Robert E. Pledger as President of Benchmark Assets Company, a Texas corporation on behalf of said corporation.

My Commission Expires Sept. 16, 2003.

A. A. Desai
Notary Public

A. A. DESAI
MY COMMISSION EXPIRES
September 16, 2003

Date Executed 2-24-03

RIMCO PRODUCTION COMPANY

By: _____
Name: A.L. Jorden
Title: President

STATE OF TEXAS §
§
COUNTY OF Harris §

This instrument was acknowledged before me on February 24th, 2003, by A.L. Jorden as President of Rimco Production Company, a Delaware corporation on behalf of said corporation.

TERESA A. FOSS
NOTARY PUBLIC STATE OF TEXAS
COMMISSION EXPIRES:
OCTOBER 22, 2005

My Commission Expires 10-22-05

Teresa A Foss
Notary Public

Date Executed 2/24/03

D & E ENERGY INC.

By: Michael W. Englert
Name: MICHAEL W. ENGLERT
Title: President

STATE OF TEXAS §
§
COUNTY OF Harris §

This instrument was acknowledged before me on February 24th, 2003, by Michael W. Englert as President of D & E Energy Inc., a Texas corporation on behalf of said corporation.

TERESA A. FOSS
NOTARY PUBLIC STATE OF TEXAS
COMMISSION EXPIRES:
OCTOBER 22, 2006

My Commission Expires 10-22-05

Teresa A Foss
Notary Public

Date Executed 2-28-03

FORT APACHE ENERGY VENTURES 2002, INC.

By: Allan P. Bloxsom III
Name: Allan P. Bloxsom III
Title: President

STATE OF TEXAS §
§
COUNTY OF Uvalde §

This instrument was acknowledged before me on February 28, 2003, by Allan P. Bloxsom III as President of Fort Apache Energy Venture 2202, Inc., a Texas corporation on behalf of said corporation.

My Commission Expires 6-20-2004

Cynthia Randez
Notary Public

CYNTHIA RANDEZ
Notary Public
State of Texas
My Comm. Exp. 06-20-2004

209 9

Date Executed 03-10-03

COASTAL EXPLORATION AND DEVELOPMENT CORPORATION

By: Choice Smith
Name: Choice Smith
Title: President

STATE OF TEXAS §
§
COUNTY OF DALLAS §

This instrument was acknowledged before me on MARCH 10, 2003, by Choice Smith as President of Coastal Exploration and Development Corporation, a TEXAS corporation on behalf of said corporation.

My Commission Expires 10-03-04
Dorothy Carrigan
Notary Public

DOROTHY CARRIGAN
MY COMMISSION EXPIRES
October 3, 2004

Date Executed March 25, 2003

AMINEX USA, INC.

By: _____
Name: John Hays
Title: Sr. V.P.

STATE OF TEXAS §
§
COUNTY OF Bexar §

This instrument was acknowledged before me on March 25, 2003, by John Hays as Sr. V.P of Aminex USA, Inc., a Delaware corporation on behalf of said corporation.

CAPRICE M. RITCHESON
Notary Public, State of Texas
My Commission Expires
September 14, 2005

My Commission Expires 9/14/05

Caprice M. Ritcheson
Notary Public

Date Executed April 1, 2003

ROBERT CORNWELL

Robert W Cornwell

STATE OF TEXAS §
§
COUNTY OF Dallas §

This instrument was acknowledged before me on April 1, 2003, by Robert Cornwell.

CHIH HUAN TANG
Notary Public, State of Texas
My Commission Expires
July 22, 2006

My Commission Expires July 22, 2006

Chih-Huan Tang
Notary Public

CHIH HUAN TANG
Notary Public, State of Texas
My Commission Expires
July 22, 2006

Date Executed MARCH 26, 2003

ROBERT E. PLEDGER

STATE OF TEXAS §
§
COUNTY OF Harris §

This instrument was acknowledged before me on ~~Sept. 16,~~ 3-26-03, 2003, by Robert E. Pledger.

A. A. DESAI
MY COMMISSION EXPIRES
September 16, 2003

My Commission Expires Sept. 16, 2003.

A. A. Desai
Notary Public

Return to:
FB+RT
National Energy Group Inc
1400 One Energy Square
4925 Greenville Avenue
Dallas TX 75206
25.00 + 5.00 RP + 1.00 SF

FILED FOR RECORD

KAREN JO VANCE

'03 MAY 12 P4:35

COUNTY CLERK
ORANGE COUNTY, TEXAS

DEPUTY

AMENDMENT OF TERM POOLING AGREEMENT
BENCHMARK OIL & GAS COMPANY
SABINE LAKE GAS UNIT 1
JEFFERSON AND ORANGE COUNTIES, TEXAS

STATE OF TEXAS

COUNTY OF ORANGE

I hereby certify that this instrument was filed on the date and time stamped hereon by me and was duly recorded in the Official Public Records of Real Property of Orange County, Texas, on

MAY 1 2 2003

Karen G. Vance

COUNTY CLERK, Orange County, Texas

(24)

File No. M-97589
Ltr. from National Energy
Group with recorded Amendment

Date Filed: 6-6-03

Jerry E. Patterson, Commissioner

By Mary Myers

FILED AND RECORDED

OFFICIAL PUBLIC RECORDS

Sandy Walker

2003 May 27 03:11 PM 2003020191

GODINA $31.00

SANDY WALKER COUNTY CLERK

JEFFERSON COUNTY TEXAS

STATE OF TEXAS COUNTY OF JEFFERSON

I hereby certify that this instrument was filed on the date and time stamped hereon by me and was duly recorded in the Official Public Records of Real Property at Jefferson County, Texas, on

MAY 27 2003

Sandy Walker

County Clerk, Jefferson County, Texas

E-6-03

RIMCO PRODUCTION COMPANY, INC.

600 Travis Street, Suite 7050· Houston, TX 77002· (713) 229-8800· (713) 247-0730 Fax
22 Waterville Road· Avon, CT 06001· (860) 678-8100· (860) 678-9382 Fax

November 5, 2003

Texas General Land Office
Attn: Beverly Boyd
1700 North Congress Avenue
Austin, Texas 78701-1495

via federal express delivery

Re: Assignment Filings
M-97589, M-97590, M-97591, M-97592, M-102078
M-102152, M-102334
Sabine Lake
Orange and Jefferson Counties, Texas

Dear Beverly,

Enclosed are the following documents for filing:

1. Assignment of Overriding Royalty Interests
   (RIMCO, et al to David L. Mitchell, et al)
   M-97592, M-102078, M-97589, M-97590, M-97591
   (Fee: $50 x 5 = $250)

2. Assignment, Bill of Sale and Conveyance
   (Rose Energy, Ltd. to Sunclear Energy, Inc.)
   M-97590, M-97589, M-97591, M-97592, M-10278
   (Fee: $50 x 5 = $250)

3. Assignment, Bill of Sale and Conveyance
   (Sunclear Energy, Inc. to RIMCO, et al)
   M-97590, M-97589, M-97591, M-97592, M-10278
   (Fee: $50 x 5 = $250)

4. Assignment, Bill of Sale and Conveyance
   (Sunclear Energy, Inc. to Fort Apache Energy Ventures 2002)
   M-97590, N-97589, M-97591, M-97592, M-10278
   (Fee: $50 x 5 = $250)

5. Assignment of Overriding Royalty Interests
   (RIMCO, et al to Daniel L. Doss, et al)
   M-102152, M-102334
   (Fee: $50 x 2 = $100)

209 .11

6. Correction to Assignment of Overriding Royalty Interest
   (RIMCO, et al to David L. Mitchell, et al)
   M-102078, M-97592, M-97589, M-97590, M-97591
   (Fee: $50 x 5 = $250)

7. Partial Assignment of Overriding Royalty Interest
   (D&E Energy, Inc. to Daniel L. Doss, et al)
   M-102078, M-97592, M-97589, M-97590, M-97591
   (Fee: $50 x 5 = $250)

Attached is RIMCO's check no. 2161 in the amount of $1,600 for the assignment filing fees. In the event any of these documents have been previously filed with your office, please return the recorded original back to our Houston office. We are in the process of preparing a re-assignment of interest and will file with your office in the near future. Thank you very much for your assistance. Please advise (713-229-8800 ext. 17) if you require anything further from our office.

Very truly yours,
RIMCO PRODUCTION COMPANY, INC.

Cheryl D. Strickland - 17
Landman

*8+

enclosures

209 · 11

Check #2161 RIMCO PRODUCTION COMPANY, INC. No. 2161

500 TRAVIS, SUITE 7050 - HOUSTON, TEXAS 77002

Property Id / MMS	Eff. Date	Recording Information	State	County/Parish
TXSAB,	/ /		Texas	Orange

Property Name / Lessor

Sabine Lake Prospect

Property Legal Description

Payee Name & Address

Texas General Land Office
1700 North Congress Avenue
Austin, Texas 78701-1495

Attn: Beverly Boyd

SSN/Tax Id Number

Federal Tax Withheld
0.00

Account Number

Total Bank Charges
0.00

Payment Due Date	Period (in months)	Payment Description	Amount Due	Bank Service Charges	Property Sub-Type	Property Sub-Id
11/05/2003	12	Filing Fees	250.00	0.00		
#6. Correction to Assignment of ORRI (RPC, et al - David Mitchell, et al) (Fee: $50 x 5 = $250)						
11/05/2003	12	Filing Fees	250.00	0.00		
#7. Partial Assignment of ORRI (D&E - Daniel L. Doss, et al) (Fee: $50 x 5 = $250)						
11/05/2003	12	Filing Fees	100.00	0.00		
#5. Assignment of ORRI (RPC, et al - Daniel L. Doss, et al) (Fee: $50 x 2 = $100)						
/ /			0.00	0.00		
/ /			0.00	0.00		

Instructions to depository: you have been designated as depository for the above described payment(s). Please credit the proceeds thereof to the parties named and in the amounts indicated. Should any difficulty arise, make the deposit in a special account, and contact us immediately.

0168

Property Id / PINS	Eff. Date	Recording Information	State	County / Parish
TXSAB	/ /		Texas	Orange

Property Name / Lessor

Sabine Lake Prospect

Property Legal Description

Payee Name & Address	SSN/Tax Id Number
Texas General Land Office 1700 North Congress Avenue Austin, Texas 78701-1495	
	Federal Tax Withheld
	0.00
	Account Number
	Total Bank Charges
	0.00

Payment Due Date	Period (in months)	Payment Description	Amount Due	Bank Service Charges	Property Sub-Type	Property Sub-Id
11/05/2003	12	Filing Fees	250.00	0.00		
#6. Correction to Assignment of ORRI (RPC, et al - David Mitchell, et al) (Fee: $50 x 5 = $250)						
11/05/2003	12	Filing Fees	250.00	0.00		
#7. Partial Assignment of ORRI (D&E - Daniel L. Doss, et al) (Fee: $50 x 5 = $250)						
11/05/2003	12	Filing Fees	100.00	0.00		
#5. Assignment of ORRI (RPC, et al - Daniel L. Doss, et al) (Fee: $50 x 2 = $100)						
/ /			0.00	0.00		
/ /			0.00	0.00		

0401184

Instructions to depository: you have been designated as depository for the above described payment(s). Please credit the proceeds thereof to the parties named and in the amounts indicated. Should any difficulty arise, make the deposit in a special account, and contact us immediately.

0168

RIMCO PRODUCTION COMPANY, INC.
600 TRAVIS, SUITE 7050
HOUSTON, TX 77002

Frost National Bank
Member Cullen/Frost Bankers, Inc.
www.frostbank.com

No. 2161

Property Id TXSAB

Check Date

11/05/2003

Pay $**********1600 Dollars and 00 Cents

Check Amount
$**********1600.00

To the order of:

Texas General Land Office
1700 North Congress Avenue
Austin, Texas 78701-1495

129

BY

⑈002161⑈ [redacted]

dh

SECURITY FEATURES: MICRO PRINT TOP & BOTTOM BORDERS COLORED PATTERN - ARTIFICIAL WATERMARK ON REVERSE SIDE - *MISSING FEATURE INDICATES A COPY

Check #2160

RIMCO PRODUCTION COMPANY, INC.
600 TRAVIS, SUITE 7050 ; HOUSTON, TEXAS 77002

No. 2160

Property Id / MMS	Eff. Date	Recording Information	State	County/Parish
TXSAB	/ /		Texas	Orange

Property Name / Lessor

Sabine Lake Prospect

Property Legal Description

Payee Name & Address

Texas General Land Office
1700 North Congress Avenue
Austin, Texas 78701-1495

SSN/Tax Id Number

Federal Tax Withheld
0.00

Account Number

Total Bank Charges
0.00

Payment Due Date	Period (in months)	Payment Description	Amount Due	Bank Service Charges	Property Sub-Type	Property Sub-Id
11/05/2003	12	Filing Fees	250.00	0.00		
#2. Assignment, Bill of Sale & Conveyance (Sunclear-RPC, et al) (Fee: $50 x 5 = $250)						
11/05/2003	12	Filing Fees	250.00	0.00		
#3. Assinment, Bill of Sale & Conveyance (Sunclear - RPC, et al) (Fee: $50 x 5 = $250)						
11/05/2003	12	Filing Fees	250.00	0.00		
#1. Assignment of ORRI (RPC, et al - David Mitchell, et al) (Fee: $50 x 5 = $250)						
11/05/2003	12	Filing Fees	250.00	0.00		
#4. Assignment, Bill of Sale & Conveyance (Sunclear - Fort Apache) (Fee: $50 x 5 = 250)						
/ /			0.00	0.00		Continued on next check.

Instructions to depository: you have been designated as depository for the above described payment(s). Please credit the proceeds thereof to the parties named and in the amounts indicated. Should any difficulty arise, make the deposit in a special account, and contact us immediately.

0167

25.

File No. MF 091589
Letter + assignment
Fees

Date Filed: 11/6/03

Jerry E. Patterson, Commissioner

By _____

11-6-03

RIMCO PRODUCTION COMPANY, INC.

600 Travis Street, Suite 7050· Houston, TX 77002· (713) 229-8800· (713) 247-0730 Fax
22 Waterville Road· Avon, CT 06001· (860) 678-8100· (860) 678-9382 Fax

November 24, 2003

16000

Texas General Land Office
Attn: Beverly Boyd
1700 North Congress Avenue
Austin, Texas 78701-1495

via federal express delivery

Re: Assignment Filings
M-97589, M-97590, M-97591, M-97592, M-102078
M-102152, M-102334
Sabine Lake
Orange and Jefferson Counties, Texas

Dear Beverly,

Enclosed are certified copies from the County Clerks Office of the following documents to replace originals and copies previously sent on November 5, 2003:

1. Assignment of Overriding Royalty Interests
   (RIMCO, et al to David L. Mitchell, et al)
   M-97592, M-102078, M-97589, M-97590, M-97591

2. Assignment, Bill of Sale and Conveyance
   (Rose Energy, Ltd. to Sunclear Energy, Inc.)
   M-97590, M-97589, M-97591, M-97592, M-10278

3. Assignment, Bill of Sale and Conveyance
   (Sunclear Energy, Inc. to RIMCO, et al)
   M-97590, M-97589, M-97591, M-97592, M-10278

4. Assignment, Bill of Sale and Conveyance
   (Sunclear Energy, Inc. to Fort Apache Energy Ventures 2002)
   M-97590, N-97589, M-97591, M-97592, M-10278

5. Assignment of Overriding Royalty Interests
   (RIMCO, et al to Daniel L. Doss, et al)
   M-102152, M-102334

6. Correction to Assignment of Overriding Royalty Interest
   (RIMCO, et al to David L. Mitchell, et al)
   M-102078, M-97592, M-97589, M-97590, M-97591

7. Partial Assignment of Overriding Royalty Interest
   (D&E Energy, Inc. to Daniel L. Doss, et al)
   M-102078, M-97592, M-97589, M-97590, M-97591

Please return to our Houston office the originals previously submitted. Thank you very much for your assistance. Please advise (713-229-8800 ext. 17) if you require anything further from our office.

Very truly yours,
RIMCO PRODUCTION COMPANY, INC.

Cheryl D. Strickland
Landman

enclosures

20-52-11

File No. MF097589 2b.

Letter

Date Filed: 11/25/03

Jerry E. Patterson, Commissioner

By

TEXAS GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

November 25, 2003

M-097589
see 2nd page

Cheryl D. Strickland
RIMCO Production Company, Inc.
600 Travis Street, Suite 7050
Houston, Texas 770002

RE: Assignment filing; GLO ID 4505

Dear Ms. Strickland,

The General Land Office received the following instrument(s) and has filed them in the appropriate files. Please see attached "Exhibit A" for reference.

> Assignment of Overriding Royalty Interests, executed October 2nd, 2001, from RIMCO Production Company, Inc., and D&E Energy, Inc., as Assignors, to David L. Mitchell (0.45%) and D&E Energy, Inc. (2.05%), as Assignees.

Filing fees of $1,600.00 were received in connection with the above lease. If you have any questions, please feel free to call me at (800) 998-4GLO, or at my direct number at (512) 463-6521.

Sincerely,

Beverly Boyd

Beverly Boyd
Mineral Leasing
Energy Resources
512-463-6521

Stephen F. Austin Building • 1700 North Congress Avenue • Austin, Texas 78701-1495
Post Office Box 12873 • Austin, Texas 78711-2873
512-463-5001 • 800-998-4GLO
www.glo.state.tx.us

Exhibit "A"

GLO ID	*County*	*Lease*
4505	*Orange/Jefferson*	MF097589
4505	*Orange/Jefferson*	MF097590
4505	*Orange/Jefferson*	MF097591
4505	*Orange*	MF097592
4505	*Orange/Jefferson*	MF102078

VOL 1256 PAGE 221

229172

ASSIGNMENT OF OVERRIDING ROYALTY INTERESTS
(SABINE LAKE PROSPECT)

4505

STATE OF TEXAS §
§
COUNTIES OF ORANGE AND JEFFERSON §

KNOW ALL MEN BY THESE PRESENTS, THAT: RIMCO Production Company, Inc., a Delaware corporation, ("RPC") whose address is 600 Travis, Suite 6875, Houston, Texas, 77002, and D&E Energy, Inc., a Texas corporation, ("D&E") whose address is 600 Travis, Suite 6875, Houston, Texas, 77002 hereinafter collectively referred to "Assignors", in consideration of the sum of one hundred dollars and other valuable consideration ($100.00 and ovc), the receipt and sufficiency of which is hereby acknowledged, does hereby grant, sell, assign, transfer, convey and deliver in the same proportion as their respective ownership in and under the Oil, Gas and Mineral Leases identified on Exhibit "A", attached hereto and made a part hereof (the "Leases") overriding royalty interests unto the following:

David L.Mitchell
P. O. Box 70
Dayton, Texas 77535

D & E Energy, Inc.
600 Travis, Suite 6875
Houston, Texas 77002

hereinafter referred to as "Assignees", equal to 2.5% of 8 8ths of all production saved and sold from the Leases, such interest being hereby divided among the Assignees, as follows:

	Percentage of 8 8ths
David L. Mitchell	0.45%
D&E Energy, Inc.	2.05%
	2.50%

If the Leases herein referenced cover less than the entire mineral interest in the lands therein described or if Assignors own less than the entire working interest in the Leases, then with respect to such Leases, the overriding royalty herein assigned and conveyed to Assignees shall be proportionately reduced to the interest that the lands, mineral or leasehold (working interest) bears to the full interest in the lands, mineral or leasehold.

The overriding royalty herein assigned shall be free and clear of all costs and expenses of operating said Leases, but shall bear its proportionate part of any severance and production taxes and shall be delivered at the same time and computed otherwise in the same manner and under the same terms and conditions as the Lessor's royalty under said Leases.

The owners of the lease...ld interest in and to said Leases shall have the right without joinder of consent of Assignees herein to pool or unitize any portion of same to the same extent and in the same manner as may be permitted in said Leases or as may otherwise be necessary in order to comply with applicable state and federal laws, orders, or applications, and in the event of such pooling or unitization the overriding royalty herein assigned shall be proportionately computed.

It is further understood and agreed between the parties that this assignment of overriding royalty interest is not only to the Leases described, but to any future Leases, extensions, or renewals thereof covering all or any part of the lands described in said Leases.

This assignment is made without warranty of any kind, either express or implied, but with full rights of substitution and subrogation to Assignors's rights in warranty.

The terms and conditions of this Assignment shall extend to and be binding upon the heirs, successors and assigns of the parties hereto.

A CERTIFIED COPY
ATTEST: NOV 17 2003
KAREN JO VANCE, County Clerk
Orange County, Texas
By Brigitte Cook

10.52.11

In witness whereof, this instrument is executed on this 2nd day of October 2001, but effective as of August 31, 2001.

Witnesses:

Assignors:

RIMCO Production Company, Inc.

A. L. Jorden
President

D & E Energy, Inc.

Michael W. Englert
President

STATE OF TEXAS §

COUNTY OF HARRIS §

This instrument was acknowledged before me on the 2nd day of October, 2001, by A.L. Jorden, as President of RIMCO Production Company, Inc., a Delaware corporation, being duly sworn, did say that the foregoing instrument was signed and delivered by him on behalf of said Corporation with authority of its Board of Directors, and the said A. L. Jorden acknowledged said instrument to be the free act and deed of said Corporation.

Witness my hand and notarial seal.

My Commission Expires:

CHERYL STRICKLAND
NOTARY PUBLIC
STATE OF TEXAS
2004

Notary Public, State of Texas

STATE OF TEXAS §

COUNTY OF HARRIS §

This instrument was acknowledged before me on the _____ day of October, 2001, by Michael W. Englert, as President of D &E Energy, Inc., a Texas corporation, being duly sworn, did say that the foregoing instrument was signed and delivered by him on behalf of said Corporation with authority of its Board of Directors, and the said Michael W. Englert acknowledged said instrument to be the free act and deed of said Corporation.

Witness my hand and notarial seal.

My Commission Expires:

CHERYL STRICKLAND
NOTARY PUBLIC
State of Texas
Comm. Exp. 08-19-2004

Notary Public, State of Texas

A CERTIFIED COPY NOV 17 2003
ATTEST:
KAREN JO VANCE, County Clerk
Orange County, Texas
By Deputy

EXHIBIT "A"

TO ASSIGNMENT OF OVERRIDING ROYALTY INTERESTS
BY AND BETWEEN
RIMCO PRODUCTION COMPANY, INC., ET AL, ASSIGNORS
AND D&E ENERGY, INC., ET AL, ASSIGNEES

Lessor:	State of Texas LS No.M-97592
Lessee:	Benchmark Oil and Gas Company
Dated:	10/01/96
Recorded:	Vol 1015 Pg 690
County/State:	Orange, Tx
Description:	522.33 acres, Tract 4

Lessor:	State of Texas LS No. M-102078
Lessee:	Benchmark Oil and Gas Company
Dated:	07/10/01
Recorded:	File No. 2001035007, File No.227589
County/State:	Jefferson & Orange , Tx
Description:	320 acres, S/2 of Tract 5

Lessor:	State of Texas No. M-97589
Lessee:	Benchmark Oil and Gas Company
Dated	10/01/96
Recorded	Vol 1015 Pg 672
County/State:	Jefferson & Orange, Tx
Description:	320 acres, N/2 of Tract 8

Lessor:	State of Texas No. M-97590
Lessee:	Benchmark Oil and Gas Company
Dated:	10/01/96
Recorded:	Vol 1015 Pg 681, 97-9702888
County/State:	Jefferson & Orange, Tx
Description:	320 acres, S/2 of Tract 8

Lessor:	State of Texas No. M-97591
Lessee:	Benchmark Oil and Gas Company
Dated:	10/01/96
Recorded:	Vol 1015 Pg 699, 97-9702889
County/State:	Jefferson & Orange, Tx
Description:	414.69 acres, Tract 9

FILED AND RECORDED
OFFICIAL PUBLIC RECORDS

2001 OCT 09 09:57 AM 200103600 3
SANDY WALKER
COUNTY CLERK
JEFFERSON COUNTY, TEXAS

FB & RET. TO: RIMCO PRODUCTION CO.
ATTN: TERESA FOSS
600 TRAVIS ST., STE. 6875
HOUSTON TEXAS 77002
$7.00 + 3.00RP + 1.00SF

A CERTIFIED COPY
ATTEST: NOV 17 2003
KAREN JO VANCE, County Clerk
Orange County, Texas
By

STATE OF TEXAS COUNTY OF JEFFERSON

I hereby certify that this instrument was filed on the date and time stamped hereon by me and was duly recorded in the Official Public Records of Real Property of Jefferson County, Texas, on

OCT 09 2001

Barbara Walker

County Clerk, Jefferson County, Texas

FILED FOR RECORD

KAREN JO VANCE

'01 OCT 22 A11 :09

COUNTY CLERK
ORANGE COUNTY, TEXAS
BY: Tiffany Bowland
DEPUTY

20-52-11

A CERTIFIED COPY NOV 17 2003
ATTEST:
KAREN JO VANCE, County Clerk
Orange County, Texas
By Angelique Cook

THE STATE OF TEXAS

COUNTY OF ORANGE

I, Karen Jo Vance, County Clerk for Orange County, Texas do hereby certify that the above and foregoing is a true and correct copy of Assignment Of Overriding Royalty Interests, File No. 229172, as the same appears of record in Volume 1256, Page 221, in the Official Public Records of Real Property, Orange County, Texas.

Given under my hand and seal of office, this 17th day of November, 2003, A.D.

Karen Jo Vance
County Clerk
Orange County, Texas

By _____, Deputy
Angelique Cook

20.52.11

File No. MF097589 27.

Assignment

Date Filed: 11/25/03

Jerry E. Patterson, Commissioner

By

TEXAS GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

November 25, 2003

MF 097589
see 2nd page

Cheryl D. Strickland
RIMCO Production Company, Inc.
600 Travis Street, Suite 7050
Houston, Texas 77002

RE: Assignment filing; GLO ID 4506

Dear Ms. Strickland,

The General Land Office received the following instrument(s) and has filed them in the appropriate files. Please see attached "Exhibit A" for reference.

> Assignment, Bill of Sale and Conveyance, executed January 1st, 2002, from Rose Energy, Ltd., as Assignor, to Sunclear Energy, Inc., as Assignee.

Filing fees of $1,600.00 were received in connection with the above lease. If you have any questions, please feel free to call me at (800) 998-4GLO, or at my direct number at (512) 463-6521.

Sincerely,

Beverly Boyd

Beverly Boyd
Mineral Leasing
Energy Resources
512-463-6521

Exhibit "A"

GLO ID	*County*	*Lease*
4506	*Jefferson*	MF097589
4506	*Jefferson*	MF097590
4506	*Jefferson*	MF097591
4506	*Orange*	MF097592
4506	*Jefferson*	MF102078

ASG 2003001999 246231 1/7102

12 PGS

VOL 1332 PAGE 549

FILED FOR RECORD

KAREN JO VANCE

'03 JAN -9 A11 :43

COUNTY CLERK
ORANGE COUNTY, TEXAS
BY Tiffany Sherche
DEPUTY

ASSIGNMENT, BILL OF SALE AND CONVEYANCE

STATE OF TEXAS §
§
COUNTIES OF ORANGE AND JEFFERSON § 4506

This Agreement entered into this 31st day of December, 2002, between **ROSE ENERGY, LTD.**, a Nevada corporation whose mailing address is 942 Searcy Way, Suite 200, Bowling Green, KY 42103 (hereinafter referred to as "Assignor") and **SUNCLEAR ENERGY, INC.**, a Nevada corporation whose mailing address is 942 Searcy Way, Suite 200, Bowling Green, KY 42103 (hereinafter referred to as "Assignee")

WHEREAS, Assignor desires to bargain, sell, assign and convey unto Assignee all of its right, title and interest in and to the oil, gas and mineral leases and well described on Exhibit "A" and Exhibit "B" attached hereto and made a part hereof

NOW THEREFORE, for and in consideration of Ten Dollars ($10 00) and other good valuable consideration the receipt and sufficiency of which is hereby acknowledged by Assignor and further in consideration of the duties and obligations assumed by Assignee hereunder, Assignor does hereby bargain, sell, assign and convey unto Assignee all of Assignor's right, title and interest in and to the following

(A) All of Assignor's leasehold interest in and to the oil, gas and mineral leases described on Exhibit "A" attached hereto and made a part hereof (the "Leases"), which interest shall not be less than the interests set out on Exhibit "B" attached hereto and made a part hereof

The term Leases shall also include Assignor's rights in and to (i) rights in any pooled or unitized acreage included as a whole or in part within any Lease or that accrue or are attributable to the well, including all production from the pooled or unitized acreage allocated to any such Lease or well, any and all interests in any wells within the unit or pool associated with such Lease, whether such unitized or pooled production comes from wells located within or without the areas covered by any lease, (ii) all lands covered by the Leases, whether or not all lands covered by the Leases are properly described on Exhibit "A", (including, without limitation, all surface leases, working interests and farmout rights therein)

(B) All of Assignor's liability, interest and claims for any gas imbalances which have accrued prior to the Effective Date hereof

(C) All of Assignor's right, title and interest in and to all of the contracts, agreements and rights, including but not limited to, all orders, title opinions and documents, abstracts of title, deeds, unitization agreements, pooling agreements, operating agreements, easements, rights-of-way, licenses,

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permits and similar rights and interests that are currently owned by Assignor, in whole or in part, to the extent that they are (i) appurtenant to or affect the Leases or the Well, or (ii) used or held for use in connection with the ownership or operation of the Leases or the Well or with the production or treatment of hydrocarbons on the Leases, or the sale or disposal of water, hydrocarbons or associated substances ("The Contracts")

(D) All of Assignor's interest in the oil and gas well described on Exhibit "B" attached hereto and made a part hereof, injection wells, disposal wells, salt water disposal systems, fixtures, equipment, personal property, gas gathering or processing systems or pipelines, oil in tanks and all other fixtures and improvements appurtenant to the Leases as of the Effective Date hereof (herein referred to as the "Wells") The working interest and net revenue interest attributable to each of the Wells is set out in Exhibit "B", and shall include all of Assignor's working interest and not less than a proportionate 72 5% net revenue interest whether or not correctly reflected in said Exhibit "B"

(E) All lease files, gas processing files, logs, test data, production histories, division order files, well files, oil and gas contact files, and all other books, files and records (the "Records"), and all rights thereto, subject to the rights of third parties

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COUNTY CLERK OF JEFFERSON COUNTY, TEXAS

The Contracts, Leases, Wells and Records, as defined above, and personal property referred to above are hereinafter referred to individually and collectively in the singular as "Property"

TO HAVE AND TO HOLD the interests assigned unto Assignee, its successors and assigns, subject to the following terms and conditions

I
EFFECTIVE DATE

This Assignment, Bill of Sale and Conveyance is made effective 7 00 a m December 31, 2002 ("the Effective Date") and is made subject to the terms and provisions contained in the Leases and all existing contracts, agreements, and other documents involving Assignor which appear of record or, if not of record, of which Assignee has actual or constructive notice on the date hereof Assignor shall not be responsible for claims, obligations, liabilities, losses or damages, costs or expenses that accrue or relate to operations pertaining to the Leases after December 31, 2002

II
TAXES

This Assignment, Bill of Sale and Conveyance is made subject to all applicable taxes, including but not limited to, severance taxes, ad valorem taxes, excise taxes and windfall profit taxes Assignee by signature hereto, agrees to pay all sales and transfer assessments, fees and

taxes incident to this Agreement, if any, and shall indemnify and hold Assignor harmless from and against any and all losses occasioned by Assignor due to the failure of Assignee to pay either wholly or partially, any such taxes, and/or penalty and interest accruing in connection therewith All ad valorem personal and property taxes to the Wells conveyed hereby shall be prorated as to the effective date of this Assignment

III
DISCLAIMER/ASSUMPTION OF RISK

(a) It is expressly understood by the parties hereto that Assignor does not make any representations or warranties, express or implied, as to the title or the condition and state of repair of the Property, its value, quality, merchantability, suitability or fitness for any uses or purposes, nor as to the current volume, nature, quality, classification, or value of the oil, gas or other mineral reserves thereunder or covered thereby, nor with respect to any appurtenances thereto belonging or in any wise appertaining to said Property, except that Assignor warrants title to the Leases by Special Warranty against any and all claims arising by, through or under Assignor, but not otherwise Although made without warranty, except as hereinabove provided, Assignee is hereby granted full substitution and subrogation in and to all the rights and actions of warranty and covenants which Assignor is entitled to enforce with respect to the Leases specified hereinabove against all preceding owners, vendors and lessors

(b Further Assignee certifies that the Property (including, but not limited to, any oil, gas or other mineral reserves underlying said Property) has been carefully inspected by Assignee, that Assignee is familiar with its condition and value thereof, and the improvements and appurtenances (including electric wiring and machinery installed thereon) located on the Property Assignee further accepts said Property (including, but not limited to, any oil, gas or other minerals and/or mineral reserves underlying said Property) **AS IS, WHERE IS, IN ITS PRESENT CONDITION AND STATE OF REPAIR, AND WITHOUT ANY REPRESENTATIONS, GUARANTIES, OR WARRANTIES, EXPRESS OR IMPLIED, AS TO ITS TITLE, VALUE, QUALITY, MERCHANTABILITY, OR ITS SUITABILITY OR FITNESS FOR ASSIGNEE'S INTENDED USE, OR FOR ANY USES OR PURPOSES WHATSOEVER, OR THAT SAID PROPERTY HAS BEEN RENDERED FREE FROM ANY DEFECTS, HAZARDS, OR DANGEROUS CONDITIONS, EXCEPT AS TO THE SPECIAL WARRANTY GRANTED in III. (a) ABOVE.**

COUNTY CLERK OF JEFFERSON COUNTY, TEXAS
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IV
PLUGGING AND ABANDONMENT OF WELLS AND EQUIPMENT

Assignee expressly agrees to and shall assume all obligations and responsibilities with respect to the plugging and abandonment obligations relative to any unplugged Wells (including but not limited to the plugging and abandonment of wells which are temporarily abandoned as of the Effective Date) and the removal of all equipment and surface restoration, all in full compliance with any and all applicable Federal, State and local laws, orders, rules, regulations and standards Assignee agrees to and shall fully protect, indemnify and hold Assignor harmless from and against any expense, claim or cause of action brought against Assignor or Assignee by any third party arising from Assignee's failure to comply with the plugging, abandonment, or cleanup obligations set forth in this Paragraph IV and under the Property

V
PROCEEDS AND EXPENDITURES

To the extent of the interests herein conveyed, Assignee is entitled to all proceeds attributable to the Leases from and after the Effective Date, and Assignor is entitled to all proceeds attributable to the Leases prior to the Effective Date Similarly, all operating and capital expenditures incurred in connection with the Leases which are attributable to operations during the time prior to the Effective Date are the obligations of Assignor, and all such operating and capital expenditures attributable to operations during the time after the Effective Date are the obligations of Assignee

VI
INDEMNITY

(a) Except as otherwise provided for herein, Assignee further agrees, as part of the consideration for this agreement, to fully defend, protect, indemnify, hold harmless, and render whole Assignor from and against each and every claim, demand or cause of action, and any liability, cost, expenses (including, but not limited to, reasonable attorney's fees), or claims with respect to damage or loss in connection therewith, which may be made or asserted by Assignee, its agents, or successors, or by any third party or parties (including, but not limited to, governmental agencies) on account of personal injury or death, lease maintenance, or property or environmental damage, or any claims based on any misrepresentations as to the quantity, quality, or value of the Property, caused by, arising out of, or incidental to the past, present or future condition or state of repair of said Property, or the ownership and use thereof, or this agreement, howsoever occurring, including without limitation, whether such injuries, damages, losses, and liabilities, with or without fault, were caused by Assignee's sole negligence or contributory negligence, Assignor's contributory negligence, or imposed on said parties or others under any theory of strict liability by operation of law, or any other theory of law prior to, at the time of, or subsequent to the Effective Date of this agreement.

(b) Without limiting the generality of Section VI (a) above, but in furtherance of same and specifically, except as to the obligations assumed by Assignor in Section VI (c) below, Assignee expressly agrees to fully and promptly pay, perform and discharge, defend, indemnify and hold harmless Assignor and its respective directors, officers, agents and employees from and against any claim, demand, action, suit, loss, cost, damage, fine, penalty or expense (including reasonable attorney's fees) resulting from any Environmental Claim arising out of any operations conducted, commitment made or any action taken or omitted by Assignor at any time with respect to the Property (including but not limited to business operations, transactions or conduct of the business, directly or indirectly related thereto) For purposes of this Section VI (b), "Environmental

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Claim" shall mean any claim, demand, or cause of action asserted by any governmental agency or any person, corporation of other entity for personal injury (including sickness, disease or death), property damage or damage to the environment resulting from the discharge or release of any chemical, material or emission into one or more of the environmental media at or in the vicinity of the Property

To the extent of Assignor's interest in the Property and with the exception of claims based on any misrepresentations as to the quantity, quality or value of the Property and only if Assignor is notified in writing by Assignee of Assignee's claim under this section within one (1) year from December 31, 2002

(c) **i. Assignor agrees to fully defend, protect, indemnify, hold harmless, and render whole Assignee from and against each and every claim, demand or cause of action, and any liability, cost, expenses (including, but not limited to, reasonable attorney's fees), or claims with respect to damage or loss in connection therewith, which may be made or asserted by Assignor, its agents, or successors, or by any third party or parties (including but not limited to, governmental agencies) on account of personal injury or death, lease maintenance, or property or environmental damage caused by, arising out of, or incidental to the condition or state of repair of said Property, or the ownership and use thereof, which arise or are asserted prior to the Effective Date, howsoever occurring, including, without limitation, whether such injuries, damages, losses, and liabilities, with or without such injuries, damages, losses, and liabilities, with or without fault, were caused by Assignor's sole negligence or contributory negligence, or imposed on said party or others, under any theory of strict liability, by operation of law, or any other theory of law prior to the Effective Date of this agreement.**

ii Without limiting the generality of the first paragraph of this Section VI (c) above, but in furtherance of same, Assignor expressly agree to fully and promptly pay, perform and discharge, defend, indemnify and hold harmless Assignee and its respective directors, officers, agents and employees from and against any claim, demand, action of suit, loss, cost, damage, fine, penalty or expense (including reasonable attorney's fees) resulting from any

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Environmental Claim arising out of any operations conducted, commitment made or any action taken or omitted with respect to the Property which arises or is asserted prior to the Effective Date (including but not limited to business operations, transactions or conduct of the business directly or indirectly related thereto)

Assignor shall have no obligation to Assignee under this Section for any matter for which it is not notified by Assignee in writing within one (1) year from December 31, 2002

VII
DIVISION ORDERS

Assignor is prepared to transmit originals of all Division Order files to Assignee Assignor at all times shall have access to all original Division Order files during Assignee's regular business hours upon three (3) days prior written notice Assignor and Assignee agree that Assignee will take over disbursements effective with December 31, 2002 production

VIII
MISCELLANEOUS

(a) Assignee hereby represents to Assignor that Assignee intends to purchase the Property herein for its own benefit and account and that Assignee is not acquiring said Property with the intent of distributing fractional undivided interests thereof such as would be subject to regulation by federal or state securities laws Assignee acknowledges that Assignor is making this transfer based on Assignee's representations herein

(b) Any sales tax, use tax, or other tax, license, permit or fee which may be applicable to this Assignment, Bill of Sale and Conveyance shall be borne by Assignee

(c) This Assignment, Bill of Sale and Conveyance is made subject to the terms and provisions of the Joint Operating Agreement dated August 1, 2001, between National Energy Group, Inc , Operator and Rose Energy, LTD , et al, Non-Operators

(d) The parties agree to do such further acts or execute such further documents as may reasonably be required to effectuate the terms of this Assignment, Bill of Sale and Conveyance

(e) If any provision of this Assignment, Bill of Sale and Conveyance is held invalid, such invalidity shall not affect the remaining provisions hereof

(f) This Assignment, Bill of Sale and Conveyance cannot be modified or amended except by a written instrument duly executed by Assignor and Assignee

(g) This Assignment, Bill of Sale and Conveyance and the legal relations among the parties hereto shall be governed by and construed in accordance with the laws of the State of Texas, without effect given to the conflicts of laws rules of the State of Texas

(h) Captions have been inserted for reference purposes only and shall not define or limit the terms of this Assignment, Bill of Sale and Conveyance

(i) This Assignment, Bill of Sale and Conveyance shall be binding upon and shall insure to the benefit of the parties hereto and their respective successors and assigns The terms, conditions and exceptions contained herein shall constitute covenants running with the Property and, shall be binding upon and for the benefit of the respective successors and assigns of Assignor and Assignee

(j) To the extent it is necessary to do so, the parties shall have a post closing accounting to be finally effected no greater than one hundred twenty (120) days from and after closing whereupon settlement will be made for any revenue, expenses, taxes or other items that might not have been finally reconciled at closing Assignor and Assignee mutually agree to cooperate in the preparation of a final accounting statement and to remit any sums due the other party within thirty (30) days from the end of the 120 day period hereinafter provided for

IN WITNESS WHEREOF, this Agreement is executed as of the date hereinabove first written

ASSIGNOR

ROSE ENERGY, LTD.

BY _____ President

ASSIGNEE

SUNCLEAR ENERGY, INC

BY _____, Pres.

COUNTY CLERK OF JEFFERSON COUNTY, TEXAS
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THE COMMONWEALTH OF KENTUCKY §

COUNTY OF WARREN §

On this 7th day of January, 2002, before me appeared David G. Rose, to me personally known, who, being by me duly sworn, did say that he is the President of **ROSE ENERGY, LTD.**, and that said instrument was signed in behalf of said corporation by authority of its Board of Directors, and said David G. Rose acknowledged said instrument to be the free act and deed of said corporation

Connie B Younger
NOTARY PUBLIC

My Commission Expires
2-6-2004

THE COMMONWEALTH OF KENTUCKY §

COUNTY OF WARREN §

On this 7th day of January, 2002, before me appeared Michael L. Toms to me personally known, who, being by me duly sworn, did say that he is the President of **SUNCLEAR ENERGY, INC.**, and that said instrument was signed in behalf of said corporation by authority of its Board of Directors, and said Michael L. Toms acknowledged said instrument to be the free act and deed of said corporation

Connie B Younger
NOTARY PUBLIC

2-6-2004

COUNTY CLERK OF JEFFERSON COUNTY, TEXAS
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EXHIBIT "A"

Attached to and made a part of Assignment, Bill of Sale and Conveyance dated December 31, 2002 from Rose Energy, LTD to Sunclear Energy, Inc

1 Oil and Gas Lease No M-97590 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering S/2 of Tract 8, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas Said lease is recorded under Clerk's File No 161826 in Vol 1015, Page 681 of the Official Public Records of Real Property of Orange County, Texas, under Clerk's File No 97-9702888 of the Official Public Records of Real Property of Jefferson County, Texas

2 Oil and Gas Lease No M-97589 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering N/2 of Tract 8, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas Said lease is recorded under Clerk's File No 161825 in Vol 1015, Page 672 of the Official Public Records of Real Property of Orange County, Texas, under Clerk's File No 97-9702887 of the Official Public Records of Real Property of Jefferson County, Texas

3 Oil and Gas Lease No M-97591 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering Tract 9, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 414 69 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas Said lease is recorded under Clerk's File No 161828 in Vol 1015, Page 699 of the Official Public Records of Real Property of Orange County, Texas, under Clerk's File No 97-9702889 of the Official Public Records of Real Property of Jefferson County, Texas

4 Oil and Gas Lease No M-97592 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering Tract 4, Sabine Lake, Orange County, Texas, containing approximately 522 33 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas Said lease is recorded under Clerk's File No 161827 in Vol 1015, Page 690 of the Official Public Records of Real Property of Orange County, Texas

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5 Oil and Gas Lease No M-10278 dated July 10, 2001, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering S/2 Tract 5, Sabine Lake, Orange and Jefferson Counties, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas Said lease is recorded under Clerk's File No 227589 in Vol 1249, Page 506-511 of the Official Public Records of Real Property of Orange County, Texas Said Lease is also recorded under Clerk's File No 2001035007 of the Official Public Records of Real Property of Jefferson County, Texas

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EXHIBIT "B"

Attached to and made a part of ASSIGNMENT, BILL OF SALE AND CONVEYANCE dated effective December 31, 2002, from Rose Energy, LTD to Sunclear Energy, Inc

National Energy Group, Inc. State 8 No. 1 Well

	WI	NRI
Sunclear Energy, Inc	31 45000%	22 80125%

FB + Ret. Rimco Production Company Inc
600 Travis #7050
Houston Tx 77002
$23^{00} + 5^{00}_{RP} + 1^{00}_{SF}$

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STATE OF TEXAS COUNTY OF ORANGE

I hereby certify that this instrument was filed on the date and time stamped hereon by me and was duly recorded in the Official Public Records of Real Property of Orange County, Texas, on

JAN 09 2003

COUNTY CLERK, Orange County, Texas

FILED AND RECORDED

OFFICIAL PUBLIC RECORDS

Sandy Walker

01/17/2003 10:11 AM 2003001999

MILLER $29.00

SANDY WALKER COUNTY CLERK

JEFFERSON COUNTY

I CERTIFY THIS IS A TRUE COPY
Witness my Hand and Seal of Office

NOV 14 2003

DEBBIE USOFF, COUNTY CLERK
JEFFERSON COUNTY, TEXAS

BY Sara Delacerda DEPUTY

Sara Delacerda

28.

File No. MF-097589

Assignment

Date Filed: 11/25/03

Jerry E. Patterson, Commissioner

By

11-32-03

TEXAS GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

MF 097589
See 2nd page

November 26, 2003

Cheryl Strickland
RIMCO Production Company, Inc.
600 Travis Street, Suite 7050
Houston, Texas 77002

RE: Assignment filing; GLO ID 4507

Dear Ms. Strickland,

The General Land Office received the following instrument(s) and has filed them in the appropriate files. Please see attached "Exhibit A" for reference.

Assignment, Bill of Sale and Conveyance, executed January 7th, 2003, from Sunclear Energy, Inc., as Assignor, to RIMCO Production Company, Inc. and D&E Energy, Inc., as Assignees.

Filing fees of $1,600.00 were received in connection with the above lease. If you have any questions, please feel free to call me at (800) 998-4GLO, or at my direct number at (512) 463-6521.

Sincerely,

Beverly Boyd

Beverly Boyd
Mineral Leasing
Energy Resources
512-463-6521

Exhibit "A"

GLO ID	*County*	*Lease*
4507	*Jefferson/Orange*	MF097589
4507	*Jefferson/Orange*	MF097590
4507	*Jefferson/Orange*	MF097591
4507	*Orange*	MF097592
4507	*Jefferson/Orange*	MF102078

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246233

4507

ASSIGNMENT, BILL OF SALE AND CONVEYANCE

STATE OF TEXAS §
§
COUNTIES OF ORANGE AND JEFFERSON §

This Agreement entered into this 7th day of January, 2003, but effective for all purposes as of the 31st day of December, 2002, between **SUNCLEAR ENERGY, INC.**, a Nevada corporation whose mailing address is 942 Searcy Way, Suite 200, Bowling Green, KY 42103 (hereinafter sometimes also referred to as "Assignor") and **RIMCO PRODUCTION COMPANY, INC.**, (hereinafter sometimes also referred to as "RPC"), a Delaware corporation, whose mailing address is 600 Travis St , Suite 7050, Houston, Texas 77002 and **D&E ENERGY, INC.** (hereinafter sometimes also referred to as "D&E"), a Texas corporation whose mailing address is 600 Travis St , Suite 7050, Houston, Texas 77002 (hereinafter referred to as "Assignees")

WHEREAS, Assignor desires to bargain, sell, assign and convey unto Assignees an undivided seventy five percent of thirty one and forty five one hundredths percent (75% x 31 45%) of the right, title and interest in and to those oil, gas and mineral leases described on Exhibit "A" and the well described on Exhibit "B" attached hereto and made a part hereof, in the undivided proportions of RPC ninety percent (90%) and D&E ten percent (10%)

NOW THEREFORE, for and in consideration of Ten Dollars ($10 00) and other good valuable consideration the receipt and sufficiency of which is hereby acknowledged by Assignor and further in consideration of the duties and obligations assumed by Assignees hereunder, Assignor does hereby bargain, sell, assign and convey unto Assignees, in the following proportions, all of Assignor's right, title and interest in and to the following

(A) An undivided seventy five percent of thirty one and forty five one hundredths per cent (75% x 31 45%), in the proportions of ninety percent (90%) to RPC and ten percent (10%) to D&E, of the leasehold interest in and to the oil, gas and mineral leases described on Exhibit "A" attached hereto and made a part hereof, subject to the limitations described therein, (the "Leases"), which interest shall not be less than the interests set out on Exhibit "B" attached hereto and made a part hereof

The term Leases shall also include Assignor's rights in and to (i) rights in any pooled or unitized acreage included as a whole or in part within any Lease or that accrue or are attributable to the Well, including all production from the pooled or unitized acreage allocated to any such Leases or well, any and all interests in any well within the unit or pool associated with such Leases, whether such unitized or pooled production comes from wells located within or without the areas covered by any leases, (ii) all lands covered by the Leases, as described on Exhibit "A", (including, without limitation, all surface leases, working interests and farmout rights therein)

(B) An undivided seventy five percent (75%) in the proportions of ninety percent (90%) to RPC and ten percent (10%) to D&E of Assignor's liability, interest and claims for any gas imbalances which have accrued prior to the Effective Date hereof

(C) An undivided seventy five percent (75%) in the proportions of ninety percent (90%) to RPC and ten percent (10%) to D&E of Assignor's right, title and interest in and to all of the contracts, agreements and rights, including but not limited to, all orders, title opinions and documents, abstracts of title, deeds, unitization agreements, pooling agreements, operating agreements, easements, rights-of-way, licenses, permits and similar rights and interests

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that are currently owned by Assignor, in whole or in part, to the extent that they are (i) appurtenant to or affect the Leases or the Well, or (ii) used or held for use in connection with the ownership or operation of the Leases or the Well or with the production or treatment of hydrocarbons on the Leases, or the sale or disposal of water, hydrocarbons or associated substances ("The Contracts")

(D) An undivided seventy five percent of thirty one and forty five one hundredths per cent (75% x 31 45%), in the proportions of ninety percent (90%) to RPC and ten percent (10%) to D&E, interest in the oil and gas Well described on Exhibit "B" attached hereto and made a part hereof, injection wells, disposal wells, salt water disposal systems, fixtures, equipment, personal property, gas gathering or processing systems or pipelines, oil in tanks and all other fixtures and improvements appurtenant to the Leases as of the Effective Date hereof (herein referred to as the "Well"). The working interest and net revenue interest attributable to the Well is set out in Exhibit "B", whether one or more, and shall include an undivided seventy five percent of thirty one and forty five one hundredths per cent (75% x 31 45%) working interest and not less than a proportionate 72 5% net revenue interest whether or not correctly reflected in said Exhibit "B"

(E) Copies of all lease files, gas processing files, logs, test data, production histories, division order files, well files, oil and gas contact files, and all other books, files and records (the "Records"), and all rights thereto, subject to the rights of third parties

The Contracts, Leases, Well and Records, as defined above, and personal property referred to above are hereinafter referred to individually and collectively in the singular as "Property"

TO HAVE AND TO HOLD the interests assigned unto Assignees, their successors and assigns, subject to the following terms and conditions

I
EFFECTIVE DATE

This Assignment, Bill of Sale and Conveyance is made effective 7 00 a m December 31, 2002 ("the Effective Date") and is made subject to the terms and provisions contained in the Leases and all existing contracts, agreements, and other documents involving Assignor which appear of record or, if not of record, of which Assignees have actual or constructive notice on the date hereof Assignor shall not be responsible for claims, obligations, liabilities, losses or damages, costs or expenses that accrue or relate to operations pertaining to the Leases after December 31, 2002

II
TAXES

This Assignment, Bill of Sale and Conveyance is made subject to all applicable taxes, including but not limited to, severance taxes, ad valorem taxes, excise taxes and windfall profit taxes Assignees by signature hereto, agree to pay all sales and transfer assessments, fees and taxes incident to this Agreement, if any, and shall indemnify and hold Assignor harmless from and against any and all losses occasioned by Assignor due to the failure of Assignee to pay either wholly or partially, any such taxes, and/or penalty and interest accruing in connection therewith All ad valorem personal and property taxes to the Wells conveyed hereby shall be prorated as to the effective date of this Assignment

III.

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DISCLAIMER/ASSUMPTION OF RISK

(a) It is expressly understood by the parties hereto that Assignor does not make any representations or warranties, express or implied, as to the title or the condition and state of repair of the Property, its value, quality, merchantability, suitability or fitness for any uses or purposes, nor as to the current volume, nature, quality, classification, or value of the oil, gas or other mineral reserves thereunder or covered thereby, nor with respect to any appurtenances thereto belonging or in any wise appertaining to said Property, except that Assignor warrants title to the Leases by Special Warranty against any and all claims arising by, through or under Assignor, but not otherwise Although made without warranty, except as hereinabove provided, Assignee is hereby granted full substitution and subrogation in and to all the rights and actions of warranty and covenants which Assignor is entitled to enforce with respect to the Leases specified hereinabove against all preceding owners, vendors and lessors

(b) Further Assignees certify that the Property (including, but not limited to, any oil, gas or other mineral reserves underlying said Property) has been carefully inspected by Assignees, that Assignees are familiar with its condition and value thereof, and the improvements and appurtenances (including electric wiring and machinery installed thereon) located on the Property Assignees further accept said Property (including, but not limited to, any oil, gas or other minerals and/or mineral reserves underlying said Property) **AS IS, WHERE IS, IN ITS PRESENT CONDITION AND STATE OF REPAIR, AND WITHOUT ANY REPRESENTATIONS, GUARANTIES, OR WARRANTIES, EXPRESS OR IMPLIED, AS TO ITS TITLE, VALUE, QUALITY, MERCHANTABILITY, OR ITS SUITABILITY OR FITNESS FOR ASSIGNEE'S INTENDED USE, OR FOR ANY USES OR PURPOSES WHATSOEVER, OR THAT SAID PROPERTY HAS BEEN RENDERED FREE FROM ANY DEFECTS, HAZARDS, OR DANGEROUS CONDITIONS, EXCEPT AS TO THE SPECIAL WARRANTY GRANTED in III. (a) ABOVE.**

IV

PLUGGING AND ABANDONMENT OF WELLS AND EQUIPMENT

Assignees expressly agree to and shall assume all obligations and responsibilities with respect to the plugging and abandonment obligations relative to any unplugged Wells (including but not limited to the plugging and abandonment of wells which are temporarily abandoned as of the Effective Date) and the removal of all equipment and surface restoration, all in full compliance with any and all applicable Federal, State and local laws, orders, rules, regulations and standards Assignees agree to and shall fully protect, indemnify and hold Assignor harmless from and against any expense, claim or cause of action brought against Assignor or Assignees by any third party arising from Assignees' failure to comply with the plugging, abandonment, or cleanup obligations set forth in this Paragraph IV and under the Property

V

PROCEEDS AND EXPENDITURES

To the extent of the interests herein conveyed, Assignees are entitled to all proceeds attributable to the Leases from and after the Effective Date, and Assignor is entitled to all proceeds attributable to the Leases prior to the Effective Date Similarly, all operating and capital expenditures incurred in connection with the Leases which are attributable to operations during the time prior to the Effective Date are the obligations of Assignor, and all such operating and capital expenditures attributable to operations during the time after the Effective Date are the obligation of Assignees

VI

INDEMNITY

(a) Except as otherwise provided for herein, Assignees further agree, as part of the consideration for this agreement, to fully defend, protect, indemnify, hold harmless, and render whole Assignor from and against each and every claim, demand or cause of action, and any liability, cost, expenses (including, but not limited to, reasonable attorney's fees), or claims with

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respect to damage or loss in connection therewith, which may be made or asserted by Assignees, their agents, or successors, or by any third party or parties (including, but not limited to, governmental agencies) on account of personal injury or death, lease maintenance, or property or environmental damage, or any claims based on any misrepresentations as to the quantity, quality, or value of the Property, caused by, arising out of, or incidental to the past, present or future condition or state of repair of said Property, or the ownership and use thereof, or this agreement, howsoever occurring, including without limitation, whether such injuries, damages, losses, and liabilities, with or without fault, were caused by Assignees' sole negligence or contributory negligence, Assignor's contributory negligence, or imposed on said parties or others under any theory of strict liability by operation of law, or any other theory of law prior to, at the time of, or subsequent to the Effective Date of this agreement.

(b) Without limiting the generality of Section VI (a) above, but in furtherance of same and specifically, except as to the obligations assumed by Assignor in Section VI (c) below, Assignees expressly agree to fully and promptly pay, perform and discharge, defend, indemnify and hold harmless Assignor and its respective directors, officers, agents and employees from and against any claim, demand, action, suit, loss, cost, damage, fine, penalty or expense (including reasonable attorney's fees) resulting from any Environmental Claim arising out of any operations conducted, commitment made or any action taken or omitted by Assignor at any time with respect to the Property (including but not limited to business operations, transactions or conduct of the business, directly or indirectly related thereto) For purposes of this Section VI (b), "Environmental Claim" shall mean any claim, demand, or cause of action asserted by any governmental agency or any person, corporation of other entity for personal injury (including sickness, disease or death), property damage or damage to the environment resulting from the discharge or release of any chemical, material or emission into one or more of the environmental media at or in the vicinity of the Property

To the extent of Assignor's interest in the Property and with the exception of claims based on any misrepresentations as to the quantity, quality or value of the Property and only if Assignor is notified in writing by Assignees of Assignees' claim under this section within one (1) year from December 31, 2002

(c) i. Assignor agrees to fully defend, protect, indemnify, hold harmless, and render whole Assignees from and against each and every claim, demand or cause of action, and any liability, cost, expenses (including, but not limited to, reasonable attorney's fees), or claims with respect to damage or loss in connection therewith, which may be made or asserted by Assignor, its agents, or successors, or by any third party or parties (including but not limited to, governmental agencies) on account of personal injury or death, lease maintenance, or property or environmental damage caused by, arising out of, or incidental to the condition or state of repair of said Property, or the ownership and use thereof, which arise or are asserted prior to the Effective Date, howsoever occurring, including, without limitation, whether such injuries, damages, losses, and liabilities, with or without such injuries, damages, losses, and liabilities, with or without fault, were caused by Assignor's sole negligence or contributory negligence, or imposed on said party or others, under any theory of strict liability, by operation of law, or any other theory of law prior to the Effective Date of this agreement.

ii Without limiting the generality of the first paragraph of this Section VI (c) above, but in furtherance of same, Assignor expressly agree to fully and promptly pay, perform and discharge, defend, indemnify and hold harmless Assignees and their respective directors, officers,

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agents and employees from and against any claim, demand, action of suit, loss, cost, damage, fine, penalty or expense (including reasonable attorney's fees) resulting from any Environmental Claim arising out of any operations conducted, commitment made or any action taken or omitted with respect to the Property which arises or is asserted prior to the Effective Date (including but not limited to business operations, transactions or conduct of the business directly or indirectly related thereto)

Assignor shall have no obligation to Assignees under this Section for any matter for which it is not notified by Assignees in writing within one (1) year from December 31, 2002

VII
DIVISION ORDERS

Assignor is prepared to transmit originals of all Division Order files to Assignees Assignor at all times shall have access to all original Division Order files during Assignees' regular business hours upon three (3) days prior written notice Assignor and Assignees agree that Assignees will take over disbursements effective with December 31, 2002 production

VIII
MISCELLANEOUS

(a) Assignees hereby represents to Assignor that Assignees intend to purchase the Property herein for their own benefit and account and that Assignees are not acquiring said Property with the intent of distributing fractional undivided interests thereof such as would be subject to regulation by federal or state securities laws Assignees acknowledge that Assignor is making this transfer based on Assignees' representations herein

(b) Any sales tax, use tax, or other tax, license, permit or fee which may be applicable to this Assignment, Bill of Sale and Conveyance shall be borne by Assignees

(c) This Assignment, Bill of Sale and Conveyance is made subject to the terms and provisions of (i) that certain Joint Operating Agreement dated August 1, 2001, between National Energy Group, Inc , Operator and Rose Energy, LTD , et al, Non-Operators, (ii) that certain Participation Agreement dated August 21, 2001 between Benchmark Assets Company and Rose Energy, LTD , and (iii) that certain Pipeline Financing Agreement dated effective December 31, 2002, between Sunclear Energy, Inc , RIMCO Production Company and D&E Energy, Inc

(d) The parties agree to do such further acts or execute such further documents as may reasonably be required to effectuate the terms of this Assignment, Bill of Sale and Conveyance

(e) If any provision of this Assignment, Bill of Sale and Conveyance is held invalid, such invalidity shall not affect the remaining provisions hereof

(f) This Assignment, Bill of Sale and Conveyance cannot be modified or amended except by a written instrument duly executed by Assignor and Assignees

(g) This Assignment, Bill of Sale and Conveyance and the legal relations among the parties hereto shall be governed by and construed in accordance with the laws of the State of Texas, without effect given to the conflicts of laws rules of the State of Texas

(h) Captions have been inserted for reference purposes only and shall not define or limit the terms of this Assignment, Bill of Sale and Conveyance

(i) The interest assigned to Assignees hereunder may not be assigned to any third parties without the express written consent of Assignor, which consent shall not be unreasonably withheld Subject to the foregoing, this Assignment, Bill of Sale and Conveyance shall be binding upon and shall insure to the benefit of the parties hereto and their respective successors and assigns The terms, conditions and exceptions contained herein shall constitute covenants running with the Property and, shall be binding upon and for the benefit of the respective successors and assigns of Assignor and Assignees

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(j) To the extent it is necessary to do so, the parties shall have a post closing accounting to be finally effected no greater than one hundred twenty (120) days from and after closing whereupon settlement will be made for any revenue, expenses, taxes or other items that might not have been finally reconciled at closing Assignor and Assignees mutually agree to cooperate in the preparation of a final accounting statement and to remit any sums due the other party within thirty (30) days from the end of the one-hundred twenty (120) day period hereinafter provided for

IN WITNESS WHEREOF, this Agreement is executed as of the date hereinabove first written

ASSIGNOR

SUNCLEAR ENERGY, INC.

By _____

Name Michael L Tom

Its Pres.

ASSIGNEES

RIMCO PRODUCTION COMPANY, INC.

By _____

Name A Lee Jorden

Its President

D & E ENERGY, INC.

By _____

Name Michael W Englert

Its President

COUNTY CLERK OF JEFFERSON COUNTY TEXAS
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THE COMMONWEALTH OF KENTUCKY §
§

COUNTY OF WARREN §

On this 7th day of January, 2003, before me appeared Michael L. Toms, to me personally known, who, being by me duly sworn, did say that he is the of **SUNCLEAR ENERGY, INC.**, and that said instrument was signed in behalf of said corporation by authority of its Board of Directors, and said Michael L. Toms acknowledged said instrument to be the free act and deed of said corporation

Connie B. Younger
NOTARY PUBLIC -

My Commission Expires
12-6-2004

THE STATE OF TEXAS §
§
COUNTY OF HARRIS §

On this 8th day of January, 2003, before me appeared A Lee Jorden, to me personally known, who, being by me duly sworn, did say that he is the President of **RIMCO PRODUCTION COMPANY, INC.**, and that said instrument was signed in behalf of said corporation by authority of its Board of Directors, and said A Lee Jorden acknowledged said instrument to be the free act and deed of said corporation

TERESA A. FOSS
NOTARY PUBLIC STATE OF TEXAS
COMMISSION EXPIRES
OCTOBER 22, 2006

Teresa A Foss
NOTARY PUBLIC - STATE OF TEXAS

THE STATE OF TEXAS §
§
COUNTY OF HARRIS §

On this 8th day of January, 2003, before me appeared Michael W Englert to me personally known, who, being by me duly sworn, did say that he is the President of **D & E ENERGY, INC.**, and that said instrument was signed in behalf of said corporation by authority of its Board of Directors, and said Michael W Englert acknowledged said instrument to be the free act and deed of said corporation

Teresa A Foss
NOTARY PUBLIC - STATE OF TEXAS

TERESA A. FOSS
NOTARY PUBLIC STATE OF TEXAS
COMMISSION EXPIRES
OCTOBER 22, 2006

COUNTY CLERK OF JEFFERSON COUNTY, TEXAS
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EXHIBIT "A"

Attached to and made a part of Assignment, Bill of Sale and Conveyance dated December 31, 2002 from Sunclear Energy, Inc to RIMCO Production Company, Inc and D&E Energy, Inc

1 Oil and Gas Lease No M-97590 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering S/2 of Tract 8, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas Said lease is recorded under Clerk's File No 161826 in Vol 1015, Page 681 of the Official Public Records of Real Property of Orange County, Texas, under Clerk's File No 97-9702888 of the Official Public Records of Real Property of Jefferson County, Texas

2 Oil and Gas Lease No M-97589 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering N/2 of Tract 8, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas Said lease is recorded under Clerk's File No 161825 in Vol 1015, Page 672 of the Official Public Records of Real Property of Orange County, Texas, under Clerk's File No 97-9702887 of the Official Public Records of Real Property of Jefferson County, Texas

3 Oil and Gas Lease No M-97591 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering Tract 9, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 414 69 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas Said lease is recorded under Clerk's File No 161828 in Vol 1015, Page 699 of the Official Public Records of Real Property of Orange County, Texas, under Clerk's File No 97-9702889 of the Official Public Records of Real Property of Jefferson County, Texas

4 Oil and Gas Lease No M-97592 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering Tract 4, Sabine Lake, Orange County, Texas, containing approximately 522 33 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas Said lease is recorded under Clerk's File No 161827 in Vol 1015, Page 690 of the Official Public Records of Real Property of Orange County, Texas.

5 Oil and Gas Lease No M-10278 dated July 10, 2001, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering S/2 Tract 5, Sabine Lake, Orange County, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas Said lease is recorded under Clerk's File No 227589 in Vol 1249, Page 506-511 of the Official Public Records of Real Property of Orange County, Texas and Clerk's File No 2001035007 of the Official Public Records of Real Property of Jefferson County, TX,

INSOFAR AND ONLY INSOFAR as the above described leases are included in the 1,586.69 acre Benchmark Oil &

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Gas Company Sabine Lake Gas Unit No. 1 and further INSOFAR AND ONLY INSOFAR as the above described leases cover and effect the Hackberry sand, as seen between the stratigraphic equivalent of the depths of 11,220 feet and 11,270 feet TVD on the Schlumberger log for the National Energy group, Inc. State No. 8 Well, Orange County, Texas.

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EXHIBIT "B"

Attached to and made a part of ASSIGNMENT, BILL OF SALE AND CONVEYANCE dated effective December 31, 2002, from Sunclear Energy, Inc to RIMCO Production Company, Inc and D&E Energy, Inc

National Energy Group, Inc. State 8 No. 1 Well

	WI	NRI
RIMCO Production Company	21 22875%	15 390844%
D&E Energy, Inc	2 35875%	1 71009375%

FB+ Ret: Rimco Production Company Inc
600 Travis Street #7050
Houston TX 77002
21.00+5.00 RP+1.0 SF

FILED FOR RECORD

KAREN JO VANCE

'03 JAN -9 A11 :43

COUNTY CLERK
ORANGE COUNTY, TEXAS
BY Tiffany Schlicher DEPUTY

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STATE OF TEXAS COUNTY OF ORANGE

I hereby certify that this instrument was filed on the date and time stamped hereon by me and was duly recorded in the Official Public Records of Real Property of Orange County, Texas, on

JAN 09 2003

Karen Jo Vance

COUNTY CLERK, Orange County, Texas

FILED AND RECORDED

OFFICIAL PUBLIC RECORDS

Sandy Walker

01/17/2003 10:11 AM 2003002001

MILLER $74.00

SANDY WALKER COUNTY CLERK

JEFFERSON COUNTY

I CERTIFY THIS IS A TRUE COPY
Witness my Hand and Seal of Office

NOV 14 2003

DEBBIE USOFF, COUNTY CLERK
JEFFERSON COUNTY, TEXAS

BY _____ DEPUTY
Sara Delacerda

29.

80-23-11

File No. MF097589

Assignment

Date Filed: 11/26/03

Jerry E. Patterson, Commissioner

By

TEXAS GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

November 26, 2003

MF097589
see 2nd page

Cheryl Strickland
RIMCO Production Co, Inc.
600 Travis Street, Suite 7050
Houston, Texas 77002

RE: Assignment filing; GLO ID 4508

Dear Ms. Strickland,

The General Land Office received the following instrument(s) and has filed them in the appropriate files. Please see attached "Exhibit A" for reference.

> Assignment, Bill of Sale and Conveyance, executed January 7th, 2003, from Sunclear Energy, Inc., as Assignor, to Fort Apache Energy Ventures 2002, as Assignee.

Filing fees of $1,600.00 were received in connection with the above lease. If you have any questions, please feel free to call me at (800) 998-4GLO, or at my direct number at (512) 463-6521.

Sincerely,

Beverly Boyd

Beverly Boyd
Mineral Leasing
Energy Resources
512-463-6521

Exhibit "A"

GLO ID	*County*	*Lease*
4508	*Jefferson/Orange*	MF097589
4508	*Jefferson/Orange*	MF097590
4508	*Jefferson/Orange*	MF097591
4508	*Orange*	MF097592
4508	*Jefferson/Orange*	MF102078

ASG 2003002000

12 PGS

246232

VOL 1332 PAGE 560

ASSIGNMENT, BILL OF SALE AND CONVEYANCE

4507

STATE OF TEXAS §
§
COUNTIES OF ORANGE AND JEFFERSON §

This Agreement entered into this 7th day of January, 2003, but effective for all purposes as of the 31st day of December, 2002, between **SUNCLEAR ENERGY, INC.**, a Nevada corporation whose mailing address is 942 Searcy Way, Suite 200, Bowling Green, KY 42103 (hereinafter sometimes also referred to as "Assignor") and **FORT APACHE ENERGY VENTURES 2002,** whose address is 116 East Anglin, Uvalde, Texas 78801 (hereinafter referred to as "Assignee")

WHEREAS, Assignor desires to bargain, sell, assign and convey unto Assignee an undivided twenty five percent of thirty one and forty five one hundredths percent (25% x 31 45%) of the right, title and interest in and to those oil, gas and mineral leases described on Exhibit "A" and the well described on Exhibit "B" attached hereto and made a part hereof.

NOW THEREFORE, for and in consideration of Ten Dollars ($10 00) and other good valuable consideration the receipt and sufficiency of which is hereby acknowledged by Assignor and further in consideration of the duties and obligations assumed by Assignee hereunder, Assignor does hereby bargain, sell, assign and convey unto Assignee, in the following proportions, all of Assignor's right, title and interest in and to the following

(A) An undivided twenty five percent of thirty one and forty five one hundredths per cent (25% x 31 45%) of the leasehold interest in and to the oil, gas and mineral leases described on Exhibit "A" attached hereto and made a part hereof, subject to the limitations described therein, (the "Leases"), which interest shall not be less than the interests set out on Exhibit "B" attached hereto and made a part hereof

The term Leases shall also include Assignor's rights in and to (i) rights in any pooled or unitized acreage included as a whole or in part within any Lease or that accrue or are attributable to the Well, including all production from the pooled or unitized acreage allocated to any such Leases or well, any and all interests in any well within the unit or pool associated with such Leases, whether such unitized or pooled production comes from wells located within or without the areas covered by any leases, (ii) all lands covered by the Leases, as described on Exhibit "A", (including, without limitation, all surface leases, working interests and farmout rights therein)

(B) An undivided twenty five percent (25%) in the proportions of ninety percent (90%) of Assignor's liability, interest and claims for any gas imbalances which have accrued prior to the Effective Date hereof

(C) An undivided twenty five percent (25%) of Assignor's right, title and interest in and to all of the contracts, agreements and rights, including but not limited to, all orders, title opinions and documents, abstracts of title, deeds, unitization agreements, pooling agreements, operating agreements, easements, rights-of-way, licenses, permits and similar rights and interests that are currently owned by Assignor, in whole or in part, to the extent that they are (i) appurtenant to or affect the Leases or the Well, or (ii) used or held for use in connection with the ownership or operation of the Leases or the Well or with the production or treatment of hydrocarbons on the Leases, or the sale or disposal of water, hydrocarbons or associated substances ("The Contracts")

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(D) An undivided twenty five percent of thirty one and forty five one hundredths per cent (25% x 31 45%) interest in the oil and gas Well described on Exhibit "B" attached hereto and made a part hereof, injection wells, disposal wells, salt water disposal systems, fixtures, equipment, personal property, gas gathering or processing systems or pipelines, oil in tanks and all other fixtures and improvements appurtenant to the Leases as of the Effective Date hereof (herein referred to as the "Well") The working interest and net revenue interest attributable to the Well is set out in Exhibit "B", whether one or more, and shall include an undivided twenty five percent of thirty one and forty five one hundredths per cent (25% x 31 45%) working interest and not less than a proportionate 72 5% net revenue interest whether or not correctly reflected in said Exhibit "B"

(E) Copies of all lease files, gas processing files, logs, test data, production histories, division order files, well files, oil and gas contact files, and all other books, files and records (the "Records"), and all rights thereto, subject to the rights of third parties

The Contracts, Leases, Well and Records, as defined above, and personal property referred to above are hereinafter referred to individually and collectively in the singular as "Property"

TO HAVE AND TO HOLD the interests assigned unto Assignee, its successors and assigns, subject to the following terms and conditions

I
EFFECTIVE DATE

This Assignment, Bill of Sale and Conveyance is made effective 7 00 a m December 31, 2002 ("the Effective Date") and is made subject to the terms and provisions contained in the Leases and all existing contracts, agreements, and other documents involving Assignor which appear of record or, if not of record, of which Assignee have actual or constructive notice on the date hereof Assignor shall not be responsible for claims, obligations, liabilities, losses or damages, costs or expenses that accrue or relate to operations pertaining to the Leases after December 31, 2002

II
TAXES

This Assignment, Bill of Sale and Conveyance is made subject to all applicable taxes, including but not limited to, severance taxes, ad valorem taxes, excise taxes and windfall profit taxes Assignee by signature hereto, agree to pay all sales and transfer assessments, fees and taxes incident to this Agreement, if any, and shall indemnify and hold Assignor harmless from and against any and all losses occasioned by Assignor due to the failure of Assignee to pay either wholly or partially, any such taxes, and/or penalty and interest accruing in connection therewith All ad valorem personal and property taxes to the Wells conveyed hereby shall be prorated as to the effective date of this Assignment

III
DISCLAIMER/ASSUMPTION OF RISK

(a) It is expressly understood by the parties hereto that Assignor does not make any representations or warranties, express or implied, as to the title or the condition and state of repair of the Property, its value, quality, merchantability, suitability or fitness for any uses or purposes, nor as to the current volume, nature, quality, classification, or value of the oil, gas or other mineral reserves thereunder or covered thereby, nor with respect to any appurtenances thereto belonging or in any wise appertaining to said Property, except that Assignor warrants title to the Leases by Special Warranty against any and all claims arising by, through or under Assignor, but not otherwise Although made without warranty, except as hereinabove provided, Assignee is hereby granted full substitution and subrogation in and to all the rights and actions of warranty

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and covenants which Assignor is entitled to enforce with respect to the Leases specified hereinabove against all preceding owners, vendors and lessors

(b) Further Assignee certifies that the Property (including, but not limited to, any oil, gas or other mineral reserves underlying said Property) has been carefully inspected by Assignee, that Assignee is familiar with its condition and value thereof, and the improvements and appurtenances (including electric wiring and machinery installed thereon) located on the Property Assignee further accepts said Property (including, but not limited to, any oil, gas or other minerals and/or mineral reserves underlying said Property) **AS IS, WHERE IS, IN ITS PRESENT CONDITION AND STATE OF REPAIR, AND WITHOUT ANY REPRESENTATIONS, GUARANTIES, OR WARRANTIES, EXPRESS OR IMPLIED, AS TO ITS TITLE, VALUE, QUALITY, MERCHANTABILITY, OR ITS SUITABILITY OR FITNESS FOR ASSIGNEE'S INTENDED USE, OR FOR ANY USES OR PURPOSES WHATSOEVER, OR THAT SAID PROPERTY HAS BEEN RENDERED FREE FROM ANY DEFECTS, HAZARDS, OR DANGEROUS CONDITIONS, EXCEPT AS TO THE SPECIAL WARRANTY GRANTED in III. (a) ABOVE.**

IV
PLUGGING AND ABANDONMENT OF WELLS AND EQUIPMENT

Assignee expressly agrees to and shall assume all obligations and responsibilities with respect to the plugging and abandonment obligations relative to any unplugged Wells (including but not limited to the plugging and abandonment of wells which are temporarily abandoned as of the Effective Date) and the removal of all equipment and surface restoration, all in full compliance with any and all applicable Federal, State and local laws, orders, rules, regulations and standards Assignee agrees to and shall fully protect, indemnify and hold Assignor harmless from and against any expense, claim or cause of action brought against Assignor or Assignee by any third party arising from Assignee's failure to comply with the plugging, abandonment, or cleanup obligations set forth in this Paragraph IV and under the Property

V
PROCEEDS AND EXPENDITURES

To the extent of the interests herein conveyed, Assignee is entitled to all proceeds attributable to the Leases from and after the Effective Date, and Assignor is entitled to all proceeds attributable to the Leases prior to the Effective Date Similarly, all operating and capital expenditures incurred in connection with the Leases which are attributable to operations during the time prior to the Effective Date are the obligations of Assignor, and all such operating and capital expenditures attributable to operations during the time after the Effective Date are the obligation of Assignee

VI
INDEMNITY

(a) Except as otherwise provided for herein, Assignee further agrees, as part of the consideration for this agreement, to fully defend, protect, indemnify, hold harmless, and render whole Assignor from and against each and every claim, demand or cause of action, and any liability, cost, expenses (including, but not limited to, reasonable attorney's fees), or claims with respect to damage or loss in connection therewith, which may be made or asserted by Assignee, its agents, or successors, or by any third party or parties (including, but not limited to, governmental agencies) on account of personal injury or death, lease maintenance, or property or environmental damage, or any claims based on any misrepresentations as to the quantity, quality, or value of the Property, caused by, arising out of, or incidental to the past, present or future condition or state of repair of said Property, or the ownership and use thereof, or this agreement, howsoever occurring, including without limitation, whether such injuries, damages, losses, and liabilities, with

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or without fault, were caused by Assignee's sole negligence or contributory negligence, Assignor's contributory negligence, or imposed on said parties or others under any theory of strict liability by operation of law, or any other theory of law prior to, at the time of, or subsequent to the Effective Date of this agreement.

(b) Without limiting the generality of Section VI (a) above, but in furtherance of same and specifically, except as to the obligations assumed by Assignor in Section VI (c) below, Assignee expressly agrees to fully and promptly pay, perform and discharge, defend, indemnify and hold harmless Assignor and its respective directors, officers, agents and employees from and against any claim, demand, action, suit, loss, cost, damage, fine, penalty or expense (including reasonable attorney's fees) resulting from any Environmental Claim arising out of any operations conducted, commitment made or any action taken or omitted by Assignor at any time with respect to the Property (including but not limited to business operations, transactions or conduct of the business, directly or indirectly related thereto) For purposes of this Section VI (b), "Environmental Claim" shall mean any claim, demand, or cause of action asserted by any governmental agency or any person, corporation of other entity for personal injury (including sickness, disease or death), property damage or damage to the environment resulting from the discharge or release of any chemical, material or emission into one or more of the environmental media at or in the vicinity of the Property

To the extent of Assignor's interest in the Property and with the exception of claims based on any misrepresentations as to the quantity, quality or value of the Property and only if Assignor is notified in writing by Assignee of Assignee's claim under this section within one (1) year from December 31, 2002

(c) i. Assignor agrees to fully defend, protect, indemnify, hold harmless, and render whole Assignee from and against each and every claim, demand or cause of action, and any liability, cost, expenses (including, but not limited to, reasonable attorney's fees), or claims with respect to damage or loss in connection therewith, which may be made or asserted by Assignor, its agents, or successors, or by any third party or parties (including but not limited to, governmental agencies) on account of personal injury or death, lease maintenance, or property or environmental damage caused by, arising out of, or incidental to the condition or state of repair of said Property, or the ownership and use thereof, which arise or are asserted prior to the Effective Date, howsoever occurring, including, without limitation, whether such injuries, damages, losses, and liabilities, with or without such injuries, damages, losses, and liabilities, with or without fault, were caused by Assignor's sole negligence or contributory negligence, or imposed on said party or others, under any theory of strict liability, by operation of law, or any other theory of law prior to the Effective Date of this agreement.

ii Without limiting the generality of the first paragraph of this Section VI (c) above, but in furtherance of same, Assignor expressly agrees to fully and promptly pay, perform and discharge, defend, indemnify and hold harmless Assignee and its respective directors, officers, agents and employees from and against any claim, demand, action of suit, loss, cost, damage, fine, penalty or expense (including reasonable attorney's fees) resulting from any Environmental Claim *arising out of any operations conducted, commitment made or any action taken or omitted* with respect to the Property which arises or is asserted prior to the Effective Date (including but not limited to business operations, transactions or conduct of the business directly or indirectly related thereto)

Assignor shall have no obligation to Assignee under this Section for any matter for which it is not notified by Assignee in writing within one (1) year from December 31, 2002

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VII
DIVISION ORDERS

Assignor is prepared to transmit originals of all Division Order files to Assignee Assignor at all times shall have access to all original Division Order files during Assignee's regular business hours upon three (3) days prior written notice Assignor and Assignee agree that Assignee will take over disbursements effective with December 31, 2002 production

VIII
MISCELLANEOUS

(a) Assignee hereby represents to Assignor that Assignee intends to purchase the Property herein for its own benefit and account and that Assignee is not acquiring said Property with the intent of distributing fractional undivided interests thereof such as would be subject to regulation by federal or state securities laws Assignee acknowledges that Assignor is making this transfer based on Assignee's representations herein

(b) Any sales tax, use tax, or other tax, license, permit or fee which may be applicable to this Assignment, Bill of Sale and Conveyance shall be borne by Assignee

(c) This Assignment, Bill of Sale and Conveyance is made subject to the terms and provisions of (i) that certain Joint Operating Agreement dated August 1, 2001, between National Energy Group, Inc , Operator and Rose Energy, LTD , et al, Non-Operators, (ii) that certain Participation Agreement dated August 21, 2001 between Benchmark Assets Company and Rose Energy, LTD , and (iii) that certain Pipeline Financing Agreement dated effective December 31, 2002, between Sunclear Energy, Inc and Fort Apache Energy Ventures 2002, Inc

(d) The parties agree to do such further acts or execute such further documents as may reasonably be required to effectuate the terms of this Assignment, Bill of Sale and Conveyance

(e) If any provision of this Assignment, Bill of Sale and Conveyance is held invalid, such invalidity shall not affect the remaining provisions hereof

(f) This Assignment, Bill of Sale and Conveyance cannot be modified or amended except by a written instrument duly executed by Assignor and Assignee

(g) This Assignment, Bill of Sale and Conveyance and the legal relations among the parties hereto shall be governed by and construed in accordance with the laws of the State of Texas, without effect given to the conflicts of laws rules of the State of Texas

(h) Captions have been inserted for reference purposes only and shall not define or limit the terms of this Assignment, Bill of Sale and Conveyance

(i) The interest assigned to Assignee hereunder may not be assigned to any third parties without the express written consent of Assignor, which consent shall not be unreasonably withheld Subject to the foregoing, this Assignment, Bill of Sale and Conveyance shall be binding upon and shall insure to the benefit of the parties hereto and their respective successors and assigns The terms, conditions and exceptions contained herein shall constitute covenants running with the Property and, shall be binding upon and for the benefit of the respective successors and assigns of Assignor and Assignee

(j) To the extent it is necessary to do so, the parties shall have a post closing accounting to be finally effected no greater than one hundred twenty (120) days from and after closing whereupon settlement will be made for any revenue, expenses, taxes or other items that might not have been finally reconciled at closing Assignor and Assignee mutually agree to cooperate in the preparation of a final accounting statement and to remit any sums due the other party within thirty (30) days from the end of the one-hundred twenty (120) day period hereinafter provided for

COUNTY CLERK OF JEFFERSON COUNTY, TEXAS
TRUE AND CORRECT COPY OF ORIGINAL FILED IN JEFFERSON COUNTY CLERK'S OFFICE

IN WITNESS WHEREOF, this Agreement is executed as of the date hereinabove first written

ASSIGNOR

SUNCLEAR ENERGY, INC.

By _____

Its Pres.

ASSIGNEE

FORT APACHE ENERGY VENTURES 2002, INC.

By _____

Its _____

THE COMMONWEALTH OF KENTUCKY §
§
COUNTY OF WARREN §

On this 7th day of January, 2003, before me appeared Michael L. Toms to me personally known, who, being by me duly sworn, did say that he is the of **SUNCLEAR ENERGY, INC.**, and that said instrument was signed in behalf of said corporation by authority of its Board of Directors, and said Michael L. Toms acknowledged said instrument to be the free act and deed of said corporation

Connie B. Younger
NOTARY PUBLIC -

My Commission Expires
2-16-2004

TRUE AND CORRECT COPY OF ORIGINAL FILED IN JEFFERSON COUNTY CLERK'S OFFICE

IN WITNESS WHEREOF, this Agreement is executed as of the date hereinabove first written.

ASSIGNOR:

SUNCLEAR ENERGY, INC.

By: _____

Its: _____

ASSIGNEE:

FORT APACHE ENERGY VENTURES 2002, INC.

By: Allan P. Bloyson

Its: President

THE COMMONWEALTH OF KENTUCKY §
§
COUNTY OF WARREN §

On this _____ day of January, 2003, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ of **SUNCLEAR ENERGY, INC.**, and that said instrument was signed in behalf of said corporation by authority of its Board of Directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

My Commission Expires. NOTARY PUBLIC -

_____

_____

TRUE AND CORRECT COPY OF ORIGINAL FILED IN JEFFERSON COUNTY CLERK'S OFFICE

THE STATE OF TEXAS §
§
COUNTY OF UVALDE §

On this 7th day of January, 2003, before me appeared ALLAN P. BLOXSOM III, to me personally known, who, being by me duly sworn, did say that he is the President of **FORT APACHE ENERGY VENTURES 2002, INC.**, and that said instrument was signed in behalf of said corporation by authority of its Board of Directors, and said ALLAN P. BLOXSOM III acknowledged said instrument to be the free act and deed of said corporation.

CYNTHIA RANDEZ
Notary Public
State of Texas
My Comm Exp 08-20-2004

NOTARY PUBLIC - STATE OF TEXAS

TRUE AND CORRECT
COPY OF ORIGINAL
FILED IN JEFFERSON
COUNTY CLERK'S OFFICE

EXHIBIT "A"

Attached to and made a part of Assignment, Bill of Sale and Conveyance dated December 31, 2002 from Sunclear Energy, Inc to Fort Apache Energy Ventures 2002, Inc

1 Oil and Gas Lease No M-97590 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering S/2 of Tract 8, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas Said lease is recorded under Clerk's File No 161826 in Vol 1015, Page 681 of the Official Public Records of Real Property of Orange County, Texas, under Clerk's File No 97-9702888 of the Official Public Records of Real Property of Jefferson County, Texas

2 Oil and Gas Lease No M-97589 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering N/2 of Tract 8, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas Said lease is recorded under Clerk's File No 161825 in Vol 1015, Page 672 of the Official Public Records of Real Property of Orange County, Texas, under Clerk's File No 97-9702887 of the Official Public Records of Real Property of Jefferson County, Texas

3 Oil and Gas Lease No M-97591 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering Tract 9, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 414 69 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas Said lease is recorded under Clerk's File No 161828 in Vol 1015, Page 699 of the Official Public Records of Real Property of Orange County, Texas, under Clerk's File No 97-9702889 of the Official Public Records of Real Property of Jefferson County, Texas

4 Oil and Gas Lease No M-97592 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering Tract 4, Sabine Lake, Orange County, Texas, containing approximately 522 33 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas Said lease is recorded under Clerk's File No 161827 in Vol 1015, Page 690 of the Official Public Records of Real Property of Orange County, Texas

102078

5 Oil and Gas Lease No M-10278 dated July 10, 2001, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering S/2 Tract 5, Sabine Lake, Orange County, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas Said lease is recorded under Clerk's File No 227589 in Vol 1249, Page 506-511 of the Official Public Records of Real Property of Orange County, Texas and Clerk's File No 2001035007 of the Official Public Records of Real Property of Jefferson County, TX,

INSOFAR AND ONLY INSOFAR as the above described leases are included in the 1,586.69 acre Benchmark Oil &

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Gas Company Sabine Lake Gas Unit No. 1 and further INSOFAR AND ONLY INSOFAR as the above described leases cover and effect the Hackberry sand, as seen between the stratigraphic equivalent of the depths of 11,220 feet and 11,270 feet TVD on the Schlumberger log for the National Energy group, Inc. State No. 8 Well, Orange County, Texas.

TRUE AND CORRECT
COPY OF ORIGINAL
FILED IN JEFFERSON
COUNTY CLERK'S OFFICE

EXHIBIT "B"

Attached to and made a part of ASSIGNMENT, BILL OF SALE AND CONVEYANCE dated effective December 31, 2002, from Sunclear Energy, Inc to Fort Apache Energy 2002, Inc

National Energy Group, Inc. State 8 No. 1 Well

	WI	NRI
Fort Apache Energy Ventures 2002, Inc	7 8625%	5 7003125%

FB+Ret Rimco Production Company Inc
600 Travis #7050
Houston Tx 77002
23% + 5% PP i1 5%

FILED FOR RECORD

KAREN JO VANCE

'03 JAN -9 A01 :43

COUNTY CLERK
ORANGE COUNTY, TEXAS
DEPUTY

TRUE AND CORRECT COPY OF ORIGINAL FILED IN JEFFERSON COUNTY CLERK'S OFFICE

STATE OF TEXAS COUNTY OF ORANGE

I hereby certify that this instrument was filed on the date and time stamped hereon by me and was duly recorded in the Official Public Records of Real Property of Orange County, Texas, on

JAN 09 2003

COUNTY CLERK, Orange County, Texas

FILED AND RECORDED

OFFICIAL PUBLIC RECORDS

Sandy Walker

01/17/2003 10:11 AM 2003002000

MILLER $20.00

SANDY WALKER COUNTY CLERK

JEFFERSON COUNTY

I CERTIFY THIS IS A TRUE COPY
Witness my Hand and Seal of Office

NOV 14 2003

DEBBIE USOFF, COUNTY CLERK
JEFFERSON COUNTY, TEXAS

BY Sara Delacerda DEPUTY

Sara Delacerda

30.

File No. MF097589

Assignment

Date Filed: 11/26/03

Jerry E. Patterson, Commissioner

By _____

TEXAS GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

MF 077589
See 2nd page

November 26, 2003

Cheryl Strickland
RIMCO Production Company, Inc.
600 Travis Street, Suite 7050
Houston, Texas 77002

RE: Assignment filing; GLO ID 4510

Dear Ms. Strickland,

The General Land Office received the following instrument(s) and has filed them in the appropriate files. Please see attached "Exhibit A" for reference.

> Correction to Assignment of Overriding Royalty Interests, executed July 7th, 2003, from RIMCO Production Company, Inc. and D&E Energy, Inc., as Assignors, to David L. Mitchell and D&E Energy Inc., as Assignees.

Filing fees of $1,600.00 were received in connection with the above lease. If you have any questions, please feel free to call me at (800) 998-4GLO, or at my direct number at (512) 463-6521.

Sincerely,

Beverly Boyd

Beverly Boyd
Mineral Leasing
Energy Resources
512-463-6521

Exhibit "A"

GLO ID	*County*	*Lease*
4510	*Jefferson/Orange*	MF097589
4510	*Jefferson/Orange*	MF097590
4510	*Jefferson/Orange*	MF097591
4510	*Orange*	MF097592
4510	*Jefferson/Orange*	MF102078

ASG 2003029360
4 PGS
254597

VOL 1370 PAGE 777

4510

CORRECTION TO ASSIGNMENT OF OVERRIDING ROYALTY INTEREST
(SABINE LAKE PROSPECT)

STATE OF TEXAS §
§
COUNTIES OF ORANGE AND JEFFERSON §

KNOW ALL MEN BY THESE PRESENTS THAT: WHEREAS, an Assignment of Overriding Royalty Interest effective as of August 31, 2001, recorded under File No 229172, in Vol 1256, Page 221 in the records of Orange County, Texas and recorded under File No 2001036003 in the records of Jefferson County, Texas, equal to 2 50% of 8/8ths, was made and entered into by and between RIMCO PRODUCTION COMPANY, INC, and D & E ENERGY, INC, Assignors, and DAVID L MITCHELL, ET AL, Assignees, pertaining to leases located in Orange and Jefferson Counties, Texas, and

WHEREAS, in the first paragraph of said Assignment of Overriding Royalty Interest the overriding royalty interest being conveyed was described; and

WHEREAS, the overriding royalty interest is INCORRECT and does not accurately describe the overriding royalty interest intended to be conveyed by the Assignors, and

WITNESSETH

NOW, THEREFORE, for and in consideration of the sum of Ten Dollars ($10 00) cash and other good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, RIMCO Production Company, Inc, and D & E Energy, Inc, Assignors, whose addresses are both 600 Travis, Suite 7050, Houston, Texas 77002, do hereby transfer, grant, bargain, convey and assign unto·

David L Mitchell
P O Box 70
Dayton, Texas 77535

D & Energy, Inc
600 Travis, Suite 7050
Houston, Texas 77002

hereinafter referred to as "Assignees", the correct undivided overriding royalty interests described as follows

I As to lease number 1, being Oil and Gas Lease No M-102078, on Exhibit "A" hereof, an overriding royalty interest equal to 3.00% of 8/8ths of all production saved and sold from the leases, such interest being hereby divided among the Assignees, as follows

	Percentage Of 8/8ths
DAVID L MITCHELL	0 54%
D & E ENERGY, INC	2 46%
	3.00%

II As to leases numbered 2 – 5, being Oil and Gas Lease No 's M-97592, M-97589, M-97590, and M-97591, on Exhibit "A" hereof overriding royalty interest totaling 2 50% of 8/8ths of all production saved and sold from said leases, such interest being hereby divided among the Assignees, as follows

	Percentage of 8/8ths
DAVID L. MITCHELL	0 45%
D & E ENERGY, INC	2.05%
	2 50 %

This Correction To Assignment Of Overriding Royalty Interest shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns

Each of the Assignees hereto shall be entitled to receive as soon as available copies of all data (daily reports, logs, core analysis, etc.) relative to wells drilled on the Leases or lands pooled therewith upon request

TRUE AND CORRECT COPY OF ORIGINAL FILED IN JEFFERSON COUNTY CLERK'S OFFICE

COUNTY CLERK OF JEFFERSON COUNTY, TEXAS

This Correction To Assignment Of Overriding Royalty Interest is made subject to all of the other terms and conditions of the original Assignment Of Overriding Royalty Interest referenced above

EXECUTED this 7th day of July, 2003, but effective for all purposes as of 7 00a m local time, August 31, 2001.

Witnesses

Assignors

RIMCO PRODUCTION COMPANY, INC.

A Lee Jorden
President

D & E ENERGY, INC.

Michael W. Englert
President

STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on this 8th day of July, 2003, by A Lee Jorden, President of RIMCO PRODUCTION COMPANY, INC , a Delaware Corporation, on behalf of said corporation

TERESA A. FOSS
NOTARY PUBLIC STATE OF TEXAS
COMMISSION EXPIRES
OCTOBER 22, 2006

Notary Public in and for the State of Texas

STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on this 8th day of July, 2003, by Michael W Englert, President of D & E ENERGY, INC , a Texas Corporation, on behalf of said corporation

TERESA A. FOSS
NOTARY PUBLIC STATE OF TEXAS
COMMISSION EXPIRES
OCTOBER 22, 2006

Notary Public in and for the State of Texas

COPY OF ORIGINAL
FILED IN JEFFERSON
COUNTY CLERK'S OFFICE

EXHIBIT "A"

**CORRECTION TO ASSIGNMENT OF OVERRIDING ROYALTY INTERESTS
BY AND BETWEEN
RIMCO PRODUCTION COMPANY, INC., ET AL, ASSIGNORS
AND DAVID L. MITCHELL, ET AL, ASSIGNEES**

1. Oil and Gas Lease No M-102078 dated July 10, 2001, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering the S/2 of Tract 5, Sabine Lake, Orange and Jefferson Counties, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas Said Lease is recorded under Clerk's File No. 227589 in Vol 1249, Page 506-511 of the Official Public Records of Real Property of Orange County, Texas and Clerk's File No 2001035007 in the Official Public Records of Real Property of Jefferson County, Texas.

2. Oil and Gas Lease No M-97592 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering Tract 4, Sabine Lake, Orange County, Texas, containing approximately 522.33 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas Said Lease is recorded under Clerk's File No 161827 in Vol 1015, Page 690 of the Official Public Records of Real Property of Orange County, Texas.

3 Oil and Gas Lease No M-97589 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering the N/2 of Tract 8, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said Lease is recorded under Clerk's File No 161825 in Volume 1015, Page 672 of the Official Records of Real Property of Orange County, Texas, under Clerk's File No 97-9702887 of the Official Public Records of Real Property of Jefferson County, Texas

4 Oil and Gas Lease No M-97590 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering S/2 of Tract 8, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas Said lease is recorded under Clerk's File No 161826 in Vol 1015, Page 681 of the Official Public Records of Real Property of Orange County, Texas, under Clerk's File No. 97-9702888 of the Official Public Records of Real Property of Jefferson County, Texas

5 Oil and Gas Lease No M-97591 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering Tract 9, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 414.69 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas Said lease is recorded under Clerk's File No. 161828 in Vol. 1015, Page 699 of the Official Public Records of Real Property or Orange County, Texas, under Clerk's File No 97-9702889 of the Official Public Records of Real Property of Jefferson County, Texas

FBO Retto:
Rimco Production Company, Inc
600 Travis Suite 7050
Houston TX 77002
700+500 Rpt 1 CO SF

FILED FOR RECORD

'03 JUL 10 A11 52

KAREN JO VANCE
COUNTY CLERK
ORANGE COUNTY, TEXAS
BY

TRUE AND CORRECT COPY OF ORIGINAL FILED IN JEFFERSON COUNTY CLERK'S OFFICE

STATE OF TEXAS COUNTY OF ORANGE

I hereby certify that this instrument was filed on the date and time stamped hereon by me and was duly recorded in the Official Public Records of Real Property of Orange County, Texas, on

JUL 10 2003

COUNTY CLERK, Orange County, Texas

FILED AND RECORDED

OFFICIAL PUBLIC RECORDS

2003 Jul 23 03.12 PM 2003029360

MILLER $21.00

SANDY WALKER COUNTY CLERK

JEFFERSON COUNTY TEXAS

I CERTIFY THIS IS A TRUE COPY

Witness my Hand and Seal of Office

NOV 14 2003

DEBBIE USOFF, COUNTY CLERK

JEFFERSON COUNTY, TEXAS

BY _____ DEPUTY

Sara Delacerda

20-25-11

31.

File No MF097589

Assignment

Date Filed: 11/26/03

Jerry E. Patterson, Commissioner

By

TEXAS GENERAL LAND OFFICE
JERRY PATTERSON, COMMISSIONER

December 1, 2003

MF097589
see 2nd page

Cheryl Strickland
RIMCO Production Company, Inc.
600 Travis Street, Suite 7050
Houston, Texas 77002

RE: Assignment filing; GLO ID 4511

Dear Ms. Strickland,

The General Land Office received the following instrument(s) and has filed them in the appropriate files. Please see attached "Exhibit A" for reference.

> Partial Assignment of Overriding Royalty Interest, executed July 31st, 2003, from D&E Energy, Inc., as Assignor, to Daniel L. Doss and Michael W. Englert, as Assignees.

Filing fees of $1,600.00 were received in connection with the above lease. If you have any questions, please feel free to call me at (800) 998-4GLO, or at my direct number at (512) 463-6521.

Sincerely,

Beverly Boyd

Beverly Boyd
Mineral Leasing
Energy Resources
512-463-6521

Exhibit "A"

GLO ID	*County*	*Lease*
4511	*Jefferson/Orange*	MF097589
4511	*Jefferson/Orange*	MF097590
4511	*Jefferson/Orange*	MF097591
4511	*Orange*	MF097592
4511	*Jefferson/Orange*	MF102078

ASG 5 PGS 2003033660 VOL 1375 PAGE 927

4511

PARTIAL ASSIGNMENT OF OVERRIDING ROYALTY INTEREST
(SABINE LAKE PROSPECT)

255668

STATE OF TEXAS §
§
COUNTIES OF ORANGE AND JEFFERSON §

WHEREAS, D&E ENERGY, INC whose address is 600 Travis, Suite 7050, Houston, Texas 77002, is a record title owner and holder of an overriding royalty interest ("D&E Override") in and to each of the Oil and Gas Leases ("Leases") described on Exhibit "A" attached hereto and made a part hereof, pursuant to that certain Assignment of Overriding Royalty Interest effective as of August 31, 2001, recorded under File No 229172 in Vol 1256, Page 221 in the records of Orange County, Texas and recorded under File No 2001036003 in the records of Jefferson County, Texas, as corrected by that certain Correction to Assignment of Overriding Royalty Interest recorded under File No 254597, in Vol 1370, Page 777 in the records of Orange County, Texas and recorded under File No 2003029360 in the records of Jefferson County, Texas,

WHEREAS, D&E ENERGY, INC now desires to assign a portion of the D&E Override to DANIEL L DOSS, whose address is 6610 Wanita Place, Houston, Texas 77007, and MICHAEL W ENGLERT, whose address is 2009 Persa, Houston, Texas 77019,

WITNESSETH:

NOW THEREFORE, for and in consideration of the sum of Ten Dollars ($10.00) cash and other good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, D&E ENERGY, INC., Assignor, does hereby TRANSFER, GRANT, BARGAIN, CONVEY, QUITCLAIM and ASSIGN unto DANIEL L DOSS, and MICHAEL W ENGLERT, Assignees, a portion of its record title ownership in each of the Leases to be shared equally by Assignees The D&E Override being conveyed is hereinafter owned by Assignees in the following percentages

I As to Lease number 1, being Oil and Gas Lease No. M-102078, on Exhibit "A" hereof, an overriding royalty interest equal to 2 16% of 8/8ths of all production saved and sold from the Leases, such interest being hereby divided among the Assignees, as follows

	Percentage Of 8/8ths
Daniel L Doss	1 08%
Michael W Englert	1 08%
	2 16%

II As to Leases numbered 2 – 5, being Oil and Gas Lease No 's M-97592, M-97589, M-97590, and M-97591, on Exhibit "A" hereof overriding royalty interest equal to 1 80% of 8/8ths of all production saved and sold from said Leases, such interest being hereby divided among the Assignees, as follows

	Percentage of 8/8ths
Daniel L. Doss	0.90%
Michael W Englert	0 90%
	1 80%

This Partial Assignment of Overriding Royalty Interest shall be subject to the same terms and conditions contained in the conveyance of overriding royalty referenced above, as corrected, whereby the D&E Override was acquired and corrected, including but not limited to a proportionate reduction provision.

This instrument is executed on this 31st day of July 2003, but effective for all purposes as of August 31, 2001

ASSIGNOR:

D & E Energy, Inc.

Michael W Englert
President

COUNTY CLERK OF JEFFERSON COUNTY, TEXAS

TRUE AND CORRECT COPY OF ORIGINAL FILED IN JEFFERSON COUNTY CLERK'S OFFICE

STATE OF TEXAS §

COUNTY OF HARRIS §

This instrument was acknowledged before me on the 31st day of July, 2003, by Michael W Englert, as President of D &E Energy, Inc , a Texas corporation, being duly sworn, did say that the foregoing instrument was signed and delivered by him on behalf of said Corporation with authority of its Board of Directors, and the said Michael W Englert acknowledged said instrument to be the free act and deed of said Corporation.

Witness my hand and notarial seal

My Commission Expires·

Teresa A Foss
Notary Public, State of Texas

TERESA A. FOSS
NOTARY PUBLIC STATE OF TEXAS
COMMISSION EXPIRES
OCTOBER 22, 2006

TRUE AND CORRECT
COPY OF ORIGINAL
FILED IN JEFFERSON
COUNTY CLERK'S OFFICE

EXHIBIT "A"

TO PARTIAL ASSIGNMENT OF OVERRIDING ROYALTY INTEREST
BY AND BETWEEN
D&E ENERGY, INC., ASSIGNOR
AND DANIEL L. DOSS, ET AL, ASSIGNEES

1 Oil and Gas Lease No M-102078 dated July 10, 2001, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering the S/2 of Tract 5, Sabine Lake, Orange and Jefferson Counties, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas Said Lease is recorded under Clerk's File No 227589 in Vol 1249, Page 506-511 of the Official Public Records of Real Property of Orange County, Texas and Clerk's File No 2001035007 in the Official Public Records of Real Property of Jefferson County, Texas

2 Oil and Gas Lease No M-97592 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering Tract 4, Sabine Lake, Orange County, Texas, containing approximately 522 33 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas Said Lease is recorded under Clerk's File No 161827 in Vol 1015, Page 690 of the Official Public Records of Real Property of Orange County, Texas

3 Oil and Gas Lease No M-97589 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering the N/2 of Tract 8, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas Said Lease is recorded under Clerk's File No 161825 in Volume 1015, Page 672 of the Official Records of Real Property of Orange County, Texas, under Clerk's File No 97-9702887 of the Official Public Records of Real Property of Jefferson County, Texas

4 Oil and Gas Lease No M-97590 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering S/2 of Tract 8, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No 161826 in Vol. 1015, Page 681 of the Official Public Records of Real Property of Orange County, Texas, under Clerk's File No 97-9702888 of the Official Public Records of Real Property of Jefferson County, Texas

5 Oil and Gas Lease No M-97591 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering Tract 9, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 414 69 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas Said lease is recorded under Clerk's File No 161828 in Vol. 1015, Page 699 of the Official Public Records of Real Property or Orange County, Texas, under Clerk's File No 97-9702889 of the Official Public Records of Real Property of Jefferson County, Texas.

FB/Return To.
RIMCO
600 TRAVIS # 7050
Houston TX 77002
$7.00 +5.00 RP +1.00 SF

FILED FOR RECORD

'03 AUG -1 A11:50

KAREN JO VANCE
COUNTY CLERK
ORANGE COUNTY, TEXAS
BY _____ DEPUTY

COUNTY CLERK OF JEFFERSON COUNTY, TEXAS

TRUE AND CORRECT
COPY OF ORIGINAL
FILED IN JEFFERSON
COUNTY CLERK'S OFFICE

STATE OF TEXAS — COUNTY OF ORANGE

I hereby certify that this instrument was filed on the date and time stamped hereon by me and was duly recorded in the Official Public Records of Real Property of Orange County, Texas, on

AUG 0 1 2003

COUNTY CLERK, Orange County, Texas

TRUE AND CORRECT
COPY OF ORIGINAL
FILED IN JEFFERSON
COUNTY CLERK'S OFFICE

FILED AND RECORDED

OFFICIAL PUBLIC RECORDS

Sandy Walker

2003 Aug 18 12 00 PM 2003033660

WILLIAMS $24 00

SANDY WALKER COUNTY CLERK

JEFFERSON COUNTY TEXAS

I CERTIFY THIS IS A TRUE COPY
Witness my Hand and Seal of Office

NOV 14 2003

DEBBIE USOFF, COUNTY CLERK
JEFFERSON COUNTY, TEXAS

BY Sara Delacerda DEPUTY

Sara Delacerda

09-23-11

32.

File No. MF097589

Assignment

Date Filed: 12/1/03

Jerry E. Patterson, Commissioner

By

BALLARD EXPLORATION COMPANY, INC.

1021 MAIN STREET, SUITE 2310

HOUSTON, TEXAS 77002-6602



Texas Commisioner of the
General Land Office - M97590
Stephen F. Austin Building
1700 North Congress Avenue
Austin, Texas 78701-1495



78701+1495

RTK:dpe

STATE OF LOUISIANA
OFFICE OF CONSERVATION
OIL AND GAS DIVISION
BATON ROUGE, LOUISIANA

Proposed Appr. 11/4/03
Mailed _____

10/29/03
BALLARD EXPLORATION 713-651-0181
COMMINGLE PERMITS
JANE BARTON

October 22, 2003

TYSON DUNN OP. MGR

SEND COPY OF COMMINGE APPLICATION AND PFD.

RE: SABINE LAKE FIELD
29-D-2

ALL CONCERNED:

10/31/03
tdunn@ballarderpl.com

This will advise that the following Legal Notice has been given to **The Advocate,** Baton Rouge, Louisiana, for publication:

LEGAL NOTICE
STATE OF LOUISIANA, OFFICE OF CONSERVATION, BATON ROUGE, LOUISIANA

In accordance with the laws of the State of Louisiana, and with particular reference to the provisions of Title 30 of Louisiana Revised Statutes of 1950 and Statewide Order No. 29-D-1, the following notice is given:

Please be advised that **Ballard Exploration Company, Inc.** has made application for authority to commingle in their **SABINE LAKE COMMINGLING FACILITY NO. 1 (93335),** hydrocarbons produced from the **NEG OPERATING, LLC - STATE TRACT 8 NO. 1 WELL, N. SABINE LAKE (HACKBERRY L.) FIELD, ORANGE COUNTY, TEXAS,** with production previously approved for commingling by Office of Conservation Order No. 29-D-1, effective March 19, 2002, in the Marceaux Island Field, Cameron Parish, Louisiana. The same method of measurement and allocation of production as approved by said Order shall apply to the above.

Application review by the Office of Conservation indicates that all requirements of Statewide Order No. 29-D-1, which governs the authority to commingle gas and/or liquid hydrocarbons and to use methods other than gauge tanks for the allocation of production have been met.

Should any interested party feel that this application for authority to commingle hydrocarbons should not be approved, he is afforded the opportunity to make his objections known, in writing, to the Commissioner of Conservation P. O. Box 94275, Baton Rouge, LA, 70804-9275, within the ten (10) calendar day period following the date of this notice. In the absence of the filing any letter of objection during said ten (10) calendar day period, an approval letter will be issued authorizing commingling as requested by the applicant. With respect to the computation of said ten (10) calendar day period of time allowed for receiving written objections, the date of this Legal Notice and the approval date shall not be included. In the event the last day of said ten (10) calendar day period falls on a Saturday, Sunday or a legal holiday, it shall be understood that the last day of said ten (10) calendar day period will then be considered to be the following Monday or the day following the legal holiday.

A copy of this application is available for inspection in the Offices of Conservation in **Baton Rouge** and **Lafayette**, Louisiana.

All parties having interest therein shall take notice thereof.

BY ORDER OF:

JAMES H. WELSH
COMMISSIONER OF CONSERVATION

Paper Applicant Dist. Mgr. Prod-Audit Keating File

(33)

File No. MF097589

STATE OF LA NOTICE OF APPLICATION TO COMMINGLE

Date Filed: 12/12/03

Jerry E. Patterson, C[illegible]

By M. T. SCOTT

Ballard Exploration Company, Inc.
1021 Main Street, Suite 2310
Houston, TX 77002-6602

(713) 651-0181
Fax (713) 651-9205

October 30, 2003

VIA FEDERAL EXPRESS

Mr. Matthew Scott
Texas General Land Office
Stephen F. Austin Building
1700 N. Congress Avenue
Minerals Leasing Room 600
Austin, Texas 78701

Re: Commingling Application
Sabine Lake Commingling Facility
NEG Operating, LLC
State Tract 8 No. 1 Well
Orange County, Texas

Dear Matthew:

As discussed, enclosed please find our commingling application that was submitted to the State of Louisiana Office of Conservation. Our Sabine Lake Field Commingling Facility has been in operation since 1999. This application involves adding the NEG Operating, LLC State Tract 8 No. 1 to the existing commingling permit.

Please call if you have any questions or require additional information.

Sincerely,
BALLARD EXPLORATION COMPANY, INC.

Tyson L. Dunn
Operations Manager

RECEIVED
03 OCT 31 PM 12:33

10-31-03

BALLARD EXPLORATION COMPANY, INC.
1021 MAIN STREET, SUITE 2310
HOUSTON, TEXAS 77002-6602

(713) 651-0181
FAX (713) 651-9201

July 11, 2003

Mr. Todd Keating
Department of Natural Resources
Office of Conservation
P. O. Box 94275
Baton Rouge, Louisiana 70804-9275

RE: Statewide Order #29-D-1
Commingling Authority
Sabine Lake Commingling Facility No. 1
C. F. Code No. 93335
Sabine Lake, Marceaux Island, North Sabine Lake Fields – Cameron Parish, Louisiana
Sabine Lake, N. (Hackberry, L.) Field – Orange County, Texas

Dear Mr. Keating:

Ballard Exploration Company, Inc. requests approval to add the following well into the Sabine Lake Commingling Facility:

State Tract 8 No. 1 (API 42-361-30785) operated by NEG Operating, LLC

We respectfully request that the authority be granted in accordance with Statewide Order No. 29-D-1 to surface commingle hydrocarbons from the above mentioned well with those previously approved for commingling at Ballard Exploration Company, Inc.'s Commingling Facility No. 1 (C. F. Code No. 93335) located in Vinton, Louisiana.

Attached in duplicate are:

1. Flow diagrams of the individual wells and commingling facility.
2. Detailed explanation of the flow of hydrocarbons.
3. Signed statement by Ballard Exploration Company, Inc.
4. List of names and address of interested parties for new well into facility.
5. Check in the amount of $252 for the application fee.

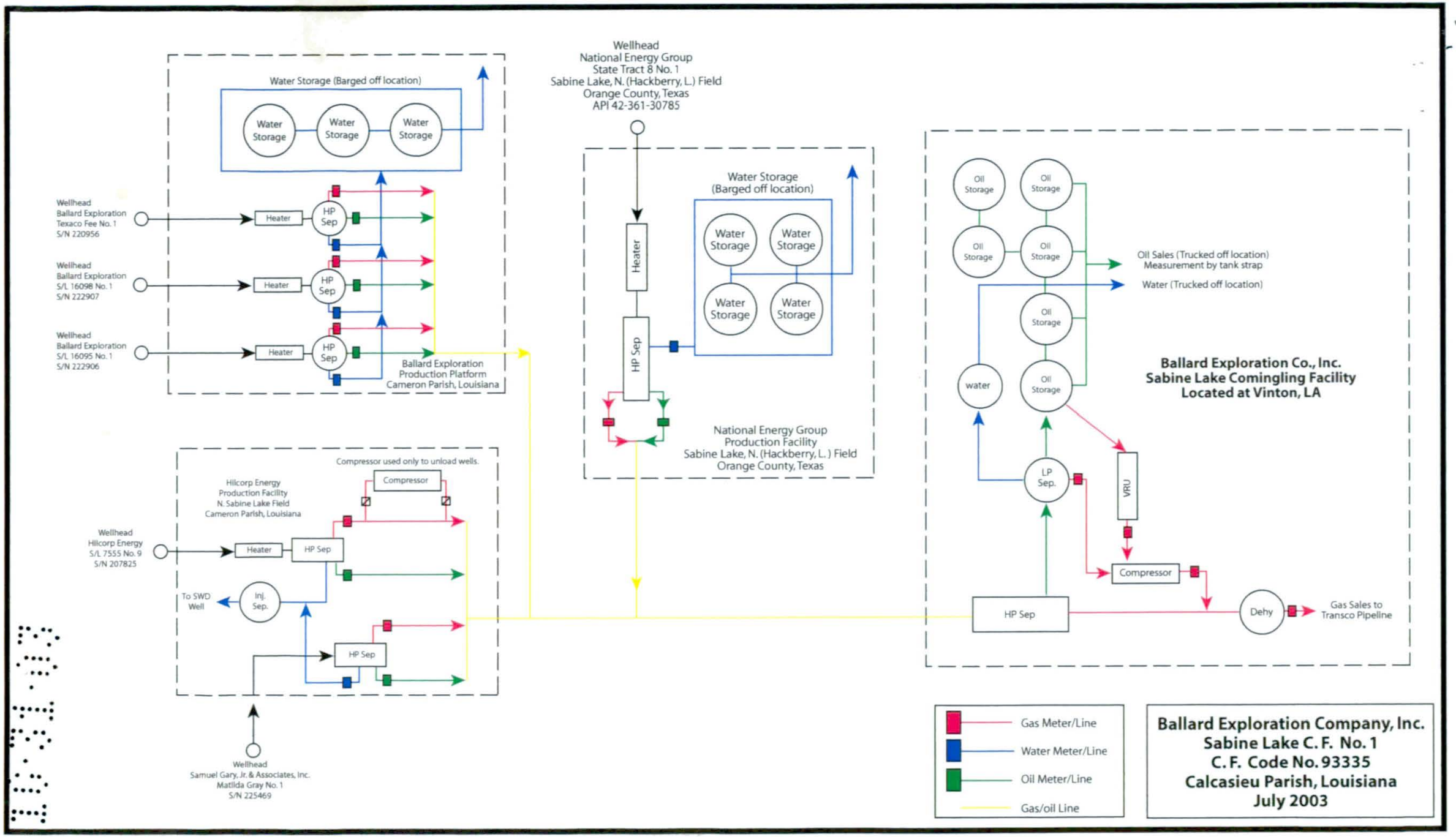
Please call if you have any questions or require additional information.

BALLARD EXPLORATION COMPANY, INC.

BY: _____
Tyson L. Dunn

TITLE: Operations Manager

07-12-03


Water Storage (Barged off location)
Water Storage
Water Storage
Water Storage
Wellhead
Ballard Exploration
Texaco Fee No. 1
S/N 220956
Heater
HP Sep
Wellhead
Ballard Exploration
S/L 16098 No. 1
S/N 222907
Heater
HP Sep
Wellhead
Ballard Exploration
S/L 16095 No. 1
S/N 222906
Heater
HP Sep
Ballard Exploration
Production Platform
Cameron Parish, Louisiana
Wellhead
National Energy Group
State Tract 8 No. 1
Sabine Lake, N. (Hackberry, L.) Field
Orange County, Texas
API 42-361-30785
Heater
HP Sep
Water Storage
(Barged off location)
Water Storage
Water Storage
Water Storage
Water Storage
National Energy Group
Production Facility
Sabine Lake, N. (Hackberry, L.) Field
Orange County, Texas
Compressor used only to unload wells.
Compressor
Hilcorp Energy
Production Facility
N. Sabine Lake Field
Cameron Parish, Louisiana
Wellhead
Hilcorp Energy
S/L 7555 No. 9
S/N 207825
Heater
HP Sep
To SWD
Well
Inj.
Sep.
HP Sep
Wellhead
Samuel Gary, Jr. & Associates, Inc.
Matilda Gray No. 1
S/N 225469
Oil Storage
Oil Storage
Oil Storage
Oil Storage
Oil Storage
Oil Storage
water
Oil Sales (Trucked off location)
Measurement by tank strap
Water (Trucked off location)
Ballard Exploration Co., Inc.
Sabine Lake Comingling Facility
Located at Vinton, LA
LP
Sep.
VRU
Compressor
HP Sep
Dehy
Gas Sales to
Transco Pipeline
Gas Meter/Line
Water Meter/Line
Oil Meter/Line
Gas/oil Line
Ballard Exploration Company, Inc.
Sabine Lake C. F. No. 1
C. F. Code No. 93335
Calcasieu Parish, Louisiana
July 2003

BALLARD EXPLORATION COMPANY, INC.
SABINE LAKE FIELD
CAMERON PARISH, LOUISIANA

SABINE LAKE C.F. No. 1
C.F. Code 933350

EXPLANATION OF FLOW

From the respective wellheads of the Ballard State Lease 16095 No. 1, Ballard State Lease 16096 No. 1, Ballard Texaco Fee No. 1, Hilcorp State Lease 7555 No. 9, Samuel Gary, Jr. & Associates Matilda Gray No. 1 and NEG Operating, LLC State Tract 8 No. 1, the production stream flows into individual three phase high pressure separators each operating at approximately 900 psi. Gas, oil, and water are separated in the high pressure separator and then each phase is metered continuously. Water is sent to disposal, and the gas and liquid hydrocarbons are commingled into a common line going to the Ballard commingling facility located at Vinton, LA. The commingled production stream enters a three phase high pressure separator where gas, liquid hydrocarbons and any additional produced water are separated. Gas from the high pressure separator is measured and then sent to the dehydration unit and sold to Transco. Any water is sent to a storage tank and then trucked off location. The liquid hydrocarbons then go to a low pressure separator before going to storage tanks, and are trucked off location. Measurement is by tank strap. The gas from the low pressure separator is metered, sent to the compressor, and then commingled with the high pressure gas going to the dehydration unit for sales to Transco. A vapor recovery unit is in use to recover flash gas from the oil storage tanks.

ALLOCATION

Allocation for gas and liquid hydrocarbons shall be based on continuous metering with monthly gas and liquid hydrocarbon samples obtained in order to maintain current gravities and shrinkage factors. Well allocation equals the individual well metered (gas or liquid) volume divided by the total of all the wells' (gas or liquid) metered volumes times the total field sales (gas or liquid) volume. The formula is as follows:

$$\text{Well Allocation} = \frac{\text{Individual well volume}}{\text{Total volume all wells}} \times \text{Total Field Sales}$$

* Note: High pressure separators at the wellheads of commingled wells are all operating at approximately 900 psi.

CALIBRATION

All gas is measured at each well's individual separator by electronic orifice meter. The meters are calibrated on location on a monthly basis by third party contract personnel. Ballard Exploration's testing policy also requires that the orifice plates be pulled and inspected for cleanliness, damage or wear, and either replaced or reinstalled depending upon condition. Oil is measured at each individual high pressure separator by liquid turbine meter. The meters are calibrated on a monthly basis by third party contract personnel. All measurements and calibrations are performed in accordance with the American Petroleum Institute (API) "Manual of Petroleum Measurement Standards – Chapter 20 – Allocation Measurement."

20-12-01

BALLARD EXPLORATION COMPANY, INC.
1021 MAIN STREET, SUITE 2310
HOUSTON, TEXAS 77002-6602

(713) 651-0181
FAX (713) 651-9201

July 11, 2003

Mr. James H. Welsh
Department of Natural Resources
Office of Conservation
P. O. Box 94275
Baton Rouge, Louisiana 70804-9275

RE: Statewide Order #29-D-1
Commingling Authority
Sabine Lake Commingling Facility No. 1 (C.F. Code No. 93335)
Sabine Lake, Marceaux Island, North Sabine Lake Fields – Cameron Parish, Louisiana
State Lease 16095 No. 1 (SN 222906) (Ballard Exploration Company, Inc.)
State Lease 16096 No. 1 (SN 222907) (Ballard Exploration Company, Inc.)
Texaco Fee No. 1 (SN 220956) (Ballard Exploration Company, Inc.)
State Lease 7555 No. 9 (SN 207825) (Hilcorp Energy Company)
Matilda Gray No. 1 (SN 225469) (Samuel Gary, Jr. & Associates, Inc.)
State Tract 8 No. 1 (API 42-361-30785) (National Energy Group) –Orange County, TX

Gentlemen:

It is the opinion of Ballard Exploration Company, Inc. that the commingling of gas and liquid hydrocarbons and the use of metering for production allocation as proposed under this application to the State of Louisiana, Office of Conservation, will provide reasonable and accurate measurement, will not create inequities, and the owner of any interest will have the opportunity to recover his/her just and equitable share of production. Monthly allocations and meter proving and inspections will be performed by Southern Flow Company.

BALLARD EXPLORATION COMPANY, INC.

BY: Tyron L. Dunn

TITLE: Operations Manager

20-12-01

(34)

File No. MF097589

COMMINGLE APPLICATION

Date Filed: 12/19/03

Jerry E. Patterson, Commissioner

By M. T. Scott

From: Matthew Scott
To: tdunn@ballardexpl.com
Date: 10/31/03 1:36PM
Subject: Sabine Lake Commingling Facility No. 1 - Ballard Exploration (State of Lousiana)

Tyson

Thank you for the commingle process flow diagram and application to commingle production from the State Tract 8 No.1 well, N. Sabine Lake (Hackberry L.) Field.

Please be advised that GLO will not protest the subject permit application.

In the future please direct any commingle permits involving the GLO from Ballard Exploration to my attention in Mineral Leasing.

Thank you,

Matthew T. Scott, P.E.
Petroleum Engineer
Texas General Land Office
Mineral Leasing
(512) 475-2230

LSE: STATE TRACT 8 WELL NO. 1
API 42-361-30785
RRC03 196286
UNIT 3243

CC: Irwin, James

COMMINGLE PERMIT APPLICATION FILED IN MF-097589.
OTHER AFFECTED MF AS FOLLOWS

MTS
GLO
12/17/03

Unit N	Lease	Lease Participation
3243	MF097589	0.2016777
3243	MF097590	0.2016777
3243	MF097591	0.2613554
3243	MF097592	0.1336115
3243	MF102078	0.2016777

(35)

No. MF 097589
NOTICE OF NO PROTEST
TO COMMINGLE APPLICATION
Date Filed: 12/19/03
Jerry E. Patterson, Commissioner
M. T. SCOTT

DO NOT DESTROY

Texas General Land Office

UNIT AGREEMENT MEMO

PA04-17

Unit Number	*3434*		
Operator Name	*NEG OPERATING LLC*	*Effective Date*	*2/17/2004*
TaxID:	[redacted]	*Unitized For*	*Oil & Gas*
Unit Name	*Sabine Lake Gas Unit 1*	*Unit Term*	*0 Months*
County1	*Jefferson*		
County 2	*Orange*		
County 3			
RRC District:	*03*		
Unit Type:	*Permanent*		
State Royalty Interest:	*0.239918*		
State Part in Unit:	*1*		
Unit Depth			
Below Depth	*0*		
Above Depth	*0*		

Old Unit Number	*Inactive Status Date*
3243	*2/17/2004*
0	
0	
0	
0	

Well:
Formation:
Participation Basis: *Other*
[If Exclusions Apply: See Remarks]

MF Number	MF097589		*Tract Number*	1	
Lease Acres	320	/	*Total Unit Acres*	640	=
Tract Participation:	0.5	X			
Lease Royalty	0.25	=	*Manual Tract Participation:*	0.5	*See Remark*
Tract Royalty Participation	0.119959		*Manual Tract Royalty:*	0.119959	

Tract Royaly Reduction	No
Tract Royalty Rate	0
Tract On-Line Date:	

05-000893 = 300 Ac
05-001703 - 20 Ac.

MF Number	MF102078		*Tract Number*	2	
Lease Acres	320	/	*Total Unit Acres*	640	=
Tract Participation:	0.5	X			
Lease Royalty	0.2	=	*Manual Tract Participation:*	0.5	See Remark
Tract Royalty Participation	0.119959		*Manual Tract Royalty:*	0.119959	

Tract Royaly Reduction	No
Tract Royalty Rate	0
Tract On-Line Date:	

05-000866 = 175 Ac.
05-1785 = 145 Ac.

API Number	*RRC Number*
423613078500	196286

Remarks:

Prepared By:	M	*Prepared Date:*	2-17-04
GLO Base Updated By:	M. Silva	*GLOBase Date:*	2-26-04
RAM Approval By:		*RAM Approval Date:*	3/1/04
GIS By:	JA	*GIS Date:*	11-9-04
Mineral Maps By:	WK	*Mineral Maps Date:*	11-10-04

Pooling Committee Report

To: School Land Board

Date of Board Meeting: February 17, 2004

Effective Date: 2/17/2004

Unit Expiration Date: Permanent

PA04-17

Unit Number: 3434

Applicant: NEG OPERATING LLC

Operator: NEG OPERATING LLC

County 1: Jefferson

County 2: Orange

County 3:

Unit Name: Sabine Lake Gas Unit 1

Field Name: Sabine Lake, North (Hackberry, L.)

Lease Type	MF Number	Lease Royalty	Expiration Date	Lease Term	Lease Acres	Lease Acres in Unit	Royalty Participation
SF	MF097589	0.25		HBP	320	320	0.119959
SF	MF102078	0.2	7/10/2006	5 years	320	320	0.119959

SF = State Fee RAL = Relinquishment Act FR = Free Royalty UR = Unleased River

Private Acres:	0
State Acres:	640
Total Unit Acres:	640

Participation Basis:
Other

State Acreage:	100.00%
State Unit Royalty:	23.99%

Unit Type:	Unitized for:
Permanent	Oil & Gas
Term: 0	Months

Well Location:
State Land

RRC Rules:	Spacing Acres:
Statewide	40

Pooling Agreement Number: PA04-17

REMARKS:

- NEG Operating, LLC is requesting permanent oil and gas pooling of the Hackberry Formation defined as the stratigraphic interval or its correlative equivalent occurring from 11,200 feet to 11,300 feet as seen on the unit well log. The applicant is also requesting to reduce the unit size from 1,586.69 acres to 640 acres.

- On August 21, 2001, the School Land Board approved 18-month temporary pooling to all depths. A one year extension was granted by the Board on February 21, 2003.

- The applicant completed the unit well on December 6, 2001. Because of the many pipeline permitting delays the well did not produce until June 2003. The unit well has produced approximately 1.3 BCF of gas and 105 MBO condensate through December 2003.

- With approval of the unit the state's unit royalty participation will remain 23.99%. This is an approximate 1.5% increase in royalty over a surface acreage participation.

- Horizontal severance is provided for in the leases. Approval by the School Land Board in no way ratifies any of the state leases included in this proposed unit.

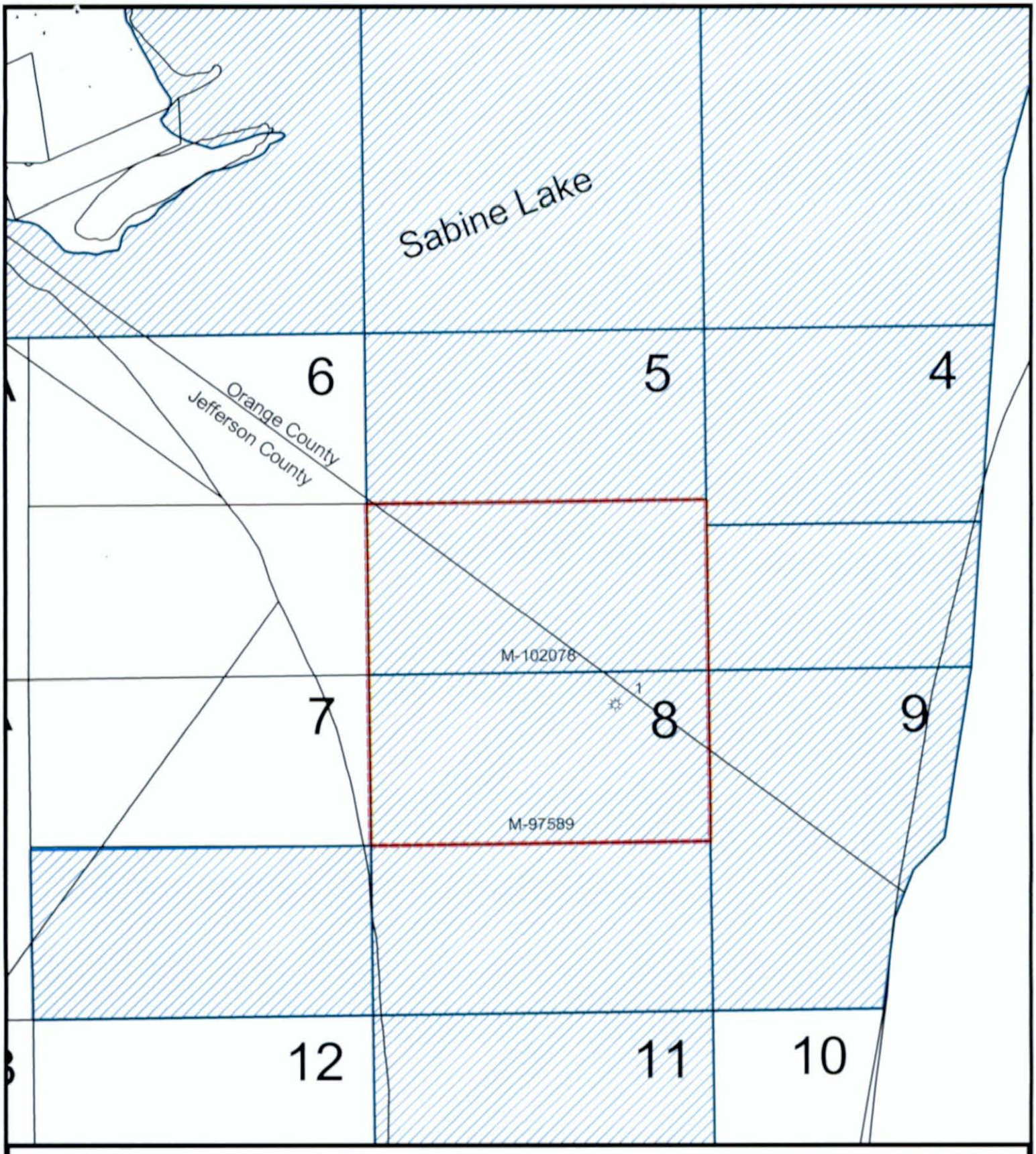
POOLING COMMITTEE RECOMMENDATION:

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

Jeffee Martinez-Vargas - Office of the Attorney General — Date: 2/4/04

Peter A. Boone - General Land Office — Date: 2.4.04

Vacant - Office of the Governor — Date:



NEG Operating, L.L.C.
Sabine Lake Gas Unit 1
Sabine Lake, North (Hackberry, L.)
M-97589 and M-102078
Jefferson and Orange Counties
PA04-17

PCS_Albers
GCS_North_American_1927

1 inch equals 2,000 feet

0 500 1,000 2,000 Feet

N

The Texas General Land Office makes no representations or warranties regarding the accuracy or completeness of the information depicted on the map or the data from which it was produced. This map is NOT suitable for navigational purposes and does not purport to depict or establish boundaries between private and public land.

Map Compiled By:
Ferrel Taylor
Energy Resources - GIS
February 17, 2004

POOLING AGREEMENT
NEG OPERATING LLC
SABINE LAKE GAS UNIT 1
JEFFERSON AND ORANGE 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 NEG Operating LLC, 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 Hackberry Formation defined as the stratigraphic interval or its correlative equivalent occurring from 11,200 feet to 11,300 feet as seen on the log of the NEG Operating LLC, State Tract 8, 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. Provided that, if any State Lease described in Exhibit "A" attached hereto contains provision 4(E) VARIABLE ROYALTY, and a unit well is not located on such State Lease and a reduced royalty has not otherwise been earned, then a reduced royalty may be earned by unit production, but it shall only apply to the acreage included within the unit. Acreage outside of the unitized area must earn a reduced royalty independently.

(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 640 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, provided that the State's total unit royalty shall be 23.99% which will be allocated equally between the State leases in the unit.

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.)

M.E.S.

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 17, 2004.

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 Jefferson and Orange 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 5/14/04

STATE OF TEXAS

Legal
Content
Geology
Executive

By: _____
Jerry E. Patterson, Commissioner
General Land Office

40.21.5

Date Executed _____

NEG OPERATING LLC

By: _____

_____

Its: _____

CERTIFICATE

I, Stacy B. De Leon, 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 February 17, 2004, 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 14 day of May, 2004.

Stacy B. De Leon

Secretary of the School Land Board

STATE OF TEXAS

COUNTY OF _____

This instrument was acknowledged before me on _____, 2004, by _____,

as _____ of NEG Operating LLC a _____

corporation on behalf of said corporation.

_____

Notary Public in and for the State of Texas

40-21-5

Date Executed _____

NEG OPERATING LLC
By: NEG Holding LLC, Sole Member
By: Gascon Partners, Managing Member
By: Cigas Corp., Managing General Partner

By: _____
Name: Edward E. Mattner
Title: President

STATE OF NEW YORK §
§
COUNTY OF NEW YORK §

Before me, a Notary Public, in and for said county and state, on this 10 day of March, 2004, personally appeared Edward E. Mattner, to me known to be the identical person who subscribed the name of Cigas Corp., a Delaware corporation, as managing general partner of Gascon Partners, a New York general partnership, as managing member for NEG Holding LLC, a Delaware limited liability company, as the sole member of **NEG Operating LLC**, a Delaware limited liability company, the maker thereof, to the foregoing instrument as its President and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of such limited liability company for the uses and purposes therein set forth.

Witness my hand and official seal.

Dolores Toomey
Notary Public, State of New York
Printed Name of Notary: _____
My Commission Expires: _____

DOLORES TOOMEY
Notary Public, State of New York
No. 41-4771811
Qualified in Queens County
Commission Expires May 31, 2006

Date Executed 3-8-04

D & E ENERGY INC.

By: Michael W. Englert
Name: MICHAEL W. ENGLERT
Title: President

STATE OF TEXAS §
§
COUNTY OF Harris §

This instrument was acknowledged before me on March 10th, 2004, by Michael W. Englert as President of D & E Energy Inc., a Texas corporation on behalf of said corporation.

TERESA A. FOSS
NOTARY PUBLIC STATE OF TEXAS
COMMISSION EXPIRES:
OCTOBER 22, 2005

My Commission Expires 10-22-05
Teresa A. Foss
Notary Public

Date Executed 4.22.04

COASTAL EXPLORATION AND DEVELOPMENT CORPORATION

By: Choice Smith
Name: Choice Smith
Title: President

STATE OF TEXAS §
§
COUNTY OF Dallas §

This instrument was acknowledged before me on 4-22, 2004, by Choice A Smith as PRESIDENT of Coastal Exploration and Development Corporation, a TEXAS corporation on behalf of said corporation.

Bea Ann Duckworth
Notary Public, State of Texas
My Comm. Expires 04/29/07

My Commission Expires 4-29-07
Bea Ann Duckworth
Notary Public

Date Executed _____

RIMCO PRODUCTION COMPANY

By: _____
Name: A. L. JORDEN
Title: PRESIDENT

STATE OF TEXAS §
§
COUNTY OF Harris §

This instrument was acknowledged before me on March 11th, 2004, by A.L. Jorden as President of Rimco Production Company, a Delaware corporation on behalf of said corporation.

My Commission Expires 10-22-05

Teresa A. Foss
Notary Public

TERESA A. FOSS
NOTARY PUBLIC STATE OF TEXAS
COMMISSION EXPIRES:
OCTOBER 22, 2005

Date Executed 3-10-04

AMINEX USA, INC.

By: _____

Name: John Hayes

Title: Sr VP

STATE OF TEXAS §
§
COUNTY OF Bexar §

This instrument was acknowledged before me on March 10, 2004, by John Hayes as Sr VP of Aminex USA, Inc., a Delaware corporation on behalf of said corporation.

CAPRICE M. RITCHESON
Notary Public, State of Texas
My Commission Expires
September 14, 2005

My Commission Expires 9-14-05

_____
Notary Public

Date Executed March 19, 2004

BENCHMARK ASSETS COMPANY

By: Dorothy E. Pledger
Name: Dorothy E. Pledger
Title: Vice-President

STATE OF TEXAS §
§
COUNTY OF Harris §

This instrument was acknowledged before me on March 19, 2004, by Dorothy E. Pledger as Vice President of Benchmark Assets Company, a Texas corporation on behalf of said corporation.

RON W. EVANS
MY COMMISSION EXPIRES
OCTOBER 13, 2007

My Commission Expires 10-13-2007
Ron W Evans
Notary Public

Date Executed 5/10/04

FORT APACHE ENERGY VENTURES 2002, INC.

By: Allan P. Bloxsom III
Name: Allan P. Bloxsom III
Title: President

STATE OF TEXAS §
§
COUNTY OF Uvalde §

This instrument was acknowledged before me on May 10th, 2004, by Allan P. Bloxsom III as President of Fort Apache Energy Venture 2002, Inc., a Texas corporation on behalf of said corporation.

NOTARY PUBLIC
STATE OF TEXAS
KRISTINA RHODES
Notary Public, State of Texas
My Commission Expires May 13, 2006

My Commission Expires May 13, 2006
Kristina Rhodes
Notary Public

Date Executed April 26, 2004

CHIH-HUAN TANG

Chih-Huan Tang

ERIKA L. BRUMANA
NOTARY PUBLIC
STATE OF TEXAS
My Comm. Exp. 04-21-07

STATE OF TEXAS §
§
COUNTY OF Dallas §

This instrument was acknowledged before me on April 26, 2004, by Chih-Haun Tang.

My Commission Expires 4-21-07

Erika L. Brumana
Notary Public

Date Executed 4-21-04

CORNWELL & ASSOCIATES LLC

By: Robert W Cornwell
Name: Robert W. Cornwell
Title: Manager

STATE OF TEXAS §
§
COUNTY OF Dallas §

This instrument was acknowledged before me on April 21, 2004, by Robert W. Cornwell as Manager of Cornwell & Associates LLC, a Texas corporation on behalf of said corporation.

DOROTHY L. WAGNER
Notary Public
State of Texas
My Commission Expires
May 12, 2005

My Commission Expires 5-12-05
Dorothy L. Wagner
Notary Public

Date Executed 3/10/04

MICHAEL W. ENGLERT

Michael W Englert

STATE OF TEXAS §
§
COUNTY OF Harris §

This instrument was acknowledged before me on March 10th, 2004, by Michael W. Englert.

TERESA A. FOSS
NOTARY PUBLIC STATE OF TEXAS
COMMISSION EXPIRES:
OCTOBER 22, 2005

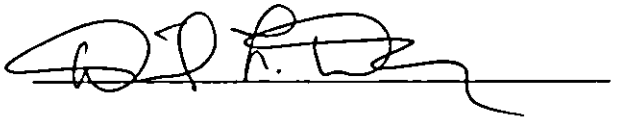
My Commission Expires 10-22-05

Teresa A Foss

Notary Public

Date Executed 3/8/2004

DANIEL L DOSS



STATE OF TEXAS §
§
COUNTY OF Harris §

This instrument was acknowledged before me on March 8th, 2004, by Daniel L. Doss.



My Commission Expires 10-22-05

Teresa A. Foss
Notary Public

RECEIVED
MAR 10 2004
LAND DEPT

Date Executed 3/10/04

DAVID L MITCHELL

STATE OF TEXAS §
§
COUNTY OF Harris §

This instrument was acknowledged before me on March 10th, 2004, by David L. Mitchell.

TERESA A. FOSS
NOTARY PUBLIC STATE OF TEXAS
COMMISSION EXPIRES:
OCTOBER 22, 2005

My Commission Expires 10-22-05

Teresa A Foss

Notary Public

Date Executed 4-21-04

MOUNTAIN CRANE MINERALS INC.

By: James A Rose
Name: JAMES A ROSE
Title: President

STATE OF ~~KENTUCKY~~ Texas §
§
COUNTY OF Dallas §

This instrument was acknowledged before me on April 21, 2004, by James A. Rose as President of Mountain Crane Minerals Inc., a ~~Kentucky~~ corporation on behalf of said corporation.

My Commission Expires 5-12-05
Dorothy L. Wagner
Notary Public

DOROTHY L. WAGNER
Notary Public
State of Texas
My Commission Expires
May 12, 2005

Date Executed 4.24.04

CHOICE SMITH

STATE OF TEXAS §
§
COUNTY OF Dallas §

This instrument was acknowledged before me on 4-24-04, 2004, by Choice Smith.

Bea Ann Duckworth
Notary Public, State of Texas
My Comm. Expires 04/29/07

My Commission Expires 4-29-07

Notary Public

Date Executed 4/29/2004

SJS RESOURCES LLC

By: SJS Resources L.L.C
Name: Joel Stanley
Title: Pres. Dent

STATE OF TEXAS §
§
COUNTY OF DALLAS §

This instrument was acknowledged before me on April 30, 2004, by Joel Stanley as Pres. Dent of SJS Resources LLC, a corporation on behalf of said corporation.

ELAINE K. BARNES
Notary Public
STATE OF TEXAS
My Comm. Expires 01-04-2006

My Commission Expires 1-04-2006

Elaine K. Barnes
Notary Public

Date Executed March 22, 2004

ROBERT E. PLEDGER

Robert E Pledger

STATE OF TEXAS §
§
COUNTY OF Harris §

This instrument was acknowledged before me on March 22, 2004, by Robert E. Pledger.

RON W. EVANS
MY COMMISSION EXPIRES
OCTOBER 13, 2007

My Commission Expires 10-13-2007

Ron W Evans

Notary Public

Date Executed 4-21-04

ROBERT CORNWELL

Robert W Cornwell

STATE OF TEXAS §
§
COUNTY OF Dallas §

This instrument was acknowledged before me on April 21, 2004, by Robert Cornwell.

DOROTHY L. WAGNER
Notary Public
State of Texas
My Commission Expires
May 12, 2005

My Commission Expires 5-12-05

Dorothy L. Wagner
Notary Public

EXHIBIT "A"

Attached to and made a part of that certain Pooling Agreement
by and between the Commissioner of the General Land Office,
on behalf of the State of Texas, Lessor, and NEG Operating LLC, Lessee
covering the Sabine Lake Gas Unit 1 Jefferson and Orange Counties, Texas

1. Oil and Gas Lease No. M-97589 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering N/2 of Tract 8, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 161825 in Vol. 1015, Page 672 of the Official Public Records of Real Property of Orange County, Texas, and under Clerk's File No. 97-9702887 of the Official Public Records of Real Property of Jefferson County, Texas.

2. Oil and Gas Lease No. M-10278 dated July 10, 2001, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering S/2 Tract 5, Sabine Lake, Orange County, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 227589 in Vol. 1249, Page 506 of the Official Public Records of Real Property of Orange County, Texas. And recorded under File No. 2001035007 of the Official Public Records of Jefferson County, Texas.

M-21-S

EXHIBIT "B

Attached to and made a part of that certain Pooling Agreement
by and between the Commissioner of the General Land Office,
on behalf of the State of Texas, Lessor, and NEG Operating LLC, Lessee
covering the Sabine Lake Gas Unit 1 Jefferson and Orange Counties, Texas

DESCRIPTION OF 640.00 ACRES, SABINE LAKE GAS UNIT 1, ORANGE AND JEFFERSON COUNTIES, TEXAS:

all of the North Half (N/2) of State Tract 8, Sabine Lake Texas containing approximately 320.00 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office Austin, Texas.

all of the South Half (S/2) State Tract 5, Sabine Lake Texas containing approximately 320.00 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office Austin, Texas.

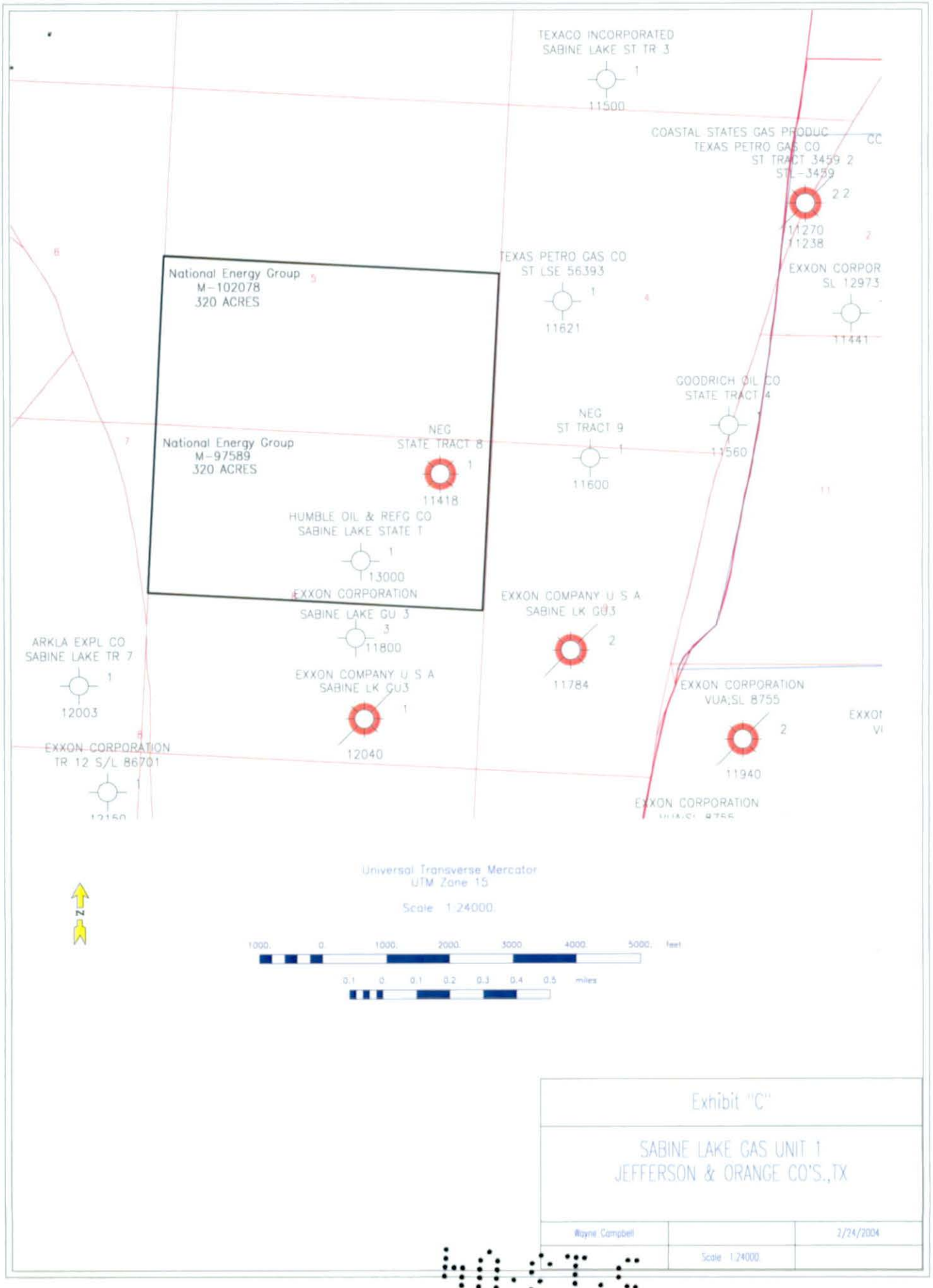


Exhibit "C"

SABINE LAKE GAS UNIT 1
JEFFERSON & ORANGE CO'S.,TX

Wayne Campbell		2/24/2004
	Scale 1:24000	

36.

File No. MF097589
Pooling Committee Report
+ Pooling Agreement
Date Filed: 6/9/09
Jerry E. Patterson, Commissioner
By

TEXAS GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

November 4, 2004

Terrell Gerard
The Oil & Gas Asset Clearinghouse
PO Box 671787
Houston, TX 77267

RE: Assignment filing; GLO ID 4867

Dear Ms. Gerard,

The General Land Office received the following instrument(s) and has filed them in the appropriate files. Please see attached "Exhibit A" for reference.

> Assignment, Bill of Sale and Conveyance, executed October 13th, 2004, from Fort Apache Energy Ventures 2002, Inc., as Assignor, to Judah Oil, as Assignee. Sale #195c-85. MF097589. MF10278 belongs to UT Lands and will need to be filed with that office.

Filing fees of $50.00 were received in connection with the above lease. If you have any questions, please feel free to call me at (800) 998-4GLO, or at my direct number at (512) 463-6521.

Sincerely,

Beverly Boyd

Beverly Boyd
Mineral Leasing
Energy Resources
512-463-6521

Exhibit "A"

GLO ID	*County*	*Lease*
4867	*Orange/Jefferson*	MF097589

The Oil & Gas Asset
CLEARINGHOUSE
A Petroleum Place Company

October 28, 2004

Texas General Land Office
Stephen F. Austin Bldg.
1700 North Congress Ave., Room 600
Austin, TX 78701-1495

RE: Filing of Enclosed Document

Gentlemen:

Enclosed for your records is one (1) certified copy of an Assignment and Bill of Sale covering certain state lands located in Andrews County, Texas. I have also enclosed a check totaling $50.00 to cover the filing fees.

Please contact our office at (281) 873-4600 if you have any questions or require anything further in this regard.

Sincerely,

THE OIL & GAS ASSET CLEARINGHOUSE, INC.

Terrell Gerard
Land Department

Enclosures

For CLEARINGHOUSE Purpose Only:

Sale #:195c -85

P.O. Box 671787 Houston, TX 77267-1787
281/873-4600 Fax 281/873-0055
www.ogclearinghouse.com

RECEIVED
04 NOV -1 PM 1:16

05009079

129

X 50.00

The Oil & Gas Asset
CLEARINGHOUSE
A Petroleum Place Company

SALE SETTLEMENT ACCOUNT
P.O. BOX 671787
HOUSTON, TEXAS 77267-1787

COMPASS BANK - HOUSTON
RIVER OAKS
P.O. Box 4444
HOUSTON, TEXAS 77210-4444

400994

DATE 10/28/04

PAY TO THE ORDER OF Texas Railroad Com Office $ 50.00

Fifty + 00

195c-85

BY: [redacted]

⑈400994⑈ [redacted]

275509 4867

FILED BY & PLEASE RETURN TO:
THE OIL & GAS ASSET CLEARINGHOUSE, INC.
P.O. BOX 671787
HOUSTON, TX 77267-1787

17.00 + 5.00 RP + 1.00 SF + 5.00 RA

ASSIGNMENT, BILL OF SALE AND CONVEYANCE

STATE OF TEXAS §
§
COUNTY OF ORANGE | JEFFERSON §

This Agreement entered into this 13th day of October, 2004, between **FORT APACHE ENERGY VENTURES 2002, INC.**, a Texas corporation whose mailing address is 116 E. Anglin, Uvalde, Texas 78801 (hereinafter referred to as "Assignor") and Tydah Oil whose address is P.O. Box 568, Artesia, NM 88211 (hereinafter referred to as "Assignee").

WHEREAS, Assignor desires to bargain, sell, assign and convey unto Assignee an undivided twenty five percent of thirty one and forty five one hundredths percent (25% x 31.45%) of the right title and interest in and to those oil, gas and mineral leases described on Exhibit "A" and the well described on Exhibit "B" attached hereto and made a part hereof.

NOW THEREFORE, for and in consideration of Ten Dollars ($10.00) and other good valuable consideration the receipt and sufficiency of which is hereby acknowledged by Assignor and further in consideration of the duties and obligations assumed by Assignee hereunder, Assignor does hereby bargain, sell, assign and convey unto Assignee, in the following proportions, all of Assignors right, title and interest in and to the following:

(A) An undivided three and one hundred and forty-five one hundreds percent (3.145%) of the leasehold interest in and to the oil, gas and mineral leases described on Exhibit "A" attached hereto and made a part hereof, subject to the limitations described therein, (the "Leases"), which interest shall not be less than the interests set out on Exhibit "B" attached hereto and made a part hereof.

The term Leases shall also include Assignor's rights in and to (i) rights in any pooled or unitized acreage included as a whole or in part within any Lease or that accrue or are attributable to the Wells, including all production from the pooled or unitized acreage allocated to any such Lease or Well, any and all interests in any wells within the unit or pool associated with such Lease, whether such unitized or pooled production comes from wells located within or without the areas covered by any lease; (ii) all lands covered by the Leases, whether or not all lands covered by the Leases are properly described on Exhibit "A", (including, without limitation, all surface leases, working interests and farmout rights therein).

(B) An undivided 3.145% the proportions of ninety percent (90%) of Assignor's liability, interest and claims for any gas imbalances which have accrued prior to the Effective Date hereof.

(C) An undivided (3.145%) of Assignor's right, title and interest in and to all of the contracts, agreements and rights, including but not limited to, all orders, title opinions and documents, abstracts of title, deeds, unitization agreements, pooling agreements, operating agreements, easements, rights-of-way, licenses, permits and similar rights and interests that are currently owned by Assignor, in whole or in part, to the extent that they are (i) appurtenant to or affect the Leases or the Wells, or (ii) used or held for use in connection with the ownership or operation of the Leases or the Wells or with the production or treatment of hydrocarbons on the Leases, or the sale or disposal of water, hydrocarbons or associated substances ("The Contracts").

195 - 85

A CERTIFIED COPY OCT 21 2004
ATTEST:
KAREN JO VANCE, County Clerk
Orange County, Texas
By
JUANITA TRIPP, DEPUTY

(D) An undivided 3.145% interest in the oil and gas Well described on Exhibit "B" attached hereto and made a part hereof, injection wells, disposal wells, salt water disposal systems, fixtures, equipment, personal property, gas gathering or processing systems or pipelines, oil in tanks and all other fixtures and improvements appurtenant to the Leases as of the Effective Date hereof (herein referred to as the "Wells"). The working interest and net revenue interest attributable to each of the Wells is set out in Exhibit "B", whether one or more, and shall include an undivided 3.145% working interest and not less than a proportionate 72.5% net revenue interest whether or not correctly reflected in said Exhibit "B".

(E) All lease files, gas processing files, logs, test data, production histories, division order files, well files, oil and gas contact files, and all other books, files and records (the "Records"), and all rights thereto, subject to the rights of third parties.

The Contracts, Leases, Wells and Records, as defined above, and personal property referred to above are hereinafter referred to individually and collectively in the singular as "Property".

TO HAVE AND TO HOLD the interests assigned unto Assignee, its successors and assigns, subject to the following terms and conditions:

I.
EFFECTIVE DATE

This Assignment, Bill of Sale and Conveyance is made effective 7:00 a.m. October 31, 2004 ("the Effective Date") and is made subject to the terms and provisions contained in the Leases and all existing contracts, agreements, and other documents involving Assignor which appear of record or, if not of record, of which Assignee has actual or constructive notice on the date hereof. Assignor shall not be responsible for claims, obligations, liabilities, losses or damages, costs or expenses that accrue or relate to operations pertaining to the Leases after October 31, 2004.

II.
TAXES

This Assignment, Bill of Sale and Conveyance is made subject to all applicable taxes, including but not limited to, severance taxes, ad valorem taxes, excise taxes and windfall profit taxes. Assignee by signature hereto, agrees to pay all sales and transfer assessments, fees and taxes incident to this Agreement, if any, and shall indemnify and hold Assignor harmless from and against any and all losses occasioned by Assignor due to the failure of Assignee to pay either wholly or partially, any such taxes, and/or penalty and interest accruing in connection therewith. All ad valorem personal and property taxes to the Wells conveyed hereby shall be prorated as to the effective date of this Assignment.

III.
DISCLAIMER/ASSUMPTION OF RISK

(a) It is expressly understood by the parties hereto that Assignor does not make any representations or warranties, express or implied, as to the title or the condition and state of repair of the Property, its value, quality, merchantability, suitability or fitness for any uses or purposes, nor as to the current volume, nature, quality, classification, or value of the oil, gas or other mineral reserves thereunder or covered thereby, nor with respect to any appurtenances thereto belonging or in any wise appertaining to said Property, except that Assignor warrants title to the Leases by Special Warranty against any and all claims arising by, through or under Assignor, but not otherwise. Although made without warranty, except as hereinabove provided, Assignee is hereby granted full substitution and subrogation in and to all the rights and actions of warranty and covenants which Assignor is entitled to enforce with respect to the Leases specified hereinabove against all preceding owners, vendors and lessors.

A CERTIFIED COPY OCT 21 2004
ATTEST:
KAREN JO VANCE, County Clerk
Orange County, Texas
BY:
JUANITA TRIPP, DEPUTY

(b) Further Assignee certifies that the Property (including, but not limited to, any oil, gas or other mineral reserves underlying said Property) has been carefully inspected by Assignee, that Assignee is familiar with its condition and value thereof, and the improvements and appurtenances (including electric wiring and machinery installed thereon) located on the Property. Assignee further accepts said Property (including, but not limited to, any oil, gas or other minerals and/or mineral reserves underlying said Property) **AS IS, WHERE IS, IN ITS PRESENT CONDITION AND STATE OF REPAIR, AND WITHOUT ANY REPRESENTATIONS, GUARANTIES, OR WARRANTIES, EXPRESS OR IMPLIED, AS TO ITS TITLE, VALUE, QUALITY, MERCHANTABILITY, OR ITS SUITABILITY OR FITNESS FOR ASSIGNEE'S INTENDED USE, OR FOR ANY USES OR PURPOSES WHATSOEVER, OR THAT SAID PROPERTY HAS BEEN RENDERED FREE FROM ANY DEFECTS, HAZARDS, OR DANGEROUS CONDITIONS, EXCEPT AS TO THE SPECIAL WARRANTY GRANTED in III. (a) ABOVE.**

IV.

PLUGGING AND ABANDONMENT OF WELLS AND EQUIPMENT

(a) Assignee expressly agrees to and shall assume all obligations and responsibilities with respect to the plugging and abandonment obligations relative to any unplugged Wells (including but not limited to the plugging and abandonment of wells which are temporarily abandoned as of the Effective Date) and the removal of all equipment and surface restoration, all in full compliance with any and all applicable Federal, State and local laws, orders, rules, regulations and standards. Assignee agrees to and shall fully protect, indemnify and hold Assignor harmless from and against any expense, claim or cause of action brought against Assignor or Assignee by any third party arising from Assignee's failure to comply with the plugging, abandonment, or cleanup obligations set forth in this Paragraph IV. (a) and under the Property.

V.

PROCEEDS AND EXPENDITURES

To the extent of the interests herein conveyed, Assignee is entitled to all proceeds attributable to the Leases from and after the Effective Date, and Assignor is entitled to all proceeds attributable to the Leases prior to the Effective Date. Similarly, all operating and capital expenditures incurred in connection with the Leases which are attributable to operations during the time prior to the Effective Date are the obligations of Assignor, and all such operating and capital expenditures attributable to operations during the time after the Effective Date are the obligations of Assignee.

VI.

INDEMNITY

(a) Except as otherwise provided for herein, Assignee further agrees, as part of the consideration for this agreement, to fully defend, protect, indemnify, hold harmless, and render whole Assignor from and against each and every claim, demand or cause of action, and any liability, cost, expenses (including, but not limited to, reasonable attorney's fees), or claims with respect to damage or loss in connection therewith, which may be made or asserted by Assignee, its agents, or successors, or by any third party or parties (including, but not limited to, governmental agencies) on account of personal injury or death, lease maintenance, or property or environmental damage, or any claims based on any misrepresentations as to the quantity, quality, or value of the Property, caused by, arising out of, or incidental to the past, present or future condition or state of repair of said Property, or the ownership and use thereof, or this agreement, howsoever occurring, including without limitation, whether such injuries, damages, losses, and liabilities, with or without fault, were caused by Assignee's sole negligence or contributory

A CERTIFIED COPY OCT 21 2004
ATTEST:
KAREN JO VANCE, County Clerk
Orange County, Texas
BY:
JUANITA TRIPP, DEPUTY

negligence, Assignor's contributory negligence, or imposed on said parties or others under any theory of strict liability by operation of law, or any other theory of law prior to, at the time of, or subsequent to the Effective Date of this agreement.

(b) Without limiting the generality of Section VI. ((a) above, but in furtherance of same and specifically, except as to the obligations assumed by Assignor in Section VI. (c) below, Assignee expressly agrees to fully and promptly pay, perform and discharge, defend, indemnify and hold harmless Assignor and its respective directors, officers, agents and employees from and against any claim, demand, action, suit, loss, cost, damage, fine, penalty or expense (including reasonable attorney's fees) resulting from any Environmental Claim arising out of any operations conducted, commitment made or any action taken or omitted by Assignor at any time with respect to the Property (including but not limited to business operations, transactions or conduct of the business, directly or indirectly related thereto). For purposes of this Section VI. (b), "Environmental Claim" shall mean any claim, demand, or cause of action asserted by any governmental agency or any person, corporation of other entity for personal injury (including sickness, disease or death), property damage or damage to the environment resulting from the discharge or release of any chemical, material or emission into one or more of the environmental media at or in the vicinity of the Property.

To the extent of Assignor's interest in the Property and with the exception of claims based on any misrepresentations as to the quantity, quality or value of the Property and only if Assignor is notified in writing by Assignee of Assignee's claim under this section within one (1) year from October 31, 2000:

i. **Assignor agrees to fully defend, protect, indemnify, hold harmless, and render whole Assignee from and against each and every claim, demand or cause of action, and any liability, cost, expenses (including, but not limited to, reasonable attorney's fees), or claims with respect to damage or loss in connection therewith, which may be made or asserted by Assignor, its agents, or successors, or by any third party or parties (including but not limited to, governmental agencies) on account of personal injury or death, lease maintenance, or property or environmental damage caused by, arising out of, or incidental to the condition or state of repair of said Property, or the ownership and use thereof, which arise or are asserted prior to the Effective Date, howsoever occurring, including, without limitation, whether such injuries, damages, losses, and liabilities, with or without such injuries, damages, losses, and liabilities, with or without fault, were caused by Assignor's sole negligence or contributory negligence, or imposed on said party or others, under any theory of strict liability, by operation of law, or any other theory of law prior to the Effective Date of this agreement.**

ii. Without limiting the generality of the first paragraph of this Section VI (c). above, but in furtherance of same, Assignor expressly agree to fully and promptly pay, perform and discharge, defend, indemnify and hold harmless Assignee and its respective directors, officers, agents and employees from and against any claim, demand, action of suit, loss, cost, damage, fine, penalty or expense (including reasonable attorney's fees) resulting from any Environmental Claim arising out of any operations conducted, commitment made or any action taken or omitted with respect to the Property which arises or is asserted prior to the Effective Date (including but not limited to business operations, transactions or conduct of the business directly or indirectly related thereto).

A CERTIFIED COPY OCT 21 2004
ATTEST:
KAREN DO VANCE, County Clerk
Orange County, Texas
By
JUANITA TRIPP, DEPUTY

Assignor shall have no obligation to Assignee under this Section for any matter for which it is not notified by Assignee in writing within one (1) year from October 31, 2004.

VII.
DIVISION ORDERS

Assignor is prepared to transmit originals of all Division Order files to Assignee. Assignor at all times shall have access to all original Division Order files during Assignee's regular business hours upon three (3) days prior written notice. Assignor and Assignee agree that Assignee will take over disbursements effective with October 31, 2004 production.

VIII.
MISCELLANEOUS

(a) Assignee hereby represents to Assignor that Assignee intends to purchase the Property herein for its own benefit and account and that Assignee is not acquiring said Property with the intent of distributing fractional undivided interests thereof such as would be subject to regulation by federal or state securities laws. Assignee acknowledges that Assignor is making this transfer based on Assignee's representations herein.

(b) Any sales tax, use tax, or other tax, license, permit or fee which may be applicable to this Assignment, Bill of Sale and Conveyance shall be borne by Assignee.

(c) This Assignment, Bill of Sale and Conveyance is made subject to the terms and provisions of the Joint Operating Agreement dated March 1, 1991, between APB Oil Corporation, Operator and Munificent Corporation, et al , Non-Operators, and to the extent that Assignor is successor in title to Jack S. Blanton, Jr., that certain Farmout Agreement dated June 21, 1996, between Jack S. Blanton and Carson Energy, Inc. and Offer And Agreement To Purchase Properties dated September 11, 2000, between Assignor and Assignee..

(d) The parties agree to do such further acts or execute such further documents as may reasonably be required to effectuate the terms of this Assignment, Bill of Sale and Conveyance.

(e) If any provision of this Assignment, Bill of Sale and Conveyance is held invalid, such invalidity shall not affect the remaining provisions hereof.

(f) This Assignment, Bill of Sale and Conveyance cannot be modified or amended except by a written instrument duly executed by Assignor and Assignee.

(g) This Assignment, Bill of Sale and Conveyance and the legal relations among the parties hereto shall be governed by and construed in accordance with the laws of the State of Texas, without effect given to the conflicts of laws rules of the State of Texas.

(h) Captions have been inserted for reference purposes only and shall not define or limit the terms of this Assignment, Bill of Sale and Conveyance.

(i) This Assignment, Bill of Sale and Conveyance shall be binding upon and shall insure to the benefit of the parties hereto and their respective successors and assigns. The terms, conditions and exceptions contained herein shall constitute covenants running with the Property and, shall be binding upon and for the benefit of the respective successors and assigns of Assignor and Assignee.

(j) To the extent it is necessary to do so, the parties shall have a post closing accounting to be finally effected no greater than one hundred twenty (120) days from and after closing whereupon settlement will be made for any revenue, expenses, taxes or other items that might not have been finally reconciled at closing. Assignor and Assignee mutually agree to cooperate in the preparation of a final accounting statement and to remit any sums due the other party within thirty (30) days from the end of the 120 day period hereinafter provided for.

A CERTIFIED COPY OCT 21 2004
ATTEST:
KAREN JO VANCE, County Clerk
Orange County, Texas
By:
JUANITA TRIPP, DEPUTY

IN WITNESS WHEREOF, this Agreement is executed as of the date hereinabove first written.

ASSIGNOR:
FORT APACHE ENERGY VENTURES 2002, INC.

BY: _____
Allan P. Bloxsom, III, President

THE STATE OF TEXAS §

COUNTY OF ~~UVALDE~~ Harris §

Acknowledged before me on this 13 day of October, 2004 by Allan P. Bloxsom, III, President of FORT APACHE ENERGY VENTURES 2002, INC., a Texas corporation, on behalf of said corporation.

KATHRIN MORGAN
MY COMMISSION EXPIRES
October 13, 2006

_____
NOTARY PUBLIC - STATE OF TEXAS

ASSIGNEE: Judah Oil

_____
James B. Campanella

THE STATE OF TEXAS §

COUNTY OF Harris §

Acknowledged before me on this 13th day of October, 2004 by James B. Campanella of Judah Oil, its President, ~~a _____ corporation, on behalf of said corporation.~~

TERRELL T. GERARD
MY COMMISSION EXPIRES
May 23, 2007

_____
NOTARY PUBLIC - STATE OF TEXAS

A CERTIFIED COPY OCT 21 2004
ATTEST:
KAREN JO VANCE, County Clerk
Orange County, Texas
By
JUANITA TRIPP, DEPUTY

EXHIBIT "B"

Attached to and made a part of ASSIGNMENT< BILL OF SALE AND CONVEYANCE dated effective October 31, 2004, from Fort Apache Energy Ventures 2002, Inc. to Judah Oil.

National Energy Group, Inc., State 8 No. 1 Well

	WI	NRI
Fort Apache Energy Ventures 2002, Inc.	3.145%	

A CERTIFIED COPY OCT 21 2004
ATTEST:
KAREN JO VANCE, County Clerk
Orange County, Texas
By
JUANITA TRIPP, DEPUTY

EXHIBIT "A"

Attached to and made a part of ASSIGNMENT, BILL OF SALE AND CONVEYANCE dated effective October 31, 2004, from Fort Apache Energy Ventures 2002, Inc. to Judah Oil.

1. Oil and Gas Lease No. M-97589 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering N/2 of Tract 8, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 161825 in Vol. 1015, Page 672 of the Official Public Records of Real Property of Orange County, Texas, under Clerk's File No. 97-9702887 of the Official Public Records of Real Property of Jefferson County, Texas.

2. Oil and Gas Lease No. M-10278 dated July 10, 2001, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering S/2 Tract 5, Sabine Lake, Orange County, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 227589 in Vol. 1249, Page 506-511 of the Official Public Records of Real Property of Orange County, Texas and Clerk's File No. 2001035007 of the Official Public Records of Real Property of Jefferson County, TX.

UT LEASE

FILED FOR RECORD

'04 OCT 21 A9:05

KAREN JO VANCE
COUNTY CLERK
ORANGE COUNTY, TEXAS
By Ruth Corder DEPUTY

A CERTIFIED COPY OCT 21 2004
ATTEST:
KAREN JO VANCE, County Clerk
Orange County, Texas
By
JUANITA TRIPP, DEPUTY

THE STATE OF TEXAS

COUNTY OF ORANGE

I, Karen Jo Vance, County Clerk for Orange County, Texas do hereby certify that the above and foregoing is a true and correct copy of ASSIGNMENT, BILL OF SALE AND CONVEYANCE, File No. 275509, FORT APACHE ENERGY VENTURES2002, INC. to JUDAH OIL, as the same appears of record in Volume 1478, Page 648, in the Official Public Records of Real Property, Orange County, Texas.

Given under my hand and seal of office, this 21ST day of OCTOBER, 2004, A.D.

Karen Jo Vance
County Clerk
Orange County, Texas

By _____ Deputy
JUANITA TRIPP

37.

File No. MF097589

Assignment

Date Filed: 11/4/04

Jerry E. Patterson, Commissioner

By

NATIONAL ENERGY GROUP, INC.

July 16, 2004

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

Attention: Mr. J. Daryl Morgan, CPL
Energy Resources Division

Re: Pooling Agreement M-97589
Sabine Lake Gas Unit 1
Jefferson and Orange Counties, Texas

Dear Mr. Morgan:

Please find enclosed a certified copy of the document listed above for your files.

Should you have any questions, please do not hesitate to call me at the number listed below.

Thank you,

NEG OPERATING LLC
By NATIONAL ENERGY GROUP, INC.

Dotty Wagner
Land Assistant

RECEIVED
04 JUL 30 AM 10:10

4925 Greenville Avenue • Suite 1400 • Dallas, Texas 75206 • (214) 692-9211 • FAX (214) 692-9310

10.02.2

[redacted] AGT 20040226546

25 PGS

(269945)

POOLING AGREEMENT
NEG OPERATING LLC
SABINE LAKE GAS UNIT 1
JEFFERSON AND ORANGE 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 NEG Operating LLC, 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 Hackberry Formation defined as the stratigraphic interval or its correlative equivalent occurring from 11,200 feet to 11,300 feet as seen on the log of the NEG Operating LLC, State Tract 8, 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. Provided that, if any State Lease described in Exhibit "A" attached hereto contains provision 4(E) VARIABLE ROYALTY, and a unit well is not located on such State Lease and a reduced royalty has not otherwise been earned, then a reduced royalty may be earned by unit production, but it shall only apply to the acreage included within the unit. Acreage outside of the unitized area must earn a reduced royalty independently.

(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.

RECEIVED
JUN 21 2004
LAND DEPT

RECEIVED
JUL 6 2004
LAND DEPT.

A CERTIFIED COPY JUL 01 2004
ATTEST:
KATHLEEN JO VANCE, County Clerk
CLERK OF THE BOARD OF SUPERVISORS
By Carol Raggio
Carol Raggio, Deputy

5-30-04

(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 640 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 therein.

(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, provided that the State's total unit royalty shall be 23.99% which will be allocated equally between the State leases in the unit.

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.)

40.13.5

40.02.2

A CERTIFIED COPY JUL 01 2004

ATTEST:

JO VALDEZ, County Clerk

By

Carol Raggio, Deputy

6-30-04

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 17, 2004.

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 th 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 Jefferson and Orange 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 5/14/04

STATE OF TEXAS

Legal MFC
Content
Geology
Executive

By: Jerry E. Patterson, Commissioner
General Land Office

A CERTIFIED COPY JUL 01 2004
ATTEST:
KAREN JO VANCE, County Clerk
Orange County, Texas
By Carol Naegele
Carol Naegele, Deputy

3

HQ.EL.S

HQ.GE.2

Date Executed _____

NEG OPERATING LLC

By: _____

_____

Its: _____

CERTIFICATE

I, Stacy B. De Leon, 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 February 17, 2004, 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 14 day of May, 2004.

Stacy B. De Leon

Secretary of the School Land Board

STATE OF TEXAS

COUNTY OF _____

This instrument was acknowledged before me on _____, 2004, by _____,

as _____ of NEG Operating LLC a _____

corporation on behalf of said corporation.

_____

Notary Public in and for the State of Texas

A CERTIFIED COPY JUL 01 2004
ATTEST:
KAREN JO VANCE, County Clerk
Orange County, Texas
By Carol Naegele
Carol Naegele, Deputy

40.67.5

40.02.2

Date Executed _____

NEG OPERATING LLC
By: NEG Holding LLC, Sole Member
By: Gascon Partners, Managing Member
By: Cigas Corp., Managing General Partner

By: _____
Name: Edward E Mattner
Title: President

STATE OF NEW YORK §
§
COUNTY OF NEW YORK §

Before me, a Notary Public, in and for said county and state, on this 10 day of March, 2004, personally appeared Edward E Mattner, to me known to be the identical person who subscribed the name of Cigas Corp., a Delaware corporation, as managing general partner of Gascon Partners, a New York general partnership, as managing member for NEG Holding LLC, a Delaware limited liability company, as the sole member of **NEG Operating LLC**, a Delaware limited liability company, the maker thereof, to the foregoing instrument as its _____ and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of such limited liability company for the uses and purposes therein set forth.

Witness my hand and official seal.

DOLORES TOOMEY
Notary Public, State of New York
No. 41-4771811
Qualified in Queens County
Commission Expires May 31, 2006

Dolores Toomey
Notary Public, State of New York
Printed Name of Notary: _____
My Commission Expires: _____

DOLORES TOOMEY
Notary Public, State of New York
No. 41-4771811
Qualified in Queens County
Commission Expires May 31, 2006

A CERTIFIED COPY JUL 01 2004
ATTEST:
KAREN JO VAN ...
Orange County, Texas
By Carol Nagle, Deputy

41.13.5

41.12.2

Date Executed 3-5-04

D & E ENERGY INC.

By: Michael W. Englert
Name: Michael W. Englert
Title: President

STATE OF TEXAS §
§
COUNTY OF Harris §

This instrument was acknowledged before me on March 10th, 2004, by Michael W. Englert as President of D & E Energy Inc., a Texas corporation on behalf of said corporation.

TERESA A. FOSS
NOTARY PUBLIC STATE OF TEXAS
COMMISSION EXPIRES:
OCTOBER 22, 2005

My Commission Expires 10-22-05

Teresa A. Foss
Notary Public

CERTIFIED COPY
ATTEST: JUL 01 2004
Chris Daniel, County Clerk
By Deputy

40.21.5

40.02.2

Date Executed 4-22-02

COASTAL EXPLORATION AND DEVELOPMENT CORPORATION

By: Choice Smith
Name: Choice Smith
Title: President

STATE OF TEXAS §
§
COUNTY OF Dallas §

This instrument was acknowledged before me on 4-22, 2004, by Choice Smith as President of Coastal Exploration and Development Corporation, a Texas corporation on behalf of said corporation.

Bea Ann Duckworth
Notary Public, State of Texas
My Comm. Expires 04/29/07

My Commission Expires 4-29-07
Bea Ann Duckworth
Notary Public

A CERTIFIED COPY JUL 01 2004
ATTEST:
ANGIE G. KNIGHT, County Clerk
By: Laura Maggio
Chief Assistant, Legal

POOLING AGREEMENT
NEG OPERATING LLC
SABINE LAKE GAS UNIT 1
JEFFERSON AND ORANGE COUNTIES, TEXAS

40.13.5

40.02.2

Date Executed 03-11-04

RIMCO PRODUCTION COMPANY

By: _____
Name: A L Jorden
Title: President

STATE OF TEXAS §
§
COUNTY OF Harris §

This instrument was acknowledged before me on March 11th, 2004, by A L Jorden as President of Rimco Production Company, a Delaware corporation on behalf of said corporation.

TERESA A. FOSS
NOTARY PUBLIC STATE OF TEXAS
COMMISSION EXPIRES:
OCTOBER 22, 2005

My Commission Expires 10-22-05

Teresa A Foss
Notary Public

A CERTIFIED COPY JUL 01 2004
ATTEST:
COUNTY CLERK
BY _____ Deputy

POOLING AGREEMENT
NEG OPERATING LLC
SABINE LAKE GAS UNIT 1
JEFFERSON AND ORANGE COUNTIES, TEXAS

40.13.5

40.13.2

Date Executed 3 10 04

AMINEX USA, INC.

By: _____
Name: John Hayes
Title: Sr VP

STATE OF TEXAS §
§
COUNTY OF Bexar §

This instrument was acknowledged before me on March 10, 2004, by John Hayes as Sr. VP of Aminex USA, Inc., a Delaware corporation on behalf of said corporation.

CAPRICE M. RITCHESON
Notary Public, State of Texas
My Commission Expires
September 14, 2005

My Commission Expires 9-14-05

Caprice M Ritcheson
Notary Public

A CERTIFIED COPY JUL 01 2004
ATTEST: ORANGE County Clerk
By Linda Nagle
Chief Deputy

Date Executed March 19, 2004

BENCHMARK ASSETS COMPANY

By: Dorothy E. Pledger
Name: Dorothy E. Pledger
Title: Vice-President

STATE OF TEXAS §
§
COUNTY OF Harris §

This instrument was acknowledged before me on March 19, 2004, by Dorothy E. Pledger as Vice-President of Benchmark Assets Company, a Texas corporation on behalf of said corporation.

RON W. EVANS
MY COMMISSION EXPIRES
OCTOBER 13, 2007

My Commission Expires 10-13-2007
Ron W. Evans
Notary Public

CERTIFIED COPY JUL 01 2004
ATTEST:
CHERYL E. LaBOUVE County Clerk
Cecil Naquin, Dep.
By: Linda Wade

Date Executed 5/10/04

FORT APACHE ENERGY VENTURES 2002, INC.

By: Allan P. Bloxsom III
Name: Allan P. Bloxsom III
Title: President

STATE OF TEXAS §
§
COUNTY OF Uvalde §

This instrument was acknowledged before me on May 10th, 2004, by Allan P. Bloxsom III as President of Fort Apache Energy Venture 2002, Inc., a Texas corporation on behalf of said corporation.



My Commission Expires May 13, 2006
Notary Public

A CERTIFIED COPY JUL 01 2004
ATTEST:
MARILYN D. VANNE, County Clerk
By: Laura Nagel
Deputy

© 2004 ADKINS
FEE OPERATING LLC
SABINE LAKE GAS FIELD
JEFFERSON AND ORANGE COUNTIES, TEXAS

40.21.5

40.21.4

Date Executed April 26, 2004

CHIH-HUAN TANG

Chih-Huan Tang

ERIKA L. BRUMANA
NOTARY PUBLIC
STATE OF TEXAS
My Comm. Exp. 04-21-07

STATE OF TEXAS §
§
COUNTY OF Dallas §

This instrument was acknowledged before me on April 26, 2004, by Chih-Haun Tang.

My Commission Expires 4-21-07

Erika L. Brumana
Notary Public

A CERTIFIED COPY JUL 01 2004
ATTEST:
JOHN JO VANCE, County Clerk
By Carol Naegele, Deputy

Date Executed 4-21-04

CORNWELL & ASSOCIATES LLC

By: Robert W. Cornwell
Name: Robert W. CORNWELL
Title: MANAGER

STATE OF TEXAS §
§
COUNTY OF Dallas §

This instrument was acknowledged before me on April 21, 2004, by Robert W. Cornwell as Manager of Cornwell & Associates LLC, a Texas corporation on behalf of said corporation.

DOROTHY L. WAGNER
Notary Public
State of Texas
My Commission Expires
May 12, 2005

My Commission Expires 5-12-05

Dorothy L Wagner
Notary Public

A CERTIFIED COPY JUL 01 2004
ATTEST:
KAREN LO YANCEY, County Clerk
Chief Deputy
By Laurel Hagle
Clerk Navigator, Deputy

Date Executed 3/10/04

MICHAEL W. ENGLERT

Michael W. Englert

STATE OF TEXAS §
§
COUNTY OF Harris §

This instrument was acknowledged before me on March 10th, 2004, by Michael W. Englert.

My Commission Expires 10-22-05

Teresa A. Doss
Notary Public

I CERTIFIED COPY JUL 01 2004
ATTEST:
Clerk, County Court, Orange County, Texas
By Carol Nagele, Deputy

POOLING AGREEMENT
NEG OPERATING LLC
SABINE LAKE GAS UNIT 1
JEFFERSON AND ORANGE COUNTIES, TEXAS

40.67.5

40.02.2

(VOL 1442 PAGE 347)

Date Executed 3/8/2004

DANIEL L DOSS

STATE OF TEXAS §
§
COUNTY OF Harris §

This instrument was acknowledged before me on March 8th, 2004, by Daniel L. Doss.

TERESA A. FOSS
NOTARY PUBLIC STATE OF TEXAS
COMMISSION EXPIRES:
OCTOBER 22, 2005

My Commission Expires 10 22 05

Notary Public

POOLING AGREEMENT
NEG OPERATING LLC
SABINE LAKE GAS UNIT 1
JEFFERSON AND ORANGE COUNTIES, TEXAS

MAR 10 2004

LAND DEPT

40.21.5

40.05.2

A CERTIFIED COPY JUL 01 2004
ATTEST:
ALLEN JO VANCE, County Clerk
By
Carol Naegele, Deputy

5-20-04

Date Executed 3/10/04

DAVID L MITCHELL

STATE OF TEXAS §
§
COUNTY OF Harris §

This instrument was acknowledged before me on March 10th, 2004, by David L. Mitchell.

TERESA A. FOSS
NOTARY PUBLIC STATE OF TEXAS
COMMISSION EXPIRES:
OCTOBER 22, 2005

My Commission Expires 10-22-05

Teresa A Foss
Notary Public

A CERTIFIED COPY JUL 01 2004
ATTEST: JOYCE HINES, County Clerk
By Lovell Reagle, Deputy

POOLING AGREEMENT
NEG OPERATING LLC
SABINE LAKE GAS UNIT 1
JEFFERSON AND ORANGE COUNTIES, TEXAS

40.21.5

40.06.2

Date Executed 4-21-04

MOUNTAIN CRANE MINERALS INC.

By: James A Rose
Name: JAMES A ROSE
Title: President

STATE OF ~~KENTUCKY~~ Texas §
§
COUNTY OF Dallas §

This instrument was acknowledged before me on April 21, 2004, by James A. Rose as President of Mountain Crane Minerals Inc., a ~~Kentucky~~ corporation on behalf of said corporation.

My Commission Expires 5-12-05

Dorothy L. Wagner
Notary Public

DOROTHY L WAGNER
Notary Public
State of Texas
My Commission Expires
May 12, 2005

A CERTIFIED COPY JUL 01 2004
ATTEST:
KAREN JO VAN [illegible] County Clerk
County [illegible]
By [illegible]
Carol Naegele, Deputy

40.21.5

40.21.2

Date Executed 4.24.04

CHOICE SMITH

Choice Smith

STATE OF TEXAS §
§
COUNTY OF Dallas §

This instrument was acknowledged before me on 4.24.04, 2004, by Choice Smith.



My Commission Expires 4-29-07

Bea Ann Duckworth

Notary Public

A CERTIFIED COPY JUL 01 2004
ATTEST:
KAREN JO VANCE County Clerk
Orange County, Texas
By Carol Naegele Deputy

POOLING AGREEMENT
NEG OPERATING LLC
SABINE LAKE GAS UNIT 1
JEFFERSON AND ORANGE COUNTIES, TEXAS

40.21.5

Date Executed 4/23/2004

SJS RESOURCES LLC

By: SJS Resources L.L.C
Name: Joel Stanley
Title: Joe S. Dent

STATE OF TEXAS §
§
COUNTY OF DALLAS §

This instrument was acknowledged before me on April 30, 2004, by Joel Stanley as Joe Dent of SJS Resources LLC, a corporation on behalf of said corporation.

My Commission Expires 1-04-2006

APRIL K. BARNES
NOTARY PUBLIC
STATE OF TEXAS

Notary Public

A CERTIFIED COPY JUL 01 2004
ATTEST:
CAROLYN D. Vinnedge, County Clerk
Orange County, Texas
By: Carolyn Vinnedge, Deputy

POOLING AGREEMENT
NEG OPERATING LLC
SABINE LAKE GAS UNIT 1
JEFFERSON AND ORANGE COUNTIES, TEXAS

40.21.5

40.02.2

Date Executed March 22, 2004

ROBERT E. PLEDGER

Robert E Pledger

STATE OF TEXAS §
§
COUNTY OF Harris §

This instrument was acknowledged before me on March 22, 2004, 2004, by Robert E. Pledger.

RON W. EVANS
MY COMMISSION EXPIRES
OCTOBER 13, 2007

My Commission Expires 10-13-2007

Ron W Evans
Notary Public

A CERTIFIED COPY JUL 01 2004
ATTEST:
CHERRY JO VANCE, County Clerk
By Deputy

40.67.5

Date Executed 4-21-04

ROBERT CORNWELL

Robert W. Cornwell

STATE OF TEXAS §
§
COUNTY OF Dallas §

This instrument was acknowledged before me on April 21, 2004, by Robert Cornwell.

DOROTHY L. WAGNER
Notary Public
State of Texas
My Commission Expires
May 12, 2005

My Commission Expires 5-12-05

Dorothy L. Wagner
Notary Public

A CERTIFIED COPY JUL 01 2004
ATTEST:
KAREN JO VANCE County Clerk
Caldwell County, Texas
By Carol Naegele, Deputy

POOLING AGREEMENT
NEG OPERATING LLC
SABINE LAKE GAS UNIT 1
JEFFERSON AND ORANGE COUNTIES, TEXAS

40.21.5

40.05.2

EXHIBIT "A"

Attached to and made a part of that certain Pooling Agreement
by and between the Commissioner of the General Land Office,
on behalf of the State of Texas, Lessor, and NEG Operating LLC, Lessee
covering the Sabine Lake Gas Unit 1 Jefferson and Orange Counties, Texas

1. Oil and Gas Lease No. M-97589 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering N/2 of Tract 8, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 161825 in Vol. 1015, Page 672 of the Official Public Records of Real Property of Orange County, Texas, and under Clerk's File No. 97-9702887 of the Official Public Records of Real Property of Jefferson County, Texas.

2. Oil and Gas Lease No. M-10278 dated July 10, 2001, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering S/2 Tract 5, Sabine Lake, Orange County, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 227589 in Vol. 1249, Page 506 of the Official Public Records of Real Property of Orange County, Texas. And recorded under File No. 2001035007 of the Official Public Records of Jefferson County, Texas.

A CERTIFIED COPY JUL 01 2004
ATTEST:
KAREN JO VANCE, County Clerk
Orange County, Texas
By
Carol Naegele, Deputy

40.21.5

40.05.4

EXHIBIT "B

Attached to and made a part of that certain Pooling Agreement
by and between the Commissioner of the General Land Office,
on behalf of the State of Texas, Lessor, and NEG Operating LLC, Lessee
covering the Sabine Lake Gas Unit 1 Jefferson and Orange Counties, Texas

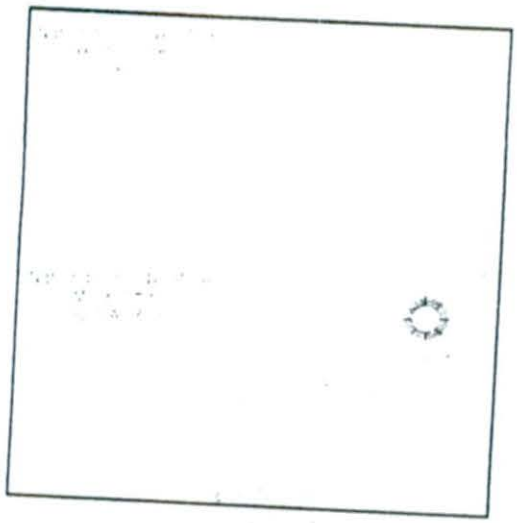
DESCRIPTION OF 640.00 ACRES, SABINE LAKE GAS UNIT 1, ORANGE AND JEFFERSON COUNTIES, TEXAS:

all of the North Half (N/2) of State Tract 8, Sabine Lake Texas containing approximately 320.00 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office Austin, Texas.

all of the South Half (S/2) State Tract 5, Sabine Lake Texas containing approximately 320.00 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office Austin, Texas.

A CERTIFIED COPY JUL 01 2004
ATTEST:
KAREN JO VANCE, County Clerk
Orange County, Texas
By
Carol Naegele, Deputy

40.21.5 40.02.2



A CERTIFIED COPY JUL 01 2004
ATTEST:
KAREN JO VANCE, County Clerk
Orange County, Texas
By Carol Naegele
Carol Naegele, Deputy

(VOL 1442 PAGE 357)

FILED AND RECORDED

OFFICIAL PUBLIC RECORDS

Debbie Usoff

2004 Jun 14 12:06 PM 2004022646

GEORGE $63.25

DEBBIE USOFF COUNTY CLERK

JEFFERSON COUNTY TEXAS

STATE OF TEXAS COUNTY OF JEFFERSON

I hereby certify that this instrument was filed on the date and time stamped hereon by me and was duly recorded in the Official Public Records of Real Property of Jefferson County, Texas, on

JUN 14 2004

Debbie Usoff

County Clerk, Jefferson County, Texas

1 B +

RETURN TO

NEG OPERATING LLC
4925 GREENVILLE AVE
STE 1400
DALLAS TX 75206-9682

RECORDER'S MEMO:
Legibility of writing, typing or printing was UNSATISFACTORY when received.

FILED FOR RECORD

'04 JUN 23 A10:31

2-13-04

A CERTIFIED COPY JUL 01 2004
ATTEST:
KAREN JO VANCE, County Clerk
Orange County, Texas
By Carol Maggio
Carol Maggio, Deputy

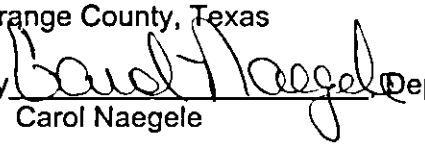
THE STATE OF TEXAS

COUNTY OF ORANGE

I, Karen Jo Vance, County Clerk for Orange County, Texas do hereby certify that the above and foregoing is a true and correct copy of POOLING AGREEMENT, File No. 269945, STATE OF TEXAS to NEG OPERATING LLC, as the same appears of record in Volume 1442, Page 333, in the Official Public Records of Real Property, Orange County, Texas.

Given under my hand and seal of office, this 1st day of July, 2004, A.D.

Karen Jo Vance
County Clerk
Orange County, Texas

By  Deputy
Carol Naegele

40-02-2

AGT 2004022646

25 PGS

POOLING AGREEMENT
NEG OPERATING LLC
SABINE LAKE GAS UNIT 1
JEFFERSON AND ORANGE 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 NEG Operating LLC, 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 Hackberry Formation defined as the stratigraphic interval or its correlative equivalent occurring from 11,200 feet to 11,300 feet as seen on the log of the NEG Operating LLC, State Tract 8, 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. Provided that, if any State Lease described in Exhibit "A" attached hereto contains provision 4(E) VARIABLE ROYALTY, and a unit well is not located on such State Lease and a reduced royalty has not otherwise been earned, then a reduced royalty may be earned by unit production, but it shall only apply to the acreage included within the unit. Acreage outside of the unitized area must earn a reduced royalty independently.

(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.

TRUE AND CORRECT
COPY OF ORIGINAL
FILED IN JEFFERSON
COUNTY CLERK'S OFFICE

(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 640 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, provided that the State's total unit royalty shall be 23.99% which will be allocated equally between the State leases in the unit.

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.)

TRUE AND CORRECT COPY OF ORIGINAL FILED IN JEFFERSON COUNTY CLERK'S OFFICE

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 17, 2004.

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 Jefferson and Orange 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 5/14/04

STATE OF TEXAS

Legal
Content
Geology
Executive

By: _____
Jerry E. Patterson, Commissioner
General Land Office

TRUE AND CORRECT COPY OF ORIGINAL FILED IN JEFFERSON COUNTY CLERK'S OFFICE

Date Executed _____

NEG OPERATING LLC

By: _____

_____

Its: _____

CERTIFICATE

I, Stacy B. De Leon, 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 February 17, 2004, 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 14 day of May, 2004.

Stacy B. De Leon

Secretary of the School Land Board

STATE OF TEXAS

COUNTY OF _____

This instrument was acknowledged before me on _____, 2004, by _____,

as _____ of NEG Operating LLC a _____

corporation on behalf of said corporation.

_____

Notary Public in and for the State of Texas

TRUE AND CORRECT COPY OF ORIGINAL FILED IN JEFFERSON COUNTY CLERK'S OFFICE

Date Executed _____

NEG OPERATING LLC
By: NEG Holding LLC, Sole Member
By: Gascon Partners, Managing Member
By: Cigas Corp., Managing General Partner

By: _____
Name: Edward E. Mathijer
Title: President

STATE OF NEW YORK §
§
COUNTY OF NEW YORK §

Before me, a Notary Public, in and for said county and state, on this 10 day of March, 2004, personally appeared Edward E. Mathijer, to me known to be the identical person who subscribed the name of Cigas Corp., a Delaware corporation, as managing general partner of Gascon Partners, a New York general partnership, as managing member for NEG Holding LLC, a Delaware limited liability company, as the sole member of **NEG Operating LLC**, a Delaware limited liability company, the maker thereof, to the foregoing instrument as its _____ and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of such limited liability company for the uses and purposes therein set forth.

Witness my hand and official seal.

DOLORES TOOMEY
Notary Public, State of New York
No. 41-4771811
Qualified in Queens County
Commission Expires May 31, 2006

_____
Notary Public, State of New York
Printed Name of Notary: _____
My Commission Expires: _____

DOLORES TOOMEY
Notary Public, State of New York
No. 41-4771811
Qualified In Queens County
Commission Expires May 31, 2008

TRUE AND CORRECT COPY OF ORIGINAL FILED IN JEFFERSON COUNTY CLERK'S OFFICE

Date Executed 3.8.04

D & E ENERGY INC.

By: Michael W. Englert
Name: Michael W. Englert
Title: President

STATE OF TEXAS §
§
COUNTY OF Harris §

This instrument was acknowledged before me on March 10th, 2004, by Michael W. Englert as President of D & E Energy Inc., a Texas corporation on behalf of said corporation.

TERESA A. FOSS
NOTARY PUBLIC STATE OF TEXAS
COMMISSION EXPIRES:
OCTOBER 22, 2005

My Commission Expires 10-22-05
Teresa A. Foss
Notary Public

POOLING AGREEMENT
NEG OPERATING LLC
SABINE LAKE GAS UNIT I
JEFFERSON AND ORANGE COUNTIES, TEXAS

TRUE AND CORRECT COPY OF ORIGINAL FILED IN JEFFERSON COUNTY CLERK'S OFFICE

40.02.2

Date Executed 4-22-02

COASTAL EXPLORATION AND DEVELOPMENT CORPORATION

By: Chance Smith
Name: Chance Smith
Title: President

STATE OF TEXAS §
§
COUNTY OF Dallas §

This instrument was acknowledged before me on 4-22, 2004, by Chance Smith as President of Coastal Exploration and Development Corporation, a Texas corporation on behalf of said corporation.

Bea Ann Duckworth
Notary Public, State of Texas
My Comm. Expires 04/29/07

My Commission Expires 4-29-07
Bea Ann Duckworth
Notary Public

POOLING AGREEMENT
NEG OPERATING LLC
SABINE LAKE GAS UNIT 1
JEFFERSON AND ORANGE COUNTIES, TEXAS

TRUE AND CORRECT COPY OF ORIGINAL FILED IN JEFFERSON COUNTY CLERK'S OFFICE

40-02-2

Date Executed 03-11-04

RIMCO PRODUCTION COMPANY

By: _____
Name: A. L. Jorden
Title: President

STATE OF TEXAS §
§
COUNTY OF Harris §

This instrument was acknowledged before me on March 11th, 2004, by A. L. Jorden as President of Rimco Production Company, a Delaware corporation on behalf of said corporation.

TERESA A. FOSS
NOTARY PUBLIC STATE OF TEXAS
COMMISSION EXPIRES:
OCTOBER 22, 2005

My Commission Expires 10-22-05

Teresa A. Foss
Notary Public

POOLING AGREEMENT
NEG OPERATING LLC
SABINE LAKE GAS UNIT 1
JEFFERSON AND ORANGE COUNTIES, TEXAS

TRUE AND CORRECT COPY OF ORIGINAL FILED IN JEFFERSON COUNTY CLERK'S OFFICE

40.02.2

Date Executed 3-10-04

AMINEX USA, INC.

By: _____
Name: John Hayes
Title: Sr. V.P

STATE OF TEXAS §
§
COUNTY OF Bexar §

This instrument was acknowledged before me on March 10, 2004, by John Hayes as Sr. VP of Aminex USA, Inc., a Delaware corporation on behalf of said corporation.

CAPRICE M. RITCHESON
Notary Public, State of Texas
My Commission Expires
September 14, 2005

My Commission Expires 9-14-05

_____
Notary Public

POOLING AGREEMENT
NEG OPERATING LLC
SABINE LAKE GAS UNIT 1
JEFFERSON AND ORANGE COUNTIES, TEXAS

TRUE AND CORRECT
COPY OF ORIGINAL
FILED IN JEFFERSON
COUNTY CLERK'S OFFICE

40.02.2

Date Executed March 19, 2004

BENCHMARK ASSETS COMPANY

By: Dorothy C. Pledger
Name: Dorothy E. Pledger
Title: Vice-President

STATE OF TEXAS §
§
COUNTY OF Harris §

This instrument was acknowledged before me on March 19, 2004, by Dorothy E. Pledger as Vice-President of Benchmark Assets Company, a Texas corporation on behalf of said corporation.

RON W. EVANS
MY COMMISSION EXPIRES
OCTOBER 13, 2007

My Commission Expires 10-13-2007

Ron W Evans
Notary Public

POOLING AGREEMENT
NEG OPERATING LLC
SABINE LAKE GAS UNIT 1
JEFFERSON AND ORANGE COUNTIES, TEXAS

TRUE AND CORRECT COPY OF ORIGINAL FILED IN JEFFERSON COUNTY CLERK'S OFFICE

40.02.2

Date Executed 5/10/04

FORT APACHE ENERGY VENTURES 2002, INC.

By: Allan P. Bloxsom III
Name: Allan P. Bloxsom III
Title: President

STATE OF TEXAS §
§
COUNTY OF Uvalde §

This instrument was acknowledged before me on May 10th, 2004, by Allan P. Bloxsom III as President. of Fort Apache Energy Venture 2002, Inc., a Texas corporation on behalf of said corporation.

NOTARY PUBLIC STATE OF TEXAS
KRISTINA RHODES
Notary Public, State of Texas
My Commission Expires May 13, 2006

My Commission Expires May 13, 2006
Kristina Rhodes
Notary Public

COUNTY CLERK JEFFERSON COUNTY, TEXAS
TRUE AND CORRECT COPY OF ORIGINAL FILED IN JEFFERSON COUNTY CLERK'S OFFICE

Date Executed April 26, 2004

CHIH-HUAN TANG

Chih-Huan Tang

ERIKA L. BRUMANA
NOTARY PUBLIC
STATE OF TEXAS
My Comm. Exp. 04-21-07

STATE OF TEXAS §
§
COUNTY OF Dallas §

This instrument was acknowledged before me on April 26, 2004, by Chih-Haun Tang.

My Commission Expires 4-21-07

Notary Public

POOLING AGREEMENT
NEG OPERATING LLC
SABINE LAKE GAS UNIT I
JEFFERSON AND ORANGE COUNTIES, TEXAS

TRUE AND CORRECT
COPY OF ORIGINAL
FILED IN JEFFERSON
COUNTY CLERK'S OFFICE

40.02.2

Date Executed 4-21-04

CORNWELL & ASSOCIATES LLC

By: Robert W. Cornwell
Name: Robert W. CORNWELL
Title: MANAGER

STATE OF TEXAS §
§
COUNTY OF Dallas §

This instrument was acknowledged before me on April 21, 2004, by Robert W. Cornwell as Manager of Cornwell & Associates LLC, a Texas corporation on behalf of said corporation.

DOROTHY L. WAGNER
Notary Public
State of Texas
My Commission Expires
May 12, 2005

My Commission Expires 5-12-05

Dorothy L. Wagner
Notary Public

POOLING AGREEMENT
NEG OPERATING LLC
SABINE LAKE GAS UNIT 1
JEFFERSON AND ORANGE COUNTIES, TEXAS

TRUE AND CORRECT COPY OF ORIGINAL FILED IN JEFFERSON COUNTY CLERK'S OFFICE

40.02.2

Date Executed 3/10/04

MICHAEL W. ENGLERT

Michael W. Englert

STATE OF TEXAS §
§
COUNTY OF Harris §

This instrument was acknowledged before me on March 10th, 2004, by Michael W. Englert.

My Commission Expires 10-22-05

Teresa A. Doss
Notary Public

POOLING AGREEMENT
NEG OPERATING LLC
SABINE LAKE GAS UNIT I
JEFFERSON AND ORANGE COUNTIES, TEXAS

TRUE AND CORRECT
COPY OF ORIGINAL
FILED IN JEFFERSON
COUNTY CLERK'S OFFICE

40.02.2

Date Executed 3/8/2004

DANIEL L DOSS

STATE OF TEXAS §
§
COUNTY OF Harris §

This instrument was acknowledged before me on March 8th, 2004, by Daniel L. Doss.

TERESA A. FOSS
NOTARY PUBLIC STATE OF TEXAS
COMMISSION EXPIRES:
OCTOBER 22, 2005

My Commission Expires 10-22-05

Notary Public

MAR 10 2004

POOLING AGREEMENT
NEG OPERATING LLC
SABINE LAKE GAS UNIT 1
JEFFERSON AND ORANGE COUNTIES, TEXAS

COPY OF ORIGINAL FILED IN JEFFERSON COUNTY CLERK'S OFFICE

40.02.2

Date Executed 3/10/04

DAVID L MITCHELL

STATE OF TEXAS §
§
COUNTY OF Harris §

This instrument was acknowledged before me on March 10th, 2004, by David L. Mitchell.

TERESA A. FOSS
NOTARY PUBLIC STATE OF TEXAS
COMMISSION EXPIRES:
OCTOBER 22, 2005

My Commission Expires 10-22-05

Notary Public

POOLING AGREEMENT
NEG OPERATING LLC
SABINE LAKE GAS UNIT 1
JEFFERSON AND ORANGE COUNTIES, TEXAS

TRUE AND CORRECT
COPY OF ORIGINAL
FILED IN JEFFERSON
COUNTY CLERK'S OFFICE

Date Executed 4-21-04

MOUNTAIN CRANE MINERALS INC.

By: James A Rose
Name: JAMES A ROSE
Title: President

STATE OF ~~KENTUCKY~~ Texas §
§
COUNTY OF Dallas §

This instrument was acknowledged before me on April 21, 2004, by James A. Rose as President of Mountain Crane Minerals Inc., a Kentucky corporation on behalf of said corporation.

My Commission Expires 5-12-05

Dorothy L. Wagner
Notary Public

DOROTHY L. WAGNER
Notary Public
State of Texas
My Commission Expires
May 12, 2005

POOLING AGREEMENT
NEG OPERATING LLC
SABINE LAKE GAS UNIT 1
JEFFERSON AND ORANGE COUNTIES, TEXAS

COUNTY CLERK OF JEFFERSON COUNTY, TEXAS
TRUE AND CORRECT COPY OF ORIGINAL FILED IN JEFFERSON COUNTY CLERK'S OFFICE

40.06.2

Date Executed 4-24-04

CHOICE SMITH

STATE OF TEXAS §
§
COUNTY OF Dallas §

This instrument was acknowledged before me on 4-24-04, 2004, by Choice Smith.

Bea Ann Duckworth
Notary Public, State of Texas
My Comm. Expires 04/29/07

My Commission Expires 4-29-07

Notary Public

POOLING AGREEMENT
NEG OPERATING LLC
SABINE LAKE GAS UNIT I
JEFFERSON AND ORANGE COUNTIES, TEXAS

TRUE AND CORRECT COPY OF ORIGINAL FILED IN JEFFERSON COUNTY CLERK'S OFFICE

40.02.2

Date Executed 4/29/2004

SJS RESOURCES LLC

By: SJS Resources L.L.C
Name: Joel Stanley
Title: Pres. Dent

STATE OF TEXAS §
§
COUNTY OF DALLAS §

This instrument was acknowledged before me on April 30, 2004, by Joel Stanley as Pres. Dent of SJS Resources LLC, a corporation on behalf of said corporation.

My Commission Expires 1-04-2006

Notary Public

CLAINE K. BARNES
Notary Public
STATE OF TEXAS
My Comm. Expires 01-04 2006

POOLING AGREEMENT
NEG OPERATING LLC
SABINE LAKE GAS UNIT 1
JEFFERSON AND ORANGE COUNTIES, TEXAS

TRUE AND CORRECT COPY OF ORIGINAL FILED IN JEFFERSON COUNTY CLERK'S OFFICE

40.02.2

Date Executed March 22, 2004

ROBERT E. PLEDGER

Robert E. Pledger

STATE OF TEXAS §
§
COUNTY OF Harris §

This instrument was acknowledged before me on March 22, 2004, 2004, by Robert E. Pledger.

RON W. EVANS
MY COMMISSION EXPIRES
OCTOBER 13, 2007

My Commission Expires 10-13-2007

Ron W Evans
Notary Public

POOLING AGREEMENT
NEG OPERATING LLC
SABINE LAKE GAS UNIT 1
JEFFERSON AND ORANGE COUNTIES, TEXAS

TRUE AND CORRECT
COPY OF ORIGINAL
FILED IN JEFFERSON
COUNTY CLERK'S OFFICE

40.02.2

Date Executed 4-21-04

ROBERT CORNWELL

Robert W. Cornwell

STATE OF TEXAS §
§
COUNTY OF Dallas §

This instrument was acknowledged before me on April 21, 2004, by Robert Cornwell.

DOROTHY L. WAGNER
Notary Public
State of Texas
My Commission Expires
May 12, 2005

My Commission Expires 5-12-05

Dorothy L. Wagner
Notary Public

POOLING AGREEMENT
NEG OPERATING LLC
SABINE LAKE GAS UNIT 1
JEFFERSON AND ORANGE COUNTIES, TEXAS

TRUE AND CORRECT
COPY OF ORIGINAL
FILED IN JEFFERSON
COUNTY CLERK'S OFFICE

40.02.2

EXHIBIT "A"

Attached to and made a part of that certain Pooling Agreement
by and between the Commissioner of the General Land Office,
on behalf of the State of Texas, Lessor, and NEG Operating LLC, Lessee
covering the Sabine Lake Gas Unit 1 Jefferson and Orange Counties, Texas

1. Oil and Gas Lease No. M-97589 dated October 1, 1996, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering N/2 of Tract 8, Sabine Lake, Jefferson and Orange Counties, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 161825 in Vol. 1015, Page 672 of the Official Public Records of Real Property of Orange County, Texas, and under Clerk's File No. 97-9702887 of the Official Public Records of Real Property of Jefferson County, Texas.

2. Oil and Gas Lease No. M-10278 dated July 10, 2001, by and between The State of Texas through the General Land Office, Lessor, to Benchmark Oil and Gas Company, Lessee, covering S/2 Tract 5, Sabine Lake, Orange County, Texas, containing approximately 320 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office, Austin, Texas. Said lease is recorded under Clerk's File No. 227589 in Vol. 1249, Page 506 of the Official Public Records of Real Property of Orange County, Texas. And recorded under File No. 2001035007 of the Official Public Records of Jefferson County, Texas.

TRUE AND CORRECT
COPY OF ORIGINAL
FILED IN JEFFERSON
COUNTY CLERK'S OFFICE

EXHIBIT "B

Attached to and made a part of that certain Pooling Agreement
by and between the Commissioner of the General Land Office,
on behalf of the State of Texas, Lessor, and NEG Operating LLC, Lessee
covering the Sabine Lake Gas Unit 1 Jefferson and Orange Counties, Texas

DESCRIPTION OF 640.00 ACRES, SABINE LAKE GAS UNIT 1, ORANGE AND JEFFERSON COUNTIES, TEXAS:

all of the North Half (N/2) of State Tract 8, Sabine Lake Texas containing approximately 320.00 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office Austin, Texas.

all of the South Half (S/2) State Tract 5, Sabine Lake Texas containing approximately 320.00 acres, as shown on the Official Map of Sabine Lake, now on file in the Texas General Land Office Austin, Texas.

TRUE AND CORRECT
COPY OF ORIGINAL
FILED IN JEFFERSON
COUNTY CLERK'S OFFICE

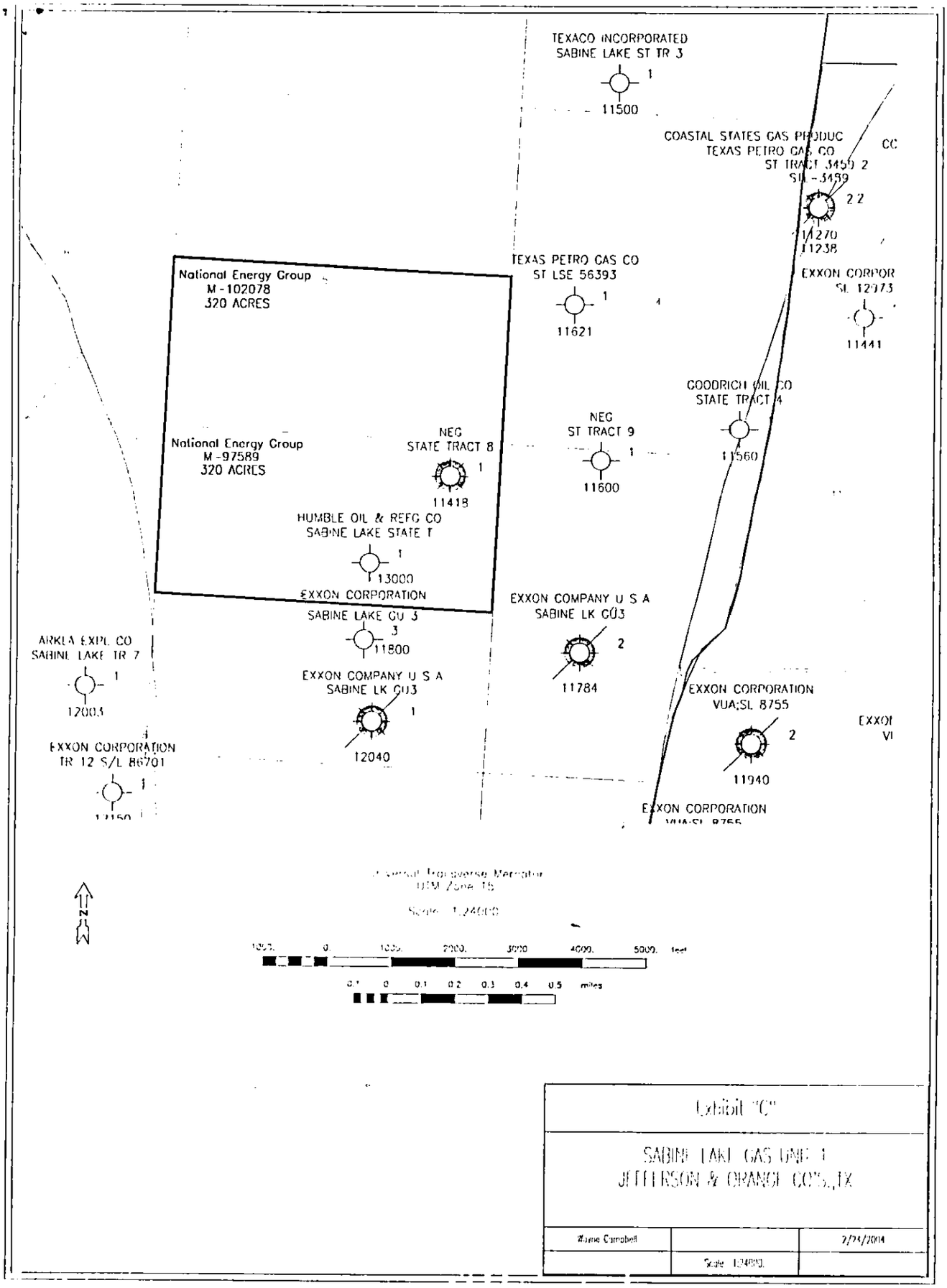


Exhibit "C"

SABINE LAKE GAS UNIT 1
JEFFERSON & ORANGE COS., TX

Diane Campbell		2/24/2014
	Scale 1:24000	

TRUE AND CORRECT COPY OF ORIGINAL FILED IN JEFFERSON COUNTY CLERK'S OFFICE

40-024

FILED AND RECORDED

OFFICIAL PUBLIC RECORDS

Debbie Usoff

2004 Jun 14 12:08 PM 2004022646

GEORGE $63.25

DEBBIE USOFF COUNTY CLERK

JEFFERSON COUNTY TEXAS

RETURN TO

NEG OPERATING LLC
4925 GREENVILLE AVE
STE 1400
DALLAS TX 75206-9682

I CERTIFY THIS IS A TRUE COPY
Witness my Hand and Seal of Office

JUN 14 2004

DEBBIE USOFF, COUNTY CLERK
JEFFERSON COUNTY, TEXAS

BY Loma George DEPUTY
Loma George

40-02-2

38

File No. M-97589
Ltr From NEB with
recorded Pooling Agrmt.
Date Filed: 12/2/04
Jerry E. Patterson, Commissioner
By Daryl Morgan

Robert Hatter - RE: State Tract 8-1

From: Don Butler <Dbutler@negx.com>
To: "'robert.hatter@glo.state.tx.us'" <robert.hatter@glo.state.tx.us>
Date: 4/19/2005 1:09 PM
Subject: RE: State Tract 8-1
CC: Susan Hopson <SHopson@negx.com>, Bettie Watson <BWatson@negx.com>, John Perry <JPerry@negx.com>, David Rigsby <drigsby@negx.com>, Larry Hadley <larryh.negx@verizon.net>, Rick Kirby <RKIRBY@negx.com>

Dear Mr. Hatter:

As we discussed this morning, NEG Operating LLC formally seeks to provide the General Land Office with a shut-in notification of its State Tract 8 #1 well in Sabine Lake, Orange County, TX. Please note the following:

Well Name: State Tract 8 #1
Lease Nos.: M-97589, M-102078
Operator: NEG Operating LLC
Last Production: 3/8/05
Last Rework: 3/31/05
API No. 42-361-30785
RRC ID No. 196286

If you have any questions, please direct them to Ms. Susan Hops with the NEG Land Department at 214.692.9211.

Very truly yours,

NEG Operating LLC

Don Butler
Attorney-In-Fact

39.

File No. MF097589

Email: Shirl Lw.

Date Filed: 4/19/05

Jerry E. Patterson, Commissioner

By

NEG OPERATING LLC

January 19, 2004

via certified mail 7002 2030 0001 8721 7385

Mr. Glenn Rosenbaum
Asset Inspection
Texas General Land Office
Stephen F. Austin Building
1700 North Congress Avenue
Austin, TX 78711-1495

Re: Drilling and Completion Records
Lease M-97589
Sate Tract 8 #1, Sabine Lake, Orange County, TX

Dear Mr. Rosenbaum:

As required under the referenced lease terms between the TXGLO and NEG Operating LLC, please find enclosed a packet containing various drilling and completion records for the NEG Operating LLC State Tract 8 #1, Sabine Lake, Orange County, TX.

If the State requires anything additionally or if you have any questions regrading this submission, do not hesitate to contact me at 214.692.9211.

Very truly yours,
NEG Operating LLC

Don Butler

DWB/
enclosure

4925 Greenville Avenue • Suite 1400 • Dallas, Texas 75206 • (214) 692-9211 • FAX (214) 692-9310

RK
DB
DR
REGFILE
WELLFILE
M. EVERHART
TXGLO

NEG OPERATING LLC

January 14, 2004

via Fedex

Ms. Jackie Kelm
Railroad Commission of Texas
Oil and Gas Division
1701 North Congress Avenue
Austin, TX 78711-2967

Re: **Revised Form P-12**
NEG Operating LLC
State Tract 8 #1
Sabine Lake, Orange County

Dear Jackie:

Please find enclosed a revised form P-12 for the subject well. I am submitting it to correct a typo on tract identifier line #2 that was made by the consulting company who filed the original P-12 (attached for your review). A plat is included.

If you have any questions regarding this submission, you can reach me at 214.692.9211, ext. 112.

Very truly yours,

NEG Operating LLC

Don Butler
Attorney-In-Fact

DWB/
enclosures (2sets)

4925 Greenville Avenue • Suite 1400 • Dallas, Texas 75206 • (214) 692-9211 • FAX (214) 692-9310

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division
PO Box 12967
Austin, Texas 78711-2967
www. rrc. state. tx. us

CERTIFICATE OF POOLING AUTHORITY

Revised 05/2001

P-12
DBC1001

1. Field Name(s)	2. Lease/ID Number *(if assigned)*	3. RRC District Number
Wildcat Sabine Lake (Hackberry, Lower)	196286	03
4. Operator Name	**5. Operator P-5 Number**	**6. Well Number**
NEG Operating LLC	602995	1
7. Pooled Unit Name	**8. API Number**	**9. Purpose of Filing**
State Tract 8	42-361-30785	☐ Drilling Permit (W-1) ✓ AMENDED ☐ Completion Report
10. County	**11.Total acres in pooled unit**	
Orange	1586.69	

DESCRIPTION OF INDIVIDUAL TRACTS CONTAINED WITHIN THE POOLED UNIT

TRACT/PLAT IDENTIFIER	TRACT NAME	ACRES IN TRACT (See inst. #7 below)	INDICATE UNDIVIDED INTERESTS UNLEASED	NON-POOLED
1	M-102078 State of Texas	320	☐	☐
2 *	M-97589 State of Texas **	320	☐	☐
3	M-97590 State of Texas	320	☐	☐
4	M-97592 State of Texas	212	☐	☐
5	M-97591 State of Texas	414.69	☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐

** this tract number was originally listed (incorrectly) as M-97689 on RAC-approved A-12 dated 11/02/01

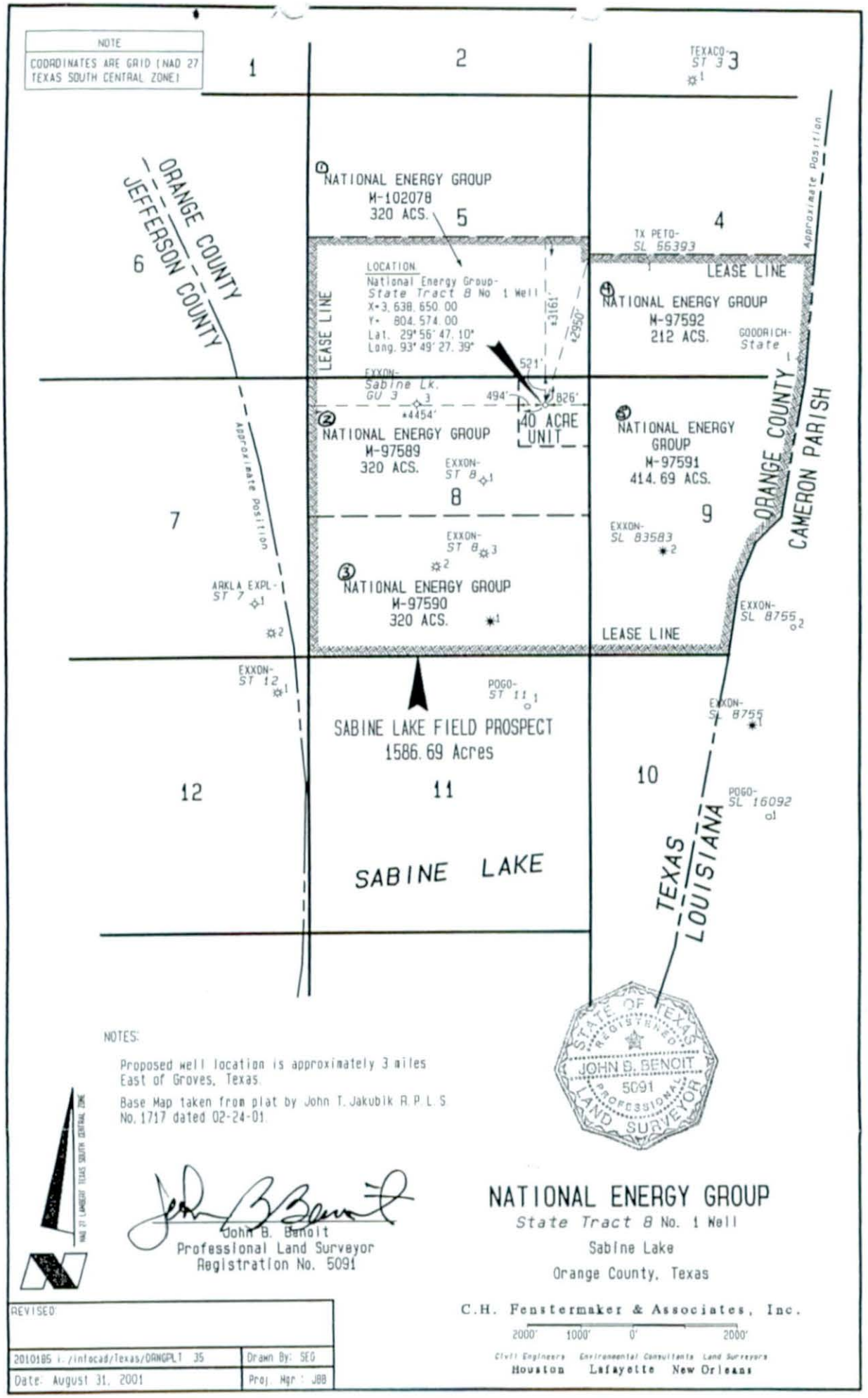
CERTIFICATION:

I declare under penalties prescribed pursuant to the Sec. 91.143, Texas Natural Resources Code, that I am authorized to make the foregoing statements and that the information provided by me or under my direction on this Certificate of Pooling Authority is true, correct, and complete to the best of my knowledge.

Signature	Print Name		
	Don Butler		
Title	**E-Mail** *(if available)*	**Date**	**Phone**
Attorney-In-Fact	dbutler@negx.com	01/14/2004	(214)692-9211

INSTRUCTIONS — Reference: Statewide Rules 31, 38 and 40

1. When two or more tracts are pooled to form a unit to obtain a drilling permit, file completion paperwork, or reform a pooled unit pursuant to Rule 38(d)(3) the operator must file an original Certificate of Pooling Authority and certified plat.
2. The certified plat shall designate each tract with an outline and a tract identifier. The tract identifier on the plat shall correspond to the tract identifier and associated information listed on the Certificate.
3. If within an individual tract, a non-pooled and/or unleased interest exists, indicate by checking the appropriate box.
4. If the Purpose of Filing is to obtain a drilling permit, in box #1 list all applicable fields separately or enter "All Fields" if the Certificate pertains to all fields requested on Form W-1.
5. If the Purpose of Filing is to file completion paperwork, enter the applicable field name in box #1 for the completion.
6. Identify the drill site tract with an * to the left of the tract identifier.
7. The total number of acres in the pooled unit in #11 should equal the total of all acres in the individual tracts listed.



NOTES:

Proposed well location is approximately 3 miles East of Groves, Texas.

Base Map taken from plat by John T. Jakubik R.P.L.S. No. 1717 dated 02-24-01.

NAD 27 LAMBERT TEXAS SOUTH CENTRAL ZONE

John B. Benoit
Professional Land Surveyor
Registration No. 5091

NATIONAL ENERGY GROUP

State Tract 8 No. 1 Well

Sabine Lake

Orange County, Texas

C.H. Fenstermaker & Associates, Inc.

2000' 1000' 0' 2000'

Civil Engineers Environmental Consultants Land Surveyors

Houston Lafayette New Orleans

REVISED:	
2010185 i:/infocad/Texas/ORNGPLT 35	Drawn By: SEG
Date: August 31, 2001	Proj. Mgr.: JBB

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division
PO Box 12967
Austin, Texas 78711-2967
www.rrc.state.tx.us

CERTIFICATE OF POOLING AUTHORITY

Revised 05/2001

1-29-04

P-12

1. Field Name(s)	2. Lease/ID Number (if assigned)	3. RRC District Number
Sabine Lake,N.(Hackberry.Lo)	N/A	03
4. Operator Name	**5. Operator P-5 Number**	**6. Well Number**
National Energy Group,Inc.	600647	1
7. Pooled Unit Name	**8. API Number**	**9. Purpose of Filing**
State Tract 8	361-30785	☒ Drilling Permit (W-1)
10. County	**11. Total acres in pooled unit**	☐ Completion Report
Orange	1586.69	

DESCRIPTION OF INDIVIDUAL TRACTS CONTAINED WITHIN THE POOLED UNIT

Tract/Plat Identifier	Tract Name	Acres in Tract (See inst. #7 below)	Indicate Undivided Interests Unleased	Non-Pooled
1	M-102078 State of Texas	320	☐	☐
2	M-97689 " " (5 CORRECT THIS ✓)	320	☐	☐
3	M-97590 " "	320	☐	☐
4	M-97592 " "	212	☐	☐
5	M-97591 " "	414.69	☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐

CERTIFICATION:

I declare under penalties prescribed pursuant to the Sec. 91.143, Texas Natural Resources Code, that I am authorized to make the foregoing statements and that the information provided by me or under my direction on this Certificate of Pooling Authority is true, correct, and complete to the best of my knowledge.

Signature

Roland R. Baker for Martha Rogers
Print Name

Agent
Title

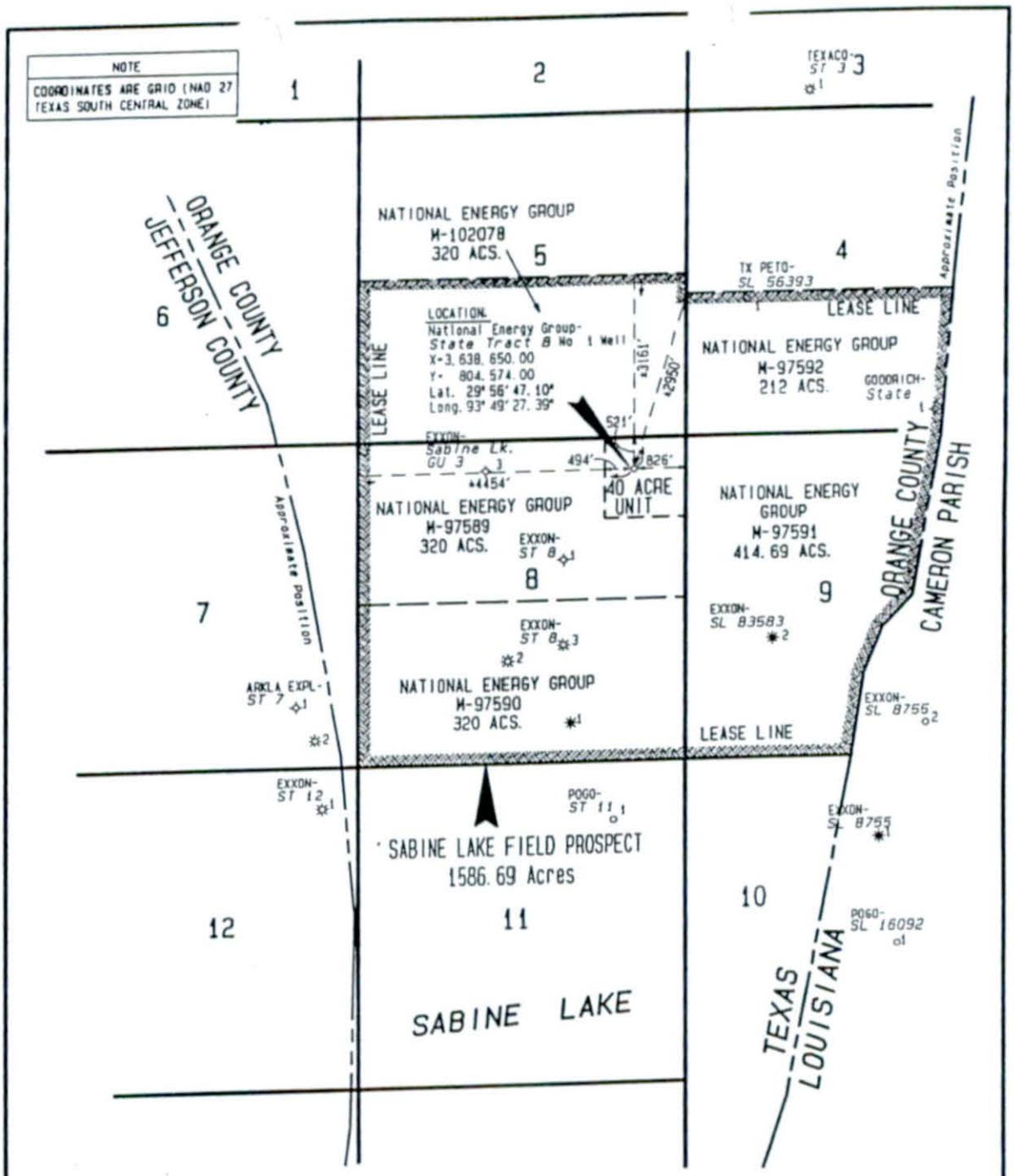
E-mail (if available)

Sept.6,2001
Date

214 692-8562
Phone

INSTRUCTIONS — Reference: Statewide Rules 31, 38 and 40

1. When two or more tracts are pooled to form a unit to obtain a drilling permit, file completion paperwork, or reform a pooled unit pursuant to Rule 38(d)(3) the operator must file an original Certificate of Pooling Authority and certified plat.
2. The certified plat shall designate each tract with an outline and a tract identifier. The tract identifier on the plat shall correspond to the tract identifier and associated information listed on the Certificate.
3. If within an individual tract, a non-pooled and/or unleased interest exists, indicate by checking the appropriate box.
4. If the Purpose of Filing is to obtain a drilling permit, in box #1 list all applicable fields separately or enter "All Fields" if the Certificate pertains to all fields requested on Form W-1.
5. If the Purpose of Filing is to file completion paperwork, enter the applicable field name in box #1 for the completion.
6. Identify the drill site tract with an * to the left of the tract identifier.
7. The total number of acres in the pooled unit in #11 should equal the total of all acres in the individual tracts listed.



NOTES:

Proposed well location is approximately 3 miles East of Groves, Texas.

Base Map taken from plat by John T. Jakubik R.P.L.S. No. 1717 dated 02-24-01.

NAD 27 LAMBERT TEXAS SOUTH CENTRAL ZONE

John B. Benoit
Professional Land Surveyor
Registration No. 5091

NATIONAL ENERGY GROUP

State Tract 8 No. 1 Well

Sabine Lake

Orange County, Texas

C.H. Fenstermaker & Associates, Inc.

2000' 1000' 0' 2000'

Civil Engineers Environmental Consultants Land Surveyors
Houston Lafayette New Orleans

REVISED:	
20101185 I:/infocad/Texas/ORANGPLT 35	Drawn By: SEG
Date: August 31, 2001	Proj. Mgr.: JBB

RK WELLFILE
SH REGFILE
DB ME TXGLO

U.S. Department
of Transportation
**Research and
Special Programs
Administration**

400 Seventh St., S.W.
Washington, D.C. 20590

December 30, 2003

Certified Mail – 7002 0510 0002 0439 7431 Return Receipt Requested

Mr. Don Butler
NEG Operating LLC
4925 Greenville Avenue, Suite 1400
Dallas, Texas 75026

Re: NEG Operating LLC (Sabine Lake 6" Gathering Line)

Dear Mr. Butler,

RSPA has reviewed your 2 June 2003 letter which outlines the reasons why 49 CFR 194, *Response Plans for Onshore Oil Pipelines*, may not be applicable to the Sabine Lake 6" gathering line. The regulation is not applicable to the subject line because of the commodity NEG Operating LLC plans to transport in the line.

Your letter states that the line will transport natural gas and liquid condensates. 49 CFR 194 does not apply to an onshore pipeline that transports natural gas provided that the condensate in the pipeline is incidental to the transport of the natural gas. However, the regulation does apply to an onshore pipeline that transports condensate as a commodity or re-injected condensate. RSPA's determination that the regulation is not applicable to the subject gathering line is based on NEG Operating LLC transporting condensate incidental to the transport of the natural gas.

If you have any questions regarding this matter, please telephone me at 202-366-5523 or fax me at (202) 366-4566. Thank you for your inquiry.

Sincerely,

L. E. Herrick
Response Plans Officer

Ext. # 7360 File # 1706 Act. # 6797

RK/SH/DB/WF
TXGLO

U.S. Department
of Transportation
**Research and
Special Programs
Administration**

400 Seventh St., S.W.
Washington, D.C. 20590

June 24, 2003

Certified Mail –7002 0510 0002 0439 3013-Return Receipt Requested

Mr. Don Butler
Neg Operating LLC
4925 Greenville Avenue,
Dallas, TX 75206

Re: Neg Operating LLC (Subine Lake "6" Gathering Line)

Dear Mr. Butler,

The Research and Special Programs Administration (RSPA) has received the June 2, 2003 Correspondence you submitted for RSPA to request jurisdictional determination of your facility with your letter dated June 2, 2003. We will review the documents to determine whether this pipeline falls under RSPA jurisdiction.

After we complete the review, we will notify you of our determination. If you have any questions regarding this matter, please telephone me at (202) 366-5523 or contact me by fax at (202) 366-4566. Thank you for your cooperation.

Sincerely,

L.E. Herrick
Response Plans Officer

Ext. 6798 File # 1706

RC
SH
DB
ME
SP
REGFILE
WELLFILE
DR
TXGLO

NEG OPERATING LLC

September 4, 2003 via Fedex Priority

Mr. Jim Melear, Geologist
Oil and Gas Division, Proration
Railroad Commission of Texas
P.O. Box 12967
Austin, TX 78711-2967

Re: Form G-5; Gas Well Classification Report
And Simulated PVT
NEG Operating LLC
State Tract 8 #1, API #42-361-30785
Sabine Lake
Orange County, TX

Dear Sir:

As we discussed on August 19, NEG has elected to run a simulated PVT computer analysis to submit with a new G-5 test that indicates the referenced well is a gas well. NEG is submitting this data directly to your attention as instructed, rather than to the attention of the RRC district office.

You may contact me at 214. 692.9211 if you have any questions.

Very truly yours,

NEG Operating LLC
Regulatory Affairs

Don Butler

DWB/
enclosures (2)

4925 Greenville Avenue • Suite 1400 • Dallas, Texas 75206 • (214) 692-9211 • FAX (214) 692-9310

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division

READ INSTRUCTIONS ON BACK

GAS WELL CLASSIFICATION REPORT

Form G-5

Rev. 01/01/86
DBC1297

1. OPERATOR NAME (Exactly as shown on Form P-5 Organization Report)	3. RRC DISTRICT NO.	4. OIL LEASE NO. OR GAS WELL ID NO.
NEG Operating LLC	03	
2. MAILING ADDRESS	**5. WELL NO.**	**6. API NO.**
4925 Greenville Avenue, Suite 1400 Dallas,TX 75206	1	42- 361-30785
	7. COUNTY OF WELL SITE Orange	

8. FIELD NAME (as per RRC Records)	9. LEASE NAME
Sabine Lake (Hackberry, Lower)	State Tract 8
10. LOCATION (Section, Block, and Survey)	**11. PIPELINE CONNECTION OR USE OF GAS**
Sabine Lake, State Tract 8	Transco Gas Pipeline Company

I. PRODUCTION TEST AT RATE ELECTED BY OPERATOR
(data on 24-hour basis)

A. Date of Test	08/27/2003	
B. Gas Volume	6641	(Mcf)
C. Oil or Condensate Volume	400	(Bbl)
D. Water Volume	0	(Bbl)
E. Gas/Liquid Hydrocarbon Ratio	16603	(Cf/Bbl)
F. Flowing Tubing Pressure	4620	(psia)
G. Choke Size	14/64	(in.)
H. Casing Pressure	0	(psia)
I. Shut-in Wellhead Pressure--Tubing	4720	(psia)
J. Separator Operating Pressure	915	(psia)
K. Color of Stock Tank Liquid	light straw	
L. Gravity of Separator Liquid	49.1	°API
M. Gravity of Stock Tank Liquid	n/a	°API
N. Specific Gravity of the Gas (Air = 1)	0.642	

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.

Date Liquid Sample Obtained: 08/20/2003

Where Obtained: [X] Separator [ ] Stock Tank

% Over	Temp. (deg. F)	% Over	Temp. (deg. F)
Initial Boiling Temp.	107	60	426
10	177	70	483
20	222	80	550
30	261	90	639
40	305	95	700
50	360	End Point	710

Total Recovery	98.3	percent
Residue	1.7	percent
Loss	0	percent

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.

09/04/2003
DATE

Don Butler
NAME (Type or Print)

Don Butler
SIGNATURE

Attorney-In-Fact
TITLE

Don Butler
CONTACT PERSON

(214) 692-9211
PHONE NUMBER

RRC USE ONLY



FESCO, Ltd.
Petroleum Engineers

National Energy Group, Inc.
State Tract 8 Well No. 1
Sabine Lake Field

08/20/03
Extended Oil Analysis
Extended Gas Analysis
ASTM D-86 Distillation
Simulated PVT Analysis

actual copy
in well file.

The analysis, opinions and interpretations contained in this report are based upon observations, assumptions, empirical factors, inferences and data supplied by the customer, which are not infallible. The results represent the best judgment of FESCO. Accordingly, FESCO assumes no responsibility and makes no warranty as to the accuracy or correctness of any analysis, opinion or interpretation. FESCO shall not be liable or responsible for any loss, cost, damage, claim or expense whatsoever incurred or sustained by the customer resulting from any analysis, opinion or interpretation made by any of our employees.

D BUTLER

From: ~~Marilyn Graham~~ (214)692-9211
NATIONAL ENERGY GROUP, INC
4925 GREENVILLE AVENUE
SUITE 1400
DALLAS, TX, 75206

REVENUE BARCODE

FedEx.

To: Mr. Jim Melear (512)463-6703
Railroad Commission of Texas
Oil and Gas Division/Proration
1701 North Congress
Austin, TX, 78711

SHIP DATE: 04SEP03
WEIGHT: 1 LBS

Ref: Sate Tract #B-1

DELIVERY ADDRESS BARCODE(FEDEX-EDR)

FedEx PRIORITY OVERNIGHT

TRK # 7929 6264 8243 FORM 0201

AUS

FRI
A1

Deliver by:
05SEP03

78711-TX-US A8 AUSA

Shipping Label: Your shipment is complete

Cancel shipment | Edit shipment information | Process another shipment | Repeat last shipment | Go to next steps

1. Use the 'Print' feature from your browser to send this page to your laser or inkjet printer.
2. Fold the printed page along the horizontal line.
3. Place label in shipping pouch and affix it to your shipment so that the barcode portion of the label can be read and scanned.

Warning: Use only the printed original label for shipping. Using a photocopy of this label for shipping purposes is fraudulent and could result in additional billing charges, along with the cancellation of your FedEx account number.

Use of this system constitutes your agreement to the service conditions in the current FedEx Service Guide, available on fedex.com. FedEx will not be responsible for any claim in excess of $100 per package, whether the result of loss, damage, delay, non-delivery, misdelivery, or misinformation, unless you declare a higher value, pay an additional charge, document your actual loss and file a timely claim. Limitations found in the current FedEx Service Guide apply. Your right to recover from FedEx for any loss, including intrinsic value of the package, loss of sales, income interest, profit, attorney's fees, costs, and other forms of damage whether direct, incidental, consequential, or special is limited to the greater of $100 or the authorized declared value. Recovery cannot exceed actual documented loss. Maximum for items of extraordinary value is $500, e.g. jewelry, precious metals, negotiable instruments and other items listed in our Service Guide. Written claims must be filed within strict time limits, see current FedEx Service Guide.

RK
SH
DB
M. EVERHART
DR
WF
REGFILES

NATIONAL ENERGY GROUP, INC.

August 5, 2003 via Fedex

Ms. Jackie Kelm
Railroad Commission of Texas
Oil and Gas Division
1701 North Congress
Austin, TX 78711-2967
512.463.6960

Re: RRC Requirement for Re-testing and Re-filing of Forms G-1, G-5, and G-10
NEG Operating LLC
State Tract 8 #1,
Sabine Lake, N. (Hackberry, L)

Dear Ms. Kelm:

As we discussed, please find the referenced forms being re-filed after the re-testing of NEG Operating LLC State Tract 8 #1. If you need any additional information, you may reach me at 214.692.9211.

Very truly yours,

NEG Operating LLC
Regulatory Affairs

Don Butler

DWB/
enclosures (3)

1400 One Energy Square • 4925 Greenville Avenue • Dallas, Texas 75206 • (214) 692-9211 • FAX (214) 692-9310

Type or print only

483-047

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division

1-23-04

Form G-1
Rev. 4/1/83 DBC12

API No. 42- 361-30785

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

7. RRC District No.: 03

8. RRC Gas ID No.:

1. FIELD NAME (as per RRC Records or Wildcat): Sabine Lake, (Hackberry, L)

2. LEASE NAME: State Tract 8

9. Well No.: 1

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

RRC Operator No.: 602995

10. County of well site: Orange

4. ADDRESS: 4925 Greenville Avenue, Suite 1400
Dallas, TX 75206

11. Purpose of filing
- Initial Potential [ ]
- Retest [X]
- Reclass [ ]
- Well record only (Explain in remarks) [ ]

5. Location (Section, Block, and Survey): Sabine Lake, State Tract 8

5b. Distance and direction to nearest town in this county: 3 miles east of Groves, TX

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

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

FIELD & RESERVOIR	GAS ID or OIL LEASE #	Oil--O Gas--G	WELL #

13. Pipe Line Connection: Transco Gas Pipeline Company

14. Completion or recompletion date: 11/04/2003

15. Any condensate on hand at time of workover or recompletion? [ ] Yes [ ] No

16. Type of Electric or other Log Run: Ind.,Dens.,Neu.,GR

Section I

GAS MEASUREMENT DATA

Date of Test: 06/19/2003

Gas Measurement Method (Check One): Orifice Meter [X] Flange Taps Pipe Taps [X] Positive Choke [ ] Orifice Vent Meter [ ] Pitot Tube [ ] Critical-flow Prover [ ]

Gas produced during test: 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_{tf}	Gravity Factor F_g	Compress Factor F_{pv}	Volume MCF/DAY
1	3.826	2.00	14.5705	908	103.7	87	0.9803	0.644	0.9971	7719
2										
3										
4										

Section II

FIELD DATA AND PRESSURE CALCULATIONS

Gravity (Dry Gas)	Gravity Liquid Hydrocarbon	Gas-Liquid Hydro Ratio	Gravity of Mixture	Avg. Shut-in Temp.	Bottom Hole Temp.
0.6477	47.5 Deg. API	9709 CF/Bbl	G_{mix} =	150 °F	232°F @ 11247 (Depth)

$D_{eff}^{8/3}$ = ____ $\sqrt{T_f}$ = $\sqrt{\quad}$ = ____ $\sqrt{GL}$ = $\sqrt{\quad}$ = ____

$C = \frac{1118 \times (D_{eff})^{8/3}}{\sqrt{T}}$ = ____ = ____ $\sqrt{\frac{GL}{C}}$ = ____ = ____

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			7550						
1	4320	14	6900	85					
2									
3									
4									

Run No.	F	K	$S = \frac{1}{z}$	E^{ks}	P_f and P_s	P_f^2 and P_s^2 (thousands)	$P_f^2 - P_s^2$ (thousands)
Shut-In							
1							
2							
3							
4							

Angle of Slope

θ .....

n .....

Absolute Open Flow

..... MCF/DAY

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.

Signature: Well Tester — Name of Company: Davidal Prod. Service — 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.

Signature: Operator's representative: Donald W. Suttle

Title: Attorney-In-Fact

Date: 07/31/2003

Tel: A/C Number: (214) 692-9211

OPERATOR NAME AND ADDRESS, including city, state and zip

NEG Operating LLC
4925 Greenville Avenue, Suite 1400
Dallas, TX 75206

GAS WELL STATUS REPORT

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

Page 1 of 1

Reason for Filing: [ ] Survey [X] Retest [ ] Initial Test [ ] Correction

Operator P-5 Organization No.: 602995

RRC Dist. No.: 03

G-10
DBC1297
rev. 7/95

Test Period:
Due Date:
Effective Date

FIELD NAME / *LEASE NAME	RRC IDENT NO. / WELL NO.	DATE TESTED MO/DAY/YR / MARK X FOR SHUT-IN WELL	GAS PRODUCED MCF/DAY** / GAS SPEC. GRAVITY	CONDENSATE PRODUCED / CONDENSATE GRAVITY (API)	WATER PROD BBL/DAY / X BOTTOMHOLE PRESSURE PSIA	***SIWH PRESSURE PSIA / ***FLOWING PRESSURE PSIA
Sabine Lake (Hackberry, Lower)		06/19/2003	7889 MCF	795 BBL	0 . BBL	7550
State Tract 8	1		.6447	57.767		6900
			MCF	BBL	BBL	
			MCF	BBL	BBL	
			MCF	BBL	BBL	
			MCF	BBL	BBL	
			MCF	BBL	BBL	
			MCF	BBL	BBL	
			MCF	BBL	BBL	

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: [signature] Title: Attorney-In-Fact Phone: (214) 692-9211 Date: 08/01/2003

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

RAILROAD COMMISSION OF T AS
Oil and Gas Division

READ INSTRUCTIONS ON BACK

GAS WELL CLASSIFICATION REPORT

Form G-5

Rev. 01/01/86
DBC1297

1. OPERATOR NAME (Exactly as shown on Form P-5 Organization Report)	3. RRC DISTRICT NO.	4. OIL LEASE NO. OR GAS WELL ID NO.
NEG Operating LLC	03	
2. MAILING ADDRESS	**5. WELL NO.**	**6. API NO.**
4925 Greenville Avenue, Suite 1400 Dallas,TX 75206	1	42- 361-30785
	7. COUNTY OF WELL SITE: Orange	
8. FIELD NAME (as per RRC Records): Sabine Lake (Hackberry, Lower)	9. LEASE NAME: State Tract 8	
10. LOCATION (Section, Block, and Survey): Sabine Lake, State Tract 8	11. PIPELINE CONNECTION OR USE OF GAS: Transco Gas Pipeline Company	

I. PRODUCTION TEST AT RATE ELECTED BY OPERATOR
(data on 24-hour basis)

A. Date of Test	06/19/2003	
B. Gas Volume	7719	(Mcf)
C. Oil or Condensate Volume	795	(Bbl)
D. Water Volume	0	(Bbl)
E. Gas/Liquid Hydrocarbon Ratio	9709	(Cf/Bbl)
F. Flowing Tubing Pressure	6900	(psia)
G. Choke Size	14/64	(in.)
H. Casing Pressure	0	(psia)
I. Shut-in Wellhead Pressure--Tubing	7550	(psia)
J. Separator Operating Pressure	850	(psia)
K. Color of Stock Tank Liquid	dark straw	
L. Gravity of Separator Liquid	58	°API
M. Gravity of Stock Tank Liquid	n/a	°API
N. Specific Gravity of the Gas (Air = 1)	0.6447	

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.

Date Liquid Sample Obtained: 07/08/2003

Where Obtained: [X] Separator [ ] Stock Tank

% Over	Temp. (deg. F)	% Over	Temp. (deg. F)
Initial Boiling Temp.	92	60	520
10	184	70	590
20	235	80	
30	270	90	
40	356	95	
50	438	End Point	619

Total Recovery	75	percent
Residue	23	percent
Loss	2	percent

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.

Don Butler
NAME (Type or Print)

Don Butler
SIGNATURE

Attorney-In-Fact
TITLE

08/01/2003
DATE

Don Butler
CONTACT PERSON

(214)692-9211
PHONE NUMBER

RRC USE ONLY

10.22.1

SH
WF
DB
DEGFILE:
TX PIPELIN
PERMITS
TXGLO

RAILROAD COMMISSION OF TEXAS
GAS SERVICES DIVISION
PIPELINE SAFETY SECTION

PERMIT TO OPERATE PIPELINE

Austin, Texas, July 22, 2003

Permit No. 06297
FLUID TRANSPORTED

NEG OPERATING LLC
ATTN: DON BUTLER
4925 GREENVILLE AVE STE 1400
DALLAS TX 75206

Crude:
Condensate:
Gas:
Products:
Other:

Crude FWS:
Gas FWS: XXXX

This is to Certify that **NEG OPERATING LLC** has complied with 16 TAC §3.65 of the Commission Rules and Regulations governing pipelines in accordance with the Natural Resources Code §81.051 and is granted this permit by the Commission to operate the following line or lines located at:

ORANGE

PERMIT AMENDED TO REFLECT CHANGE TO INTERSTATE STATUS. FINAL AS-BUILT HAS LINE TERMINATING AT RISER NEAR HILCORP FACILITY IN LOUISIANA. JEFFERSON COUNTY REMOVED FROM PERMIT.
15680 FEET (3 MILES) OF 6" PIPELINE.

This permit is valid until the operating ownership of such line or system changes, or until extensions or other physical changes are made in the line or system. (See Instructions on Form T-4.)

RAILROAD COMMISSION OF TEXAS

By: Bruce Wiedeman

FORM T-4A

10271

(Rev. 4/99)

RAILROAD COMMISSION OF TEXAS
GAS SERVICES DIVISION
PIPELINE SAFETY SECTION

Form T-4C
(4/97)

PIPELINE AND GATHERING SYSTEM CERTIFICATION RENEWAL FORM

Company/Address	Permit No.	P-5 No.
NEG OPERATING LLC ATTN ~~MARTHA J ROGERS~~ 4925 GREENVILLE AVE STE 1400 DALLAS TX 75206	06297	602995

PIPELINE CLASSIFICATION

Common Carrier	☐	Interstate	☒
Gas Utility	☐	Intrastate	☐
Private	☒		

Issuance Date of Last Permit: JANUARY 08, 2002

Location of Line(s) by County(s): ORANGE COUNTY, IN SABINE LAKE EXTENDING INTO JEFFERSON PARISH, LA.

PLEASE ANSWER (A) & (B)

	(A) Fluid Transported	(B) Miles of Pipe
Crude	☐	
Condensate	☐	
Gas *	☐	
Products *	☐	
Full Oil Well Stream	☐	
Full Gas Well Stream	☒	3.00
Other *	☐	

*Specify

Does fluid contain H_2S? ☐ Yes ☒ No

If yes, at what concentration? _____ ppm

This will certify that the installations described above have not been subject to any modifications, extensions or abandonments since the issuance date of last permit.

RECEIVED
R.R.C. OF TEXAS
JUL 18 2003
GAS SERVICES DIVISION
AUSTIN, TEXAS

REMARKS: OPERATOR REPRESENTATIVE: DON BUTLER

CERTIFICATE

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

Signature: Donald W. Butler — Name of Person (type or print): DON BUTLER

Date: 15JULY03 — Title: ATTORNEY-IN-FACT

Telephone Number: 214 (Area Code) 692·9211 (Number)

E-mail: DBUTLER@NEGX.COM — Fax: (214) 692·8562

Please mail **completed** Form T-4C to Railroad Commission of Texas, Gas Services Division / Pipeline Safety, P.O. Box 12967, Austin, TX 78711-2967. If you have questions call (512) 463-7194.

The Railroad Commission does not discriminate on the basis of race, color, national origin, sex, religion, age or disability in employment or the provision of services. TDD/TDY (512) 463-7284

APPLI)ION FOR PERMIT TO OPERATE 'ELINE 'EXAS

(See 16 TAC 3.65 [Rule 70 of Statewide Rules and Regulations])

FORM T-4
(9/99)

Railroad Commission Of Texas
Gas Services Division
Pipeline Safety Section

P-5 # ORGANIZATION INFORMATION Permit No. 06297

1. Operator (Applicant): NEG Operating LLC
   Address: 4925 Greenville Ave., Ste. 1400 Dallas, TX 75206

2. To Whom in Texas should the Commission give notice? NEG Operating LLC
   Address: 4925 Greenville Ave., Ste. 1400 Dallas, TX 75206

3. Does the above named operator own pipeline? [X] Yes [ ] No If "No", give name and address of owner.

4. Does the above named operator own or operate oil or gas producing properties in Texas? [X] Yes [ ] No

PIPELINE INFORMATION

1. Mark appropriate block for each of the following questions:

a) Are the pipelines covered under this permit [X] Interstate [ ] Intrastate

b) Fluid transported: [ ] Crude [X] Condensate [X] Gas (*) [ ] Products (*) [ ] Full Gas Well Stream [ ] Full Oil Well Stream [X] Other (*) * Specify Saltwater

c) Does fluid contain H_2S? [ ] Yes [ ] No If yes, at what concentration? _____ ppm

d) Pipeline classification:

If answer to (b) is other than natural gas, will the pipeline be operated as [ ] a common carrier or as [X] a private line? (Ch. 111, Texas Natural Resources Code)

If answer to (b) is natural gas, will the pipeline be operated as [ ] a gas utility or as [X] a private line? (Texas Utilities Code)

A natural gas pipeline permit will not specify whether the pipeline is a gas utility or a private line. The Gas Services Division will make that determination and notify the operator of its status.

e) Does pipeline cross any public highway or road, right-of-way for any railroad, public utility, or other common carrier? [X] Yes [ ] No

f) Will pipeline carry only the gas and/or liquids produced by pipeline owner or operator? [X] Yes [ ] No

If answer to (f) is "No", is the gas and/or liquids: [ ] Purchased from others. [ ] Owned by others, but transported for a fee. [ ] Both purchased and transported for others.

RECEIVED
R.R.C. OF TEXAS
FEB 19 2002
GAS SERVICES DIVISION
AUSTIN, TEXAS

2. a) New installation? [X] Yes [ ] No If yes, do not complete remainder of this question. REMOVE JEFFERS
   b) Renewal for same operator? [ ] Yes [ ] No FINAL AS BUILT 15680' OF 6"
   c) Extension or modification? [X] Yes [ ] No

If there has been a change in operator or ownership: give name and address of previous operator, owner, or lessor:

3. Check detailed purpose for which described pipeline will be used:

- [ ] Trunk Transmission
- [X] Gathering
- [ ] Gas Lift
- [ ] Gas Plant (Gathering system)
- [ ] Terminal (Storage, loading racks, etc.)
- [ ] Manufacturing Feed Stock (Chemical, plastic, etc.)
- [ ] Gas Injection (Recycling, pressure maintenance)
- [ ] Distribution Systems (Municipal, industrial)
- [ ] Other (explain) _____

4. U.S.G.S. 7.5 Minute Quad Map or General Highway County Map attached? (Scale 1" = 2 Miles) [ ] Yes [ ] No
   Detailed map of gathering system (1" = 2000') attached? [ ] Yes [ ] No

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.

Martha J. Rogers (Type or Print Name of Person) — 2/14/02 (Date)

Manager, Regulatory (Title) — Martha J. Rogers (Signature)

Inquiries regarding this application should be directed to:

Name: Address: Phone: (A/C)

Fax (_____) E-mail

The Railroad Commission does not discriminate on the basis of race, color, national origin, sex, religion, age, or disability in employment or the provision of services. TDD/TDY (512) 463-7284

RK
SH
DB
D.R
MIKE EVERHART
WELL FILE
DB CHRONO
TX GLO

NEG OPERATING LLC

06 June 03
~~May 28, 2003~~

via Fedex

Mr. Guy Grossman, Director
Railroad Commission of Texas
District 3
1706 Seamist Drive, Suite 501
Houston, TX 77008-3135
713.869.5001

Re: **Forms G-1, G-5, L-1, W-12 and W-15**
NEG Operating LLC
State Tract 8 #1
Orange County, TX

Dear Mr. Grossman:

Please find enclosed the completion papers (filed in duplicate) for the referenced NEG Operating LLC well in Sabine Lake, North field, Orange County.

If you have any questions regarding these submissions, you may reach me at 214.692.9211, ext. 112, or via email at dbutler@negx.com.

Very truly yours,

NEG Operating LLC

Don Butler
Attorney-In-Fact

DWB/
Enclosures (14)

Oil and Gas Division

Type or print only — cc: WE - LE/SH/RC/DB * AMENDED 01 JULY 03 — Form Rev. 4

483-047

API No. 42-361-30785

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): Sabine Lake, N. (Hackberry, L.)

2. LEASE NAME: State Tract 8

9. Well No. 1

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

RRC Operator No. 602995

10. County of well s: Orange

4. ADDRESS: 4925 Greenville Ave., Suite 1400, Dallas, Texas 75206-4022

11. Purpose of filing: Initial Potential / Retest / Reclass / Well record only (Explain in remarks)

5. Location (Section, Block, and Survey): Sabine Lake State Tract 8

5b. Distance and direction to nearest town in this county.: 3 miles east of Groves, TX

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

12. If workover or reclass, give former field (with reservoir) & Gas ID or oil lease no. FIELD & RESERVOIR | GAS ID or OIL LEASE # | Oil-O Gas-G | WELL #

13. Pipe Line Connection: Tranco Gas PipelineCCo/

14. Completion or recompletion date: November 11, 2001 — RRC AMENDED TO 11/04/01 ONLY

15. Any condensate on hand at time of workover or recompletion? ☐ Yes ☐ No

16. Type of Electric or other Log Run.: Ind, Dens/Neutron, CR

Section I — GAS MEASUREMENT DATA

Date of Test: 11/03-11/04/01

Gas Measurement Method (Check One): Orifice Meter [X] — Flange Taps [X] / Pipe Taps [ ] — Positive Choke [ ] — Orifice Vent Meter [ ] — Pitot Tube [ ] — Critical-Flow Prover [ ]

Gas produced during tes: 3406 MCI

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_{tf}	Gravity Factor F_g	Compress Factor F_{pv}	Volume MCF/DAY
1	3.826	2.000	26462.87	945	133.00	95	.9680	.9637	1.068	9347
2	3.826	2.000	26462.87	915	69.00	100	.9636	.9637	1.057	6527
3										
4										

Section II — FIELD DATA AND PRESSURE CALCULATIONS

Gravity (Dry Gas)	Gravity Liquid Hydrocarbon	Gas-Liquid Hydro Ratio	Gravity of Mixture	Avg. Shut-in Temp.	Bottom Hole Temp.
.646	44.6 Deg. API	14152 CF/Bbl	G_{mix} = .840	153 °F	232 °F @ 11247 (Dept

$D_{eff}^{8/3}$ = 19.953

$\sqrt{T_f} = \sqrt{634} = 25.18$

$\sqrt{GL} = \sqrt{9447.48} = 97.20$

$C = \frac{1118 \times (D_{eff})^{8/3}}{\sqrt{T}} = 1118 \times 19.953 / 25.18 = 885.92$

$\frac{\sqrt{GL}}{C} = 97.20 / 885.92 = .1097$

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_f	P_w/P_f
Shut-in	5.5 Hrs. Stable		7566	74					
1	420	16/64	7485	120	56025	1025.4	1051.4	7555	.9907
2	150	14/64	7540	110	56852	716.0	512.7	7574	.9955
3									
4									

Run No.	F	K	$S = \frac{1}{z}$	E^{ks}	P_f and P_s	P_f^2 and P_s^2 (thousands)	$P_f^2 - P_s^2$ (thousands)
Shut-in	Used 15000# EMP 710-2333				9425	88831	
1	.9954	.2781	.7493	1.2317	9306	86602	2229
2	.9978	.2788	.7468	1.2315	9327	86993	1838
3							
4							

Angle of Slope: θ 45.00 ... n 1.0000 ...

Absolute Open Flow: 372502 ... MCF/DAY

ELL 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 ctions 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 s well.

Jed Bruce Veronica Arese — FESCO Ltd.

Signature Well Tester — Name of Company — RRC Representative

RATOR'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 ected this report, and that data and facts stated therein are true, correct, and complete, to the best of my knowledge.

Donald W. Butler — Attorney-In-Fact — 06 June 03 — 214.692.9211

ature: Operator's representative — Title — Date — A/C Number

10.21

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

17. Type of Completion: New Well [X] Deepening [ ] Plug Back [ ] Other [ ]

18. Permit to Drill / Plug Back or Deepen — DATE 9/2001 — PERMIT NO. 513400
Rule 37 Exception — CASE NO.
Water Injection Permit — PERMIT NO.
Salt Water Disposal Permit — PERMIT NO.
Other — PERMIT NO.

19. Notice of Intention to Drill this well was filed in Name of
National Energy Group, Inc.

20. Number of producing wells on this lease in this field (reservoir) including this well: one (1)

21. Total number of acres in this lease: 1586.69 AMENDED: 01 JULY 03 CMA

RECEIVED CALL FROM RRC QUESTIONING DIRECTIONAL WELL. I'ED W/SK. NOT A DIRECTIONAL WELL AMENDED: 01 JULY 03 CMA

22. Date Plug Back, Deepening Workover or Drilling Operations: Commenced 9/14/01 — Completed ~~11/6/01~~ 10/30/01

23. Distance to nearest well, Same Lease & Reservoir: n/a

24. Location of well, relative to the nearest lease boundaries of lease on which this well is located: 3161 Feet From North Line and 4454 Feet From West Line of the State Tract 8 Lease

25. Elevation (DF, RKB, RT, GR, ETC.): 196 KB/ 176 GL

26. Was directional survey made other than inclination (Form W-12)? [X] Yes [X] No

27. Top of Pay: 11,222'

28. Total Depth: 11,450'

29. P.B. Depth:

30. Surface Casing Determined by: Field Rules [ ] Recommendation of T.D.W.R. [X] Railroad Commission (Special) [X] — Dt. of Letter 3/29/01 — Dt. of Letter 9/06/01

31. Is well multiple completion? [ ] Yes [X] 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 LEASE #	Oil-O Gas-G	Well #

33. Intervals Drilled by: Rotary Tools | Cable Tools

34. Name of Drilling Contractor: Parker

35. Is Cementing Affidavit Attached? [X] 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#	3,143'		Cl -A- 749	14-3/4"	surface	4253
7-5/8"	33.7#	10,010'		Cl -H- 485	9-7/8"	8250	124.4

37. LINER RECORD

Size	TOP	Bottom	Sacks Cement	Screen
5"	9,580'	11,447'	300	

38. TUBING RECORD

Size	Depth Set	Packer Set
3-1/2"	9,522	9,521'

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

From	11,222'	To	11,232'
From	11,232'	To	11,252'
From	11,252'	To	11,272'
From		To	

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

Depth Interval	Amount and Kind of Material Used
N/A	

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

Formations	Depth	Formations	Depth
Het Lime	8,346'		
Frio	9,045'		
Hackberry, L	11,222'		

REMARKS

W-2 1

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division

READ INSTRUCTIONS ON BACK

GAS WELL CLASSIFICATION REPORT

Form G-5
Rev. 01/01/86

1. OPERATOR NAME (Exactly as shown on Form P-5 Organization Report)	3. RRC DISTRICT NO.	4. OIL LEASE NO. OR GAS WELL ID NO.
NEG Operating LLC	3	
2. MAILING ADDRESS	**5. WELL NO.**	**6. API NO.**
4925 Greenville Ave., Suite 1400 Dallas, Texas 75206-4022	1	361 - 30785 42-
	7. COUNTY OF WELL SITE	
	Orange	
8. FIELD NAME (as per RRC Records)	**9. LEASE NAME**	
Sabine Lake, N (Hackberry, L)	State Tract 8	
10. LOCATION (Section, Block, and Survey)	**11. PIPELINE CONNECTION OR USE OF GAS**	
State Tract 8	Transcontinental Gas Pipeline (Williams Field Services Co.)	

I. PRODUCTION TEST AT RATE ELECTED BY OPERATOR (data on 24-hour basis)

A. Date of Test: 11/04-11/03/01

B. Gas Volume: 9347 (Mcf)

C. Oil or Condensate Volume: 660.48 (Bbl)

D. Water Volume: 0.00 (Bbl)

E. Gas/Liquid Hydrocarbon Ratio: 14152 (Cf/Bbl)

F. Flowing Tubing Pressure: 7485 (psia)

G. Choke Size: 16/64 (in.)

H. Casing Pressure: 15 (psia)

I. Shut-in Wellhead Pressure-Tubing: 7566 (psia)

J. Separator Operating Pressure: 945 (psia)

K. Color of Stock Tank Liquid: dark straw

L. Gravity of Separator Liquid: 44.6 °API

M. Gravity of Stock Tank Liquid: NA °API

N. Specific Gravity of the Gas (Air = 1): 0.646

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.

Date Liquid Sample Obtained: 11/03/01

Where Obtained: [X] Separator [ ] Stock Tank

% Over	Temp. (deg. F)	% Over	Temp. (deg. F)
Initial Boiling Temp.	133	60	544
10	212	70	611
20	273	80	677
30	333	90	711
40	412	95	719
50	483	End Point	719

Total Recovery: 98.8 percent

Residue: 1.2 percent

Loss: 0.0 percent

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.

Ted Brice — FESCO Ltd.
NAME (Type or Print)

Ted Brice Veronica Arena
SIGNATURE

Beaumont District Manager
TITLE

11/19/2001
DATE

Ted Brice (979) 842-3000
CONTACT PERSON PHONE NUMBER

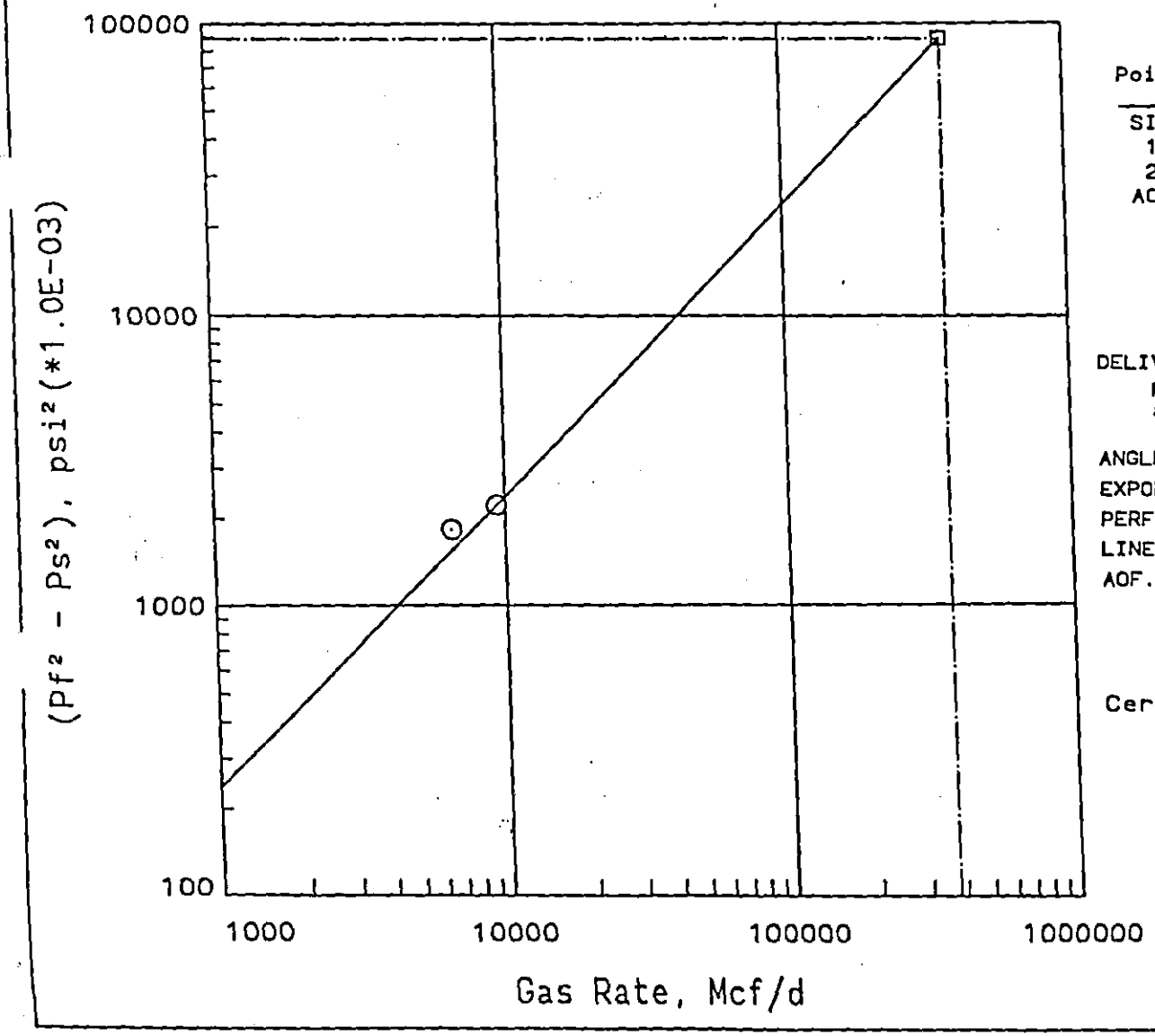
RRC USE ONLY

1-23-04

National Energy Group, Inc.

Lease : State Tract 8
Well No.: 1
Field : Wildcat
County : Orange
Test Date : 11/04-11/03/01
RRC District: 3

Gas Deliverability Plot



4-Point BPT Data

Point	Rate, Mcf/d	BHP, PsiA	(Pf² - Ps²), psi2 (*1.0E-03)
SI	0	9425	-----
1	9347	9306	2229
2	6527	9327	1838
AOF	372502	15	88830

DELIVERABILITY RESULTS

DELIVERABILITY LINE: Drawn through the point corresponding to the top rate at a 45.0 degree angle.

ANGLE.....: θ = 45.0 degrees
EXPONENT.....: n = 1.0000
PERFORMANCE COEF: C = 4.1934 (Mcf/d)/psi²
LINE EQUATION...: Q = C(Pf² - Ps²)ⁿ
AOF.....: 372502 Mcf/d

Certified by: Ted Brice
District Manager
Beaumont, Texas
409-842-3000

RAILROAD COMMISSION OF
OIL AND GAS DIVISION

Form W-12
DBC1297 (1-1-71)

INCLINATION REPORT

(One Copy Must Be Filed With Each Completion Report.)

1. FIELD NAME (as per RRC Records or Wildcat)	2. LEASE NAME	6. RRC District	7. RRC Lease Number (Oil completions only)
Sabine Lake, N. (Hackberry, L.)	State Tract 8	03	

3. OPERATOR	8. Well Number	9. RRC Identification Number (Gas completions only)
NEG Operating, LLC	1	

4. ADDRESS	10. County
4925 Greenville Ave., Suite 1400 Dallas, TX 75206	Orange

5. LOCATION (Section, Block, and Survey)
Sabine Lake, State Tr. 8

RECORD OF INCLINATION

*11. Measured Depth (feet)	12. Course Length (Hundreds of feet)	*13. Angle of Inclination (Degrees)	14. Displacement per Hundred Feet (Sine of Angle X100)	15. Course Displacement (feet)	16. Accumulative Displacement (feet)
187	187	1/4	.00436	.815	.815
900	713	3/4	.01309	9.333	10.148
1400	500	1/4	.00436	2.180	12.328
1903	503	1/4	.00436	2.193	14.521
2400	497	1/4	.00436	2.166	16.687
3099	699	1	.01745	12.197	28.884
3645	546	1/4	.00436	2.380	31.264
4132	487	1/4	.00436	2.123	33.387
4643	511	1	.01745	8.916	42.303
5140	497	1/2	.00873	4.338	46.641
5641	501	1	.01745	8.742	55.383
6131	490	1	.01745	8.550	63.933
6654	523	1	.01745	9.126	73.059
7144	490	1/2	.00873	4.130	77.189
7695	551	1	.01745	9.614	86.803
8189	494	2 1/2	.04362	21.548	108.351

If additional space is needed, use the reverse side of this form.

17. Is any information shown on the reverse side of this form? ☒ yes ☐ no

18. Accumulative total displacement of well bore at total depth of 11450 feet = 305.467 feet.

*19. Inclination measurements were made in - ☐ Tubing ☐ Casing ☐ Open hole ☐ Drill Pipe

20. Distance from surface location of well to the nearest lease line 3161 feet.

21. Minimum distance to lease line as prescribed by field rules 467 feet.

22. Was the subject well at any time intentionally deviated from the vertical in any manner whatsoever? N

(If the answer to the above question is "yes", attach written explanation of the circumstances.)

INCLINATION DATA CERTIFICATION

I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this certification, that I have personal knowledge of the inclination data and facts placed on both sides of this form and that such data and facts are true, correct, and complete to the best of my knowledge. This certification covers all data as indicated by asterisks (*) by the item numbers on this form.

Greg Leger
Signature of Authorized Representative
GREG LEGER Drilling Supt.
Name of Person and Title (type or print)
PARKER Drlg. Co
Name of Company
Telephone: 337 Area Code 373-6262

OPERATOR CERTIFICATION

I declare under penalties prescribed in Sec. 91-143, Texas Natural Resources Code, that I am authorized to make this certification, that I have personal knowledge of all information presented in this report, and that all data presented on both sides of this form are true, correct, and complete to the best of my knowledge. This certification covers all data and information presented herein except inclination data as indicated by asterisks (*) by the item numbers on this form.

[redacted] Don Butler
Signature of Authorized Representative DON BUTLER
[redacted] Atty-In-Fact
Name of Person and Title (type or print)
NEG Operating, LLC.
Operator
Telephone: Area Code (214) 692-9211

Railroad Commission Use Only:

Approved By: _____ Title: _____ Date: _____

* Designates items certified by company that conducted the inclination surveys.

10-27-1

RECORD OF INCLINATION (Continued from reverse side)

*11. Measured Depth (feet)	12. Course Length (Hundreds of feet)	*13. Angle of Inclination (Degrees)	14. Displacement per Hundred Feet (Sine of Angle X100)	15. Course Displacement (feet)	16. Accumulative Displacement (feet)
9174	985	4	.06976	68.713	177.064
9512	338	4 1/4	.07411	25.049	202.113
10110	598	6 1/2	.11320	67.693	269.806
10489	379	2	.03490	13.227	283.033
10773	284	1 3/4	.03054	8.673	291.706
11073	300	2	.03490	10.470	302.176
11450	377	1/2	.00873	3.291	305.467

If additional space is needed, attach separate sheet and check here. ☐

REMARKS: _____

- INSTRUCTIONS -

An inclination survey made by persons or concerns approved by the Commission shall be filed on a form prescribed by the Commission for each well drilled or deepened with rotary tools or when, as a result of any operation, the course of the well is changed. No inclination survey is required on wells that are drilled and completed as dry holes that are plugged and abandoned. (Inclination surveys are required on re-entry of abandoned wells.) Inclination surveys must be made in accordance with the provisions of Statewide Rule 11.

This report shall be filed in the District Office of the Commission for the district in which the well is drilled, by attaching one copy to each appropriate completion for the well. (except Plugging Report)

The Commission may require the submittal of the original charts, graphs, or discs, resulting from the surveys.

10.22.1

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

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division

Form W-15
Cementing Report
Rev. 4/1/83
483-045

1. Operator's Name (As shown on Form P-5, Organization Report)	2. RRC Operator No.	3. RRC District No.	4. County of Well Site
NEG Operating LLC	602995	03	ORANGE

5. Field Name (Wildcat or exactly as shown on RRC records)	6. API No.	7. Drilling Permit No.
Sabine Lake, North (hackberry, L.)	42- 361-30785	513400

8. Lease Name	9. Rule 37 Case No.	10. Oil Lease/Gas ID No.	11. Well No.
STATE TRACK 8			#1

CASING CEMENTING DATA:		SURFACE CASING	INTER-MEDIATE CASING	PRODUCTION CASING		MULTI-STAGE CEMENTING PROCESS	
				Single String	Multiple Parallel Strings	Tool	Shoe
12. Cementing Date		09/17/01					
13. •Drilled hole size		14-3/4"					
•Est. ¼ wash or hole enlargement							
14. Size of casing (in. O.D.)		10-3/4"					
15. Top of liner (ft.)							
16. Setting depth (ft.)		3,143'					
17. Number of centralizers used							
18. Hrs. Waiting on cement before drill-out							
1st Slurry	19. API cement used: No. of sacks ▶	1478					
	Class ▶	15 -85-POZ	(A)				
	Additives ▶	8% Gel + 5% Salt+ .3% R - 3 + .25 pps cello flakes					
2nd Slurry	No. of sacks ▶	749					
	Class ▶	A					
	Additives ▶	.2% R-3					
3rd Slurry	No. of sacks ▶						
	Class ▶						
	Additives ▶						
1st	20. Slurry pumped: Volume (cu. ft.) ▶	3369					
	Height (ft.) ▶	6054					
2nd	Volume (cu. ft.) ▶	884					
	Height (ft.) ▶	1540					
3rd	Volume (cu. ft.) ▶						
	Height (ft.) ▶						
Total	Volume (cu. ft.) ▶	4253					
	Height (ft.) ▶	7594					
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.

WILLIAM TAYLOR Serv./Supervisor — Name and title of cementer's representative

B J SERVICES COMPANY — Cementing Company

William Taylor — Signature

P.O. BOX 10048 Hwy 146 North — Address

LIBERTY, TX 77575 — City, State, Zip Code

936-336-7218 — Tel.: Area Code Number

9 -17 -01 — 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.

Don Butler — Typed or printed name of operator's representative

Attorney-In-Fact — Title

Don Butler — Signature

4925 Greenville Ave., Ste 1400, Dallas, TX 75206 — Address

214.692.9211 — Tel.: Area Code Number

06 June 2003 — 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 offshore 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 shades areas.
Operator: Fill in other items.

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division

Form W-15
Cementing Report
Rev. 4/1/83
483-045

1. Operator's Name (As shown of Form P-5, Organization Report)	2. RRC Operator No.	3. RRC District No.,	4. County of Well Site
NEG Operating LLC	602995	03	Orange

5. Field Name (Wildcat or exactly as shown on RRC records)	6. API No.	7. Drilling Permit No.
Sabine Lake, N. (Hackberry, L.)	42- 361-30785	513400

8. Lease Name	9. Rule 37 Case No.	10. Oil Lease/Gas ID No.	11. Well No.
State Tract 8			#1

CASING CEMENT DATA:	SURFACE	INTER-MEDIATE CASING	PRODUCTION CASING		MULTI-STAGE CEMENTING PROCESS	
			Single String	Multiple Parallel Strings	Tool	Shoe
12. Cementing Date		10-4-01				
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		10,010'				
17. Number of centralizers used						
18. Hrs. Waiting on cement before drill out						
1st Slurry — 19. API cement used: No. of sacks		485				
1st Slurry — Class		H				
1st Slurry — Additives		35% Silica Flour + .15% R-3				
2nd Slurry — No. of sacks						
2nd Slurry — Class						
2nd Slurry — Additives						
3rd Slurry — No. of sacks						
3rd Slurry — Class						
3rd Slurry — Additives						
1st — 20. Slurry pumped: Volume (cu.ft.)		124.4				
1st — Height (ft.)		3156.6				
2nd — Volume (cu.ft.)						
2nd — Height (ft.)						
3rd — Volume (cu.ft.)						
3rd — Height (ft.)						
Total — Volume (cu.ft.)		124.4				
Total — Height (ft.)		3156.6				
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 of cement								

CEMENTERS 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 me 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.

Jeffrey S Koehn Service Supervisor — Name and title of cementer's representative

BJ SERVICES COMPANY — Cementing Company

Signature

P.O. BOX 10048 — Address

LIBERTY — City,

TX — State,

77575 — Zip Code

(936) 336-7218 — Tel.: Area Code Number

10-4-01 — 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.

Don Butler — Typed or printed name of operator's representative

Attorney-In-Fact — Title

Signature

4925 Greenville Ave., Ste 1400, Dallas, TX 75206 — Address, City, State, Zip Code

214.692.9211 — Tel.: Area Code Number

06 June 2003 — 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 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 protecting depth. Surface casing should not be set deeper that 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 place every fourth joint from the cement shoe to the ground surface or to the bottom of the cellar. All centralizers must meet API specifications.

F. Intermediate and production casing. For specific technical requirements, operators should consult Statewide Rule 13 (b) (3) and (14).

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 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.

T-5-in

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

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division

Form W-15
Cementing Report
Rev. 4/1/83
483-045

1. Operator's Name (As shown on Form P-5, Organization Report)	2. RRC Operator No.	3. RRC District No.	4. County of Well Site
NEG Operating LLC	602995	03	Orange

5. Field Name (Wildcat or exactly as shown on RRC records)	6. API No.	7. Drilling Permit No.
Sabine Lake, N. (Hackberry, L.)	42-361-30785	513400

8. Lease Name	9. Rule 37 Case No.	10. Oil Lease/Gas ID No.	11. Well No.
STATE TRACT 8			#1

CASING CEMENTING DATA:	SURFACE CASING	INTER-MEDIATE CASING	PRODUCTION CASING		MULTI-STAGE CEMENTING PROCESS	
			Single String	Multiple Parallel Strings	Tool	Shoe
12. Cementing Date			10/16/01			
13. •Drilled hole size			6-1/2"			
•Est. % wash or hole enlargement						
14. Size of casing (in. O.D.)			5"			
15. Top of liner (ft.)			9,580'			
16. Setting depth (ft.)			11,447'			
17. Number of centralizers used						
18. Hrs. Waiting on cement before drill-out						
1st Slurry — 19. API cement used: No. of sacks ▶			300			
1st Slurry — Class ▶			H			
1st Slurry — Additives ▶			SEE REMARKS BELOW:			
2nd Slurry — No. of sacks ▶						
2nd Slurry — Class ▶						
2nd Slurry — Additives ▶						
3rd Slurry — No. of sacks ▶						
3rd Slurry — Class ▶						
3rd Slurry — Additives ▶						
1st — 20. Slurry pumped: Volume (cu. ft.) ▶			453			
1st — Height (ft.) ▶			2777			
2nd — Volume (cu. ft.) ▶						
2nd — Height (ft.) ▶						
3rd — Volume (cu. ft.) ▶						
3rd — Height (ft.) ▶						
Total — Volume (cu. ft.) ▶			453			
Total — Height (ft.) ▶			2777			
21. Was cement circulated to ground surface (or bottom of cellar) outside casing?			NO			

22. Remarks: 35% 100 Mesh+26% Hematite + 5% BA58 + .8% FL-63 + .3% CD-32 + .12% ASA-301+.1%R-3

1070

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.

RICHARD MIXON SERV./ SUPERVISOR — Name and title of cementer's representative

B J SERVICES COMPANY — Cementing Company

Richard Mixon — Signature

P.O. BOX 10048 HWY 146 N. Liberty, Tx 77575 — Address, City, State, Zip Code

936-336-7218 — Tel.: Area Code Number

10/16/01 — 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.

Dôn Butler — Typed or printed name of operator's representative

Attorney-In-Fact — Title

Don Butler — Signature

4925 Greenville Ave., Ste 1400, DAllas, TX 75206 — Address, City, State, Zip Code

214.692.9211 — Tel.: Area Code Number

06 June 2003 — Date: mo. day yr.

Instructions to Form W-15, Cementing Report

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

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

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

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

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

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

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

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

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

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

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division

Please Read Instructions

ELECTRIC LOG STATUS REPORT

FORM L-1
Rev. 12/88
DBC1297

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: NEG Operating LLC	District No.: 3	Completion Date: 11/11/2001	
Field Name: Sabine Lake, N. (Hackberry,L)	Drilling Permit No.: 513400		
Lease Name: State Tract 8	Lease/ID No.: pending	Well No.: 1	
County: Orange	API No.: 42- 361-30785		

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

[ ] A. BASIC ELECTRIC LOG NOT RUN

[X] B. BASIC ELECTRIC LOG RUN (select one)

[X] 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) _____

Don Butler
signature

Attorney-In-Fact
title

Don Butler
name (print)

(214) 692-9211
phone

06/06/2003
date

For Railroad Commission use only

N.P.C.T.

COMPANY: National Energy Group, Inc

WELL: State Tract 8 No 1

FIELD: Wildcat

COUNTY: Orange STATE: Texas

Schlumberger

****** PLATFORM EXPRESS ******
ARRAY INDUCTION
BHC SONIC
DENSITY - NEUTRON -ML
FINAL COMPOSITE [5"=100']

County: Orange
Field: Wildcat
Loc.: 2 Miles S. of Bridge City on Sabine Lake
Well: State Tract 8 No 1
Company: National Energy Group, Inc

LOCATION

2 Miles S. of Bridge City on Sabine lake		Elev.: K.B.	34.25 ft
X:3,638,650 & Y:804,574		G.L.	0 ft
State Tract 8		D.F.	33.25 ft
Permanent Datum:	Sea Level	Elev.:	0 ft
Log Measured From:	Kelly Bushing	34.3 ft	above Perm. Datum
Drilling Measured From:	Kelly Bushing		

API Serial No.	BRADEN HEAD		RIG:
42-361-30785	6.25'		Parker No. 20

Logging Date				2-OCT-2001				13-OCT-2001			
Run Number				ONE - BHC				TWO - TCOM			
Depth Driller				10115 ft				11418 ft			
Schlumberger Depth				10131 ft				11418 ft			
Bottom Log Interval				10123 ft				11410 ft			
Top Log Interval				3143 ft				10088 ft			
Casing Driller Size @ Depth				10.750 in	@	3139 ft		7.625 in	@	101	
Casing Schlumberger				3143 ft				10088 ft			
Bit Size				9.875 in				6.500 in			
Type Fluid In Hole				Fresh Water mud				Fresh Water Mud			
MUD	Density	Viscosity		10.3 lbm/gal	43 s			16.8 lbm/gal	40 s		
	Fluid Loss	PH		4.7 cm3	9.8			2.6 cm3	9.3		
	Source Of Sample			Mud Tank				Flowline			
RM @ Measured Temperature				0.700 ohm.m	@	83 degF		0.740 ohm.m	@	71 d	
RMF @ Measured Temperature				0.595 ohm.m	@	83 degF		0.555 ohm.m	@	71 d	
RMC @ Measured Temperature				0.980 ohm.m	@	83 degF		1.110 ohm.m	@	71 d	
Source RMF	RMC			Mud Press	Calculated			Calculated	Calculated		
RM @ MRT	RMF @ MRT			0.291 @ 210	0.247 @ 210			0.248 @ 225	0.186 @		
Maximum Recorded Temperatures				208 degF	210	208		224 degF	225	224	
Circulation Stopped		Time		2-OCT-2001		10:00		13-OCT-2001		13:	
Logger On Bottom		Time		2-OCT-2001		18:15		14-OCT-2001		0:4	
Unit Number	Location			2021	Liberty			2008	Liberty, TX		
Recorded By				Jameel Rahman				Randy Brintnell			
Witnessed By				Pledger, Henley, Scott, Miller				Pledger, Henley, Scott, Miller			

40.27.1

RK
SH
DB
WF
M. EVERHART
DB CHRONO
DR

NEG OPERATING LLC

May 29, 2003

via Fedex

Ms. Jackie Kelm
P-4 Approvals, District 3 Gas
Railroad Commission of Texas
Oil and Gas Division
1701 North Congress
Austin, TX 78711-2967

06 JUNE 2003

*NOTE CHANGES MADE BY RRC RE: OIL/CONDENSATE GATHERER

Re: P-4 Submission
NEG Operating LLC
State Tract 8-1
Orange County

Dear Ms. Kelm:

Enclosed for your review and approval is a P-4 filed in duplicate for the referenced well. The well facilities and pipeline to sales have recently been completed and first production is anticipated June 4, 2003. A previous P-4 was filed under the company's previous name of National Energy Group, Inc.to move test oil via Plains Marketing LP.

If you have any questions, you can reach me at 214.692.9211, ext. 112.

Yours truly,

NEG Operating LLC

Don Butler
Attorney-In-Fact

DWB/
Enclosure

4925 Greenville Avenue • Suite 1400 • Dallas, Texas 75206 • (214) 692-9211 • FAX (214) 692-9310

40-2-1

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division
PO Box 12967
Austin TX 78711-2967
www.rrc.state.tx.us

CERTIFICATE OF COM. ANCE AND TRANSPORTATION AUTHORITY

READ INSTRUCTIONS ON BACK

P-4
5/02—WWW-1

1. Field name exactly as shown on proration schedule	2. Lease name as shown on proration schedule			
Sabine Lake, N (Hackberry, L)	StateTract 8			
3. Current operator name exactly as shown on P-5 Organization Report	4. Operator P-5 no.	5. Oil Lse/Gas ID no.	6. County	7. RRC district
NEG Operating LLC	602995		Orange	03
8. Operator address including city, state, and zip code	9. Well no(s) *(see instruction E)*			
4925 Greenville Ave, Ste 1400 Dallas, TX 75206	1			
	10. Classification ☐ Oil ☒ Gas ☐ Other *(see instruction A)*		11. Effective Date	6/3/03

12. Purpose of Filing. (Complete section a or b below.) *(See instructions B and G)*

a. Change of: ☒ operator ☒ oil or condensate gatherer ☐ gas gatherer ☐ gas purchaser ☐ gas purchaser system code
☐ field name from: (P-4 filed for test oil)
☐ lease name from: _____

OR

b. New RRC Number for: ☐ oil lease ☒ gas well ☐ other well (specify) _____
Due to: ☒ new completion or recompletion ☐ reclass oil to gas ☐ reclass gas to oil ☐ consolidation, unitization, or subdivision (oil lease only)

13. Authorized GAS WELL GAS or CASINGHEAD GAS Gatherer(s) and/or Purchaser(s) *(See instruction G)*

Gatherer	Purchaser	Name of GAS WELL GAS or CASINGHEAD GAS Gatherer(s) or Purchaser(s) As Indicated in Columns to the Left *(Attach an additional sheet in same format if more space is needed)*	Purchaser's RRC Assigned System Code	Percent of Take	Full-well stream
X		Ballard Exploration Company		100	X
	X	Ballard Natural Gas, LLC		100	

14. Authorized OIL or CONDENSATE Gatherer(s) *(See instruction G)*

Name of OIL or CONDENSATE Gatherer(s) - List Highest Volume Gatherer First *(Attach an additional sheet in same format if more space is needed)*		Percent of Take
~~Ballard Exploration Company~~ NEG OPERATING LLC	ADMINISTRATIVE CHANGE MADE BY RRC 06 JUNE 03 PER JACKIE KELM, STATING NEG ACTING AS GATHERER.	100

RRC USE ONLY
Reviewer's initials: _____
Approval date: _____

15. **PREVIOUS OPERATOR CERTIFICATION FOR CHANGE OF OPERATOR P-4 FILING.** Being the PREVIOUS OPERATOR, I certify that operating responsibility for the well(s) designated in this filing, 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.

National Energy Group, Inc.
Name of Previous Operator

Donald W. Butler
Signature

Donald W. Butler
Name (print)

☒ **Authorized Employee of previous operator** ☐ **Authorized agent of previous operator** *(see instruction G)*

Manager, Regulatory Affairs
Title

5/29/03
Date

(214) 692-9211
Phone with area code

16. **CURRENT OPERATOR CERTIFICATION.** By signing this certificate as the Current Operator, I certify that all statements on this form are true and correct and I acknowledge responsibility for the regulatory compliance of the subject lease including plugging of well(s) pursuant to Rule 14. I further acknowledge that I assume responsibility for the physical operation, control, and proper plugging of each well designated in this filing. 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.

Donald W. Butler
Name (print)

Donald W. Butler
Signature

Attorney-In-Fact
Title

☒ **Authorized Employee of current operator** ☐ **Authorized agent of current operator** *(see instruction G)*

dbutler@negx.com
E-mail Address (optional)

5/29/03
Date

(214) 692-9211
Phone with area code

CONFIRMATION REPORT - MEMORY SEND

Time : AUG-11-03 10:38
Fax number: 2146928562
Name : NATIONAL ENERGY GROUP

Job	:	828
Date	:	AUG-11 10:37
To	:	Tyson ST8
Doc. pages	:	02
Start time	:	AUG-11 10:37
End time	:	AUG-11 10:38
Pages sent	:	02
Job:828		*** SEND SUCCESSFUL ***

NEG OPERATING LLC

RK
SH
DB
WF
M. EVERHART
DB CHRONO
DR

May 29, 2003

via Fedex

Ms. Jackie Kelm
P-4 Approvals, District 3 Gas
Railroad Commission of Texas
Oil and Gas Division
1701 North Congress
Austin, TX 78711-2967

06 JUNE 2003
*NOTE CHANGES MADE BY RRC RE: OIL/CONDENSATE GATHERER

Re: P-4 Submission
NEG Operating LLC
State Tract 8-1
Orange County

Dear Ms. Kelm:

Enclosed for your review and approval is a P-4 filed in duplicate for the referenced well. The well facilities and pipeline to sales have recently been completed and first production is anticipated June 4, 2003. A previous P-4 was filed under the company's previous name of National Energy Group, Inc.to move test oil via Plains Marketing LP.

If you have any questions, you can reach me at 214.692.9211, ext. 112.

Yours truly,

NEG Operating LLC

Don Butler
Attorney-In-Fact

DWB/
Enclosure

4925 Greenville Avenue • Suite 1400 • Dallas, Texas 75206 • (214) 692-9211 • FAX (214) 692-9310

MICHAEL L. WILLIAMS, CHAIRMA.
CHARLES R. MATTHEWS, COMMISSIONER
VICTOR G. CARRILLO, COMMISSIONER

RICHARD A. VARELA
DIRECTOR, OIL AND GAS DIVISION
STEVEN J. SENI
ASSISTANT DIRECTOR FOR ENVIRONMENTAL SERVICES

WF
PERMIT FILE

RAILROAD COMMISSION OF TEXAS

OIL AND GAS DIVISION

May 22, 2003

DON BUTLER
NEG OPERATING LLC
4925 GREENVILLE AVE SUITE 1400
DALLAS TX 75206

Re: HT-2810
Minor Permit to Discharge Hydrostatic Test Water back to Sabine Lake in State Tract 8
Approx. 16,050' of New 6" Pipeline and Approx. 122' of New 3.5" Pipeline
Orange County, Texas

Dear Mr. Butler:

This permit is your authority to discharge a total of approximately 24,000 gallons of water used to pressure test new natural gas pipelines, subject to the attached conditions. This permit is granted based on the information contained in your application dated May 16, 2003. Unless otherwise required by the conditions of this permit, your operations must be conducted in accordance with that information. You are authorized to discharge the water at the discharge point indicated in your application.

The effective date of this permit is May 23, 2003. The authority granted by this permit will expire 60 days from that date.

The Railroad Commission has reviewed this proposed action for consistency with the Coastal Management Program (CMP) goals and policies, in accordance with the regulations of the Coastal Coordination Council (council) and has found that the proposed action will not have a direct and significant adverse affect on any coastal natural resources area (CNRA) identified in the applicable policies, and has determined that the proposed action is consistent with the applicable CMP goals and policies.

If you have any questions, please contact Larry Hannesschlager at 512-463-7300.

Sincerely yours,

Larry Hannesschlager

(for) Leslie Savage, Water Quality Certification and TCMP
Oil and Gas Division

LS/lh

Attachment

cc: David Born (w/attachment & copy of application)
Pipeline Safety

Conditions for the Discharge of Pipeline Hydrostatic Test Water
to Surface Waters – Permit No. HT-2810

1. The Railroad Commission Pipeline Safety Office must be notified at least 48 hours before the discharge begins and as soon as practical after any pipeline failure during testing. Call Lee W. Thying, P.E. at 512-463-7052.

2. Unless otherwise required by the conditions of this permit, the hydrostatic test water must be treated in accordance with the information contained in the application. No water with a visible oil sheen may be discharged.

3. The discharge must be controlled to minimize the disturbance and re-suspension of bottom sediments and to avoid adverse impact to any wetlands, submerged grass beds, or oyster reefs.

4. No chemicals may be added to the hydrostatic test water.

MICHAEL L. WILLIAMS, CHAIRMAN
CHARLES R. MATTHEWS, COMMISSIONER
VICTOR G. CARRILLO, COMMISSIONER



RICHARD A. VARELA
DIRECTOR, OIL AND GAS DIVISION
STEVEN J. SENI
ASSISTANT DIRECTOR FOR ENVIRONMENTAL SERVICES

RAILROAD COMMISSION OF TEXAS
OIL AND GAS DIVISION

May 22, 2003

DON BUTLER
NEG OPERATING LLC
4925 GREENVILLE AVE SUITE 1400
DALLAS TX 75206

Re: Application for a Permit to Discharge Hydrostatic Test Water

Dear Operator:

This letter is to advise you that the referenced application is complete. The application contains information addressing each application requirement and all information necessary to initiate the final review.

Commission staff will perform the final review and advise you whether the permit application is administratively granted or denied.

You may contact Larry Hannesschlager at 512-463-7300 should you have any questions.



RK
SH
DB/DBCHRONO
WF
ME (fax'd)

NEG OPERATING LLC

May 14, 2003 *via FAX and certified mail #7002 2030 0001 8722 2051*

Leonard D. Waterworth
District Engineer and Commanding Officer
U. S. Army Engineer District, Galveston
CESWG-PE-R
P.O. Box 1229
Galveston, TX 77551

Re: Notification of Commencement of Construction Activities
Permit No. 22315 - SHELL PAD, BARGE, WALKWAY FLOWLINE, CLUSTERS
NEG Operating LLC
State Tract 8, Sabine Lake
Orange County, Texas

Dear Sir:

As set forth in USACE-Galveston District Permit No. 22315, authorized August 22, 2001, NEG Operating LLC hereby makes formal notice of commencement of construction activities, due to initiate this day, May 14, 2003.

If you require any additional information, you may contact me at 214.692.9211, extension 112.

Very truly yours,

NEG Operating LLC

Don Butler
Manager
Regulatory Affairs

DWB/

4925 Greenville Avenue • Suite 1400 • Dallas, Texas 75206 • (214) 692-9211 • FAX (214) 692-9310

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division

Read Instructions on Back

Request for Clearance of Storage Tanks
Prior to Potential Test

Form P-8
Rev. 12/1/82
483-021
DBC0697

Type or print only

1. Operator's Name and Address (Exactly as shown on Form P-5, Organization Report)
National Energy Group, Inc.
4925 Greenville Ave.,
Suite 1400
Dallas TX 75206

2. RRC Operator Number 600647

3. RRC District No. 03

4. County of Well Site Orange

5. API No. 42- 361-30785

6. Field Name (Wildcat or exactly as shown on RRC records) Sabine Lake, N. (Hackberry, L)

7. Drilling Permit No. 513400

8. Rule 37 Case No.

9. Lease Name STATE TRACT 8

10. Oil Lease No. na

11. Well No. 1

12. Drilling completed on 10 / 15 / 01 (mo. / day / year)

13. Completion report--Form W-2 or G-1--will be filed on ASAP ____/____/____ (mo. / day / year)

14. Oil or condensate gatherer's name and address
Plains Marketing & Transportation
500 Dallas
Suite 700
Houston TX 77002

Telephone: Area code ( ) Number (713) 652-0716

15. Authorization to transport oil or condensate(mark one)
☐ Form P-4 attached
☐ Form P-4 filed on ____/____/____ (mo. / day / year)

16. This request is for 2000 barrels of ☐ crude oil OR ☒ condensate

17. Amount of oil/condensate in tanks
____ barrels on ____/____/____ (mo. / day / year)

18. Storage capacity in bbls. Tank battery ____ test tanks ____ Total ____

19. Previous request for clearance. Amount 0 barrels granted on ____/____/____ (mo. / day / year)

20. Reason for current request for clearance (explain briefly)
Propose to test well on 11/2/01; Will require approval to move an est. amount of 2000 bbls. condensate from barge. This is test condensate. Permanent gatherers & pipeline purchasers and pipeline routes are currently being negotiated.

Martha J. Rogers
Type or printed name of operator's representative

Manager, Regulatory
Title of person

(214) 692-9211
Telephone: Area Code Number

11/01/2001
Date: mo. day year

Martha J. Rogers
Signature

RRC District Office Action

Barrels recommended ____

District Director Date

MICHAEL L. WILLIAMS, CHAIRMAN
CHARLES R. MATTHEWS, COMMISSIONER
TONY GARZA, COMMISSIONER

RICHARD VARELA
DIRECTOR, OIL AND GAS
GUY M. GROSSMAN
DISTRICT DIRECTOR

RAILROAD COMMISSION OF TEXAS

OIL AND GAS DIVISION

September 6, 2001

National Energy Group, Inc.
4925 Greenville Avenue, Suite 1400
Dallas, TX 75206

RE: State Tract 8 Lease, Well No. 1 , Permit No. 513400
Sabine Lake, N.(Hackberry) Wildcat Field, Orange County, Texas

This will acknowledge receipt of your letter dated September 06, 2001 concerning the above captioned well.

You are hereby authorized to set approximately **3100** feet of surface casing and to cement it back to **2480** feet using cement of critical quality (13(b)(2)(C)(i)). Filler cement may be used from **2480** feet to the surface.

In the event the well is a dry hole and no production string is set, it will be necessary that sufficient cement plugs be set in the wellbore to protect all useable quality water strata. Cement plugs are to be placed in the wellbore promptly after the Commission authorizes plugging of the well and before the drilling rig is dismantled or moved.

You must comply with all other provisions of Statewide Rule 13(b)(2). A representative of the cementing company who performs the last cementing job for the protection of useable quality water strata must sign the appropriate form attesting to the information shown on the form regarding cementing operations performed for same.

If cement is not circulated to ground surface while cementing the surface casing in this well, you must promptly contact the appropriate district director or his authorized representative and follow the procedures as set out in Statewide Rule 13(b)(2)(G)(iii).

This authority does not apply and is voided if parallel (non-concentric) strings of pipe are cemented in the hole for any reason unless all fresh water strata are protected by casing cemented in place before the parallel strings are cemented in the hole. It is requested that the Railroad Commission District Office shown below be notified approximately eight (8) hours prior to the time casing is cemented in this well.

Yours very truly,

Gil Bujano
(For) Guy M. Grossman
District Director - 03

DISTRICT OFFICE
03 - Houston
GMG:GB:nc

PHONE
713-869-5001

PLEASE DO NOT STAPLE

DEPTH OF USABLE-QUALITY GROUND WATER TO BE PROTECTED

PLEASE READ ALL INSTRUCTIONS

The information requested is essential in order for this agency to provide an appropriate response. Please allow for receipt of this form in our offices at least two weeks before your operation begins. Due to the volume of these requests, it is difficult for us to handle telephone inquiries, and such only serve to delay the processing of these forms. Complete, keep the bottom sheet (goldenrod) for your files, and mail the top 3 sheets of the 4-sheet set of carbon-backed forms to the address below; one of them will be returned to you bearing our response and one will be sent to the appropriate district office of the Railroad Commission. For questions phone: 512/239-0515.

Surface Casing - MC 151
TNRCC
P.O. Box 13087
Austin, TX 78711-3087

Date 14 March 2001 **TNRCC File No.: SC-** 1410

E. B. Krider 281.558.8585
Name of person preparing this request & telephone no. w/AC

Benchmark Oil & Gas Company
Company (operator's name as on RRC form W-1)

P. O. Box 820729
Mailing Address

Houston, Texas 77282-0729
City and State Zip Code

No Map Sent

COUNTY Orange Survey Name Sabine Lake State Tract 8

Block No. _____ Township _____ Section or Survey No. _____ (or) Lot No. _____

Abstract No. A- _____ LEASE Name State Tract 8 Well No. 1 Well No. 1

(A map showing all surrounding SURVEYS and your well site must accompany this request.)

Distances, in feet, and directions measured at right angles from each of two intersecting Section or Survey lines
(NOT LEASE LINES) 521 feet from North line and 326 feet from East line

Distance (in miles) and direction from a nearby town in this County (name the town) 3.5 miles in an easterly direction from Port Arthur

THE ABOVE INFORMATION IN THIS BLOCK MUST BE COMPLETE AND CORRECT!!!

RRC Lease No. _____ RRC Dist. No. _____

Elevation (if avail.) 6.2 feet Total Depth 11,600' Geologic Fm. at T.D. Hackberry

Purpose of the Request: ☒ New Drill ☐ Re-entry ☐ Plug & Abd. ☐ Other (specify) _____

Is this an amended request? ☐ Yes ☒ No Give previous File No. for this well: SC- _____

Additional data (check if attached):

Log of same or nearby well _____ (The applicable type of well log of a nearby well that shows the aquifers.)

ALWAYS attach the electric log of any well that is to be reentered.

Additional remarks: Lease No. M-97589

TYPE OR PRINT IN INK

Fold

DO NOT WRITE HERE
FOR TNRCC USE ONLY

The TEXAS NATURAL RESOURCE CONSERVATION COMMISSION's recommendation for the protection of usable-quality ground water at the referenced location is as follows:

CO-ORANGE,SUR-SABINE LAKE ST,SEC-8,LSE-STATE TRACT 8 WELL#1,#1/200

The interval from the land surface to a depth of 200 feet must be protected.

Very truly yours,

Karen F. Scott

Karen F. Scott
Geologist, Surface Casing, TNRCC

Date March 29, 2001
typed by TNRCC

NOTE: The depth to which we recommend that usable-quality water strata should be protected is intended to apply only to the subject well and not for area-wide use. Approval of the well-completion methods for protection of this ground water falls under the jurisdiction of the Railroad Commission of Texas. **This recommendation is intended for normal drilling, production, and plugging operations only and does not apply to salt water disposal operations into a nonproductive zone (RRC Form W-14).**

TNRCC-0051 (Rev. 09-17-96)

13-A

Surface Casing Exception Request

Date:

Operator: National Energy Group, Inc. Telephone: 214-692-9211

Address: 4925 Greenville Ave., Suite 1400 Operator Number: 600647

Dallas, Tx. 75206 District Number: 03

County: Orange

Field: Sabine Lake, N. (Hackberry, L.) & Wildcat Well Number: 1

Lease: State Tract 8 Permit Number:

Section: ____ Block: 8 Survey: ____ Abstract: A-

Distance and Direction from Nearest Town: 3 miles in a E direction from Groves

Proposed Total Measured Depth: 11,600 Proposed Total Vertical Depth:

Recommended depth of useable quality water and any seperation zones from the Texas Water Commission:

200'

Date of letter from the TWC 3/29/01 S.C.# 1410

Please enclose a copy of your TWC letter.

PROPOSED CASING AND CEMENTING RECORD FOR ALL CASING PROTECTING USEABLE QUALITY WATER

Casing	Hole Size	Casing Size	Setting Depth	Number Of Sacks	Slurry Yield	Cement Type (Include Additives)
Surface	14 3/4	10 3/4	3100'±	1186	2.28	POZ A
Casing:				603	1.18	A
~~Production~~						
Intermediate	9 7/8	7 5/8	10100±	475	1.09	Class H
MS Tool						

Have there been any blowouts within a mile of this wellsite? no

If so, name operator, lease and date blowout occured. na

The depth of the closest fresh water well within 1/4 mile of location: na

List 72 hour compressive strength of the cement slurry that will be placed across the base of useable quality water: 910 & 2800 psi and at Multistage tool: NA psi.

List 24 hour compressive strength of lead cement on production casing: 3600 psi

Remarks:

Martha J. Rogers — Signature

Martha J. Rogers — Name

Manager, Regulatory — Title

DEPARTMENT OF THE ARMY
GALVESTON DISTRICT, CORPS OF ENGINEERS
P.O. BOX 1229
GALVESTON, TEXAS 77553-1229

REPLY TO ATTENTION OF

September 24, 2001

Evaluation Section

SUBJECT: Department of the Army Permit – 22315

Ms. Martha J. Rogers
National Energy Group, Inc.
4925 Greenville Avenue, Suite 1400
Dallas, Texas 75206

Dear Ms. Rogers:

This concerns a request to transfer the subject Department of the Army permit to you. We are also in receipt of a letter signed by you and representing your acceptance of this transfer.

Permit 22315 was issued to Benchmark Oil and Gas Company, on August 22, 2001, to install, operate, and maintain a typical jack-up-rig production platform, and/or well protector, and appurtenant structures and other equipment necessary for oil and gas drilling and production activities. The project site is located on Sabine Lake, at State Tract 8, Orange County, Texas.

Permit 22315 has now been transferred to you, along with the obligations, terms, and conditions of the permit as issued. A copy of the permit is enclosed for your disposition. If you have any questions, please contact Ms. Trina J. Ruse at the letterhead address or by telephone at 409-766-3945.

Sincerely,

Bruce H. Bennett
Leader, South Evaluation Unit

Enclosure

Copy Furnished:

✓ Ms. Dorothy E. Pledger
Benchmark Oil and Gas Company
Box 820729
Houston, Texas 77282

Transferred to NEG

SEP 14 2001

NATIONAL ENERGY GROUP, INC.

September 4, 2001

U.S. Army Corps of Engineers
Box 1229
Galveston, Texas 77553

Attn: Mr. Bruce Bennett

RE: Transfer of Permit
Permit No. 22315

Dear Mr. Bennett:

We are hereby submitting a declaration to transfer the above referenced permit to National Energy Group, Inc. from Benchmark Oil and Gas.

Should you have questions concerning this transfer, please contact me at 214-692-9211.

Yours truly,
National Energy Group, Inc.

Martha J. Rogers
Manager, Regulatory

Xc: Benchmark, D. Pledger

1400 One Energy Square • 4925 Greenville Avenue • Dallas, Texas 75206 • (214) 692-9211 • FAX (214) 692-9310

DECLARATION FROM ORIGINAL PERMIT HOLDER

DATE: August 31, 2001

NAME: BENCHMARK OIL AND GAS

ADDRESS: BOX 820729
HOUSTON, TX. 77282
PHONE: 281-558-8585
PERMIT NO. 22315

U.S. ARMY CORPS OF ENGINEERS
BOX 1229
GALVESTON, TEXAS 77553

GENTLEMEN:

IN REFERENCE TO THE PERMIT NUMBERED ABOVE, I DO AGREE TO TRANSFER THE PERMIT TO NATIONAL ENERGY GROUP, INC.

SINCERELY,

Dorothy E. Pledger

Dorothy E. Pledger
BENCHMARK OIL AND GAS COMPANY

DECLARATION FROM NEW PERMIT HOLDER

DATE: AUGUST 31, 2001

NAME: NATIONAL ENERGY GROUP, INC.
ADDRESS: 4925 GREENVILLE AVE.
SUITE 1400
DALLAS, TEXAS 75206
PHONE: 214-692-9211
PERMIT NO. 22315

U.S. ARMY CORPS OF ENGINEERS
BOX 1229
GALVESTON, TEXAS 77553

GENTLEMEN:

IN REFERENCE TO THE PERMIT NUMBERED ABOVE, I DO AGREE TO TRANSFER THE PERMIT FROM BENCHMARK OIL AND GAS COMPANY OVER TO MY NAME. I DO AGREE TO ACCEPT THE PERMIT AND I AGREE TO ABIDE BY ALL TERMS AND CONDITIONS OF THE PERMIT.

SINCERELY,

Martha J. Rogers

Martha J. Rogers
NATIONAL ENERGY GROUP, INC.

This notice of authorization must be conspicuously displayed at the site of work.

United States Army Corps of Engineers

22 Aug 19 2001

A permit to install, operate and maintain a typical jack-up rig, production platform and/or well protector

at Sabine Lake at State Tract 8 in Orange County, Texas

has been issued to Benchmark Oil & Gas Co. on 22 Aug 19 2001

Address of Permittee 1500 S. Dairy Ashford Rd., Ste. 412, Houston, TX

Permit Number

22315

Bruce H. Bennett

Bruce H. Bennett
For Colonel Leonard D. Waterworth
District Commander

ENG FORM 4336 Jul 81 (ER 1145-2-303) EDITION OF JUL 70 MAY BE USED (Proponent DAEN-CWO)

DEPARTMENT OF THE ARMY
GALVESTON DISTRICT, CORPS OF ENGINEERS
P.O. BOX 1229
GALVESTON, TEXAS 77553-1229

REPLY TO ATTENTION OF

August 22, 2001

Evaluation Section

SUBJECT: Permit Application - 22315

Benchmark Oil and Gas Company
1500 South Dairy Ashford Road, Suite 412
Houston, Texas 77077

Gentlemen:

The above numbered permit has been approved and a signed copy is enclosed for your retention.

Also enclosed is ENG Form 4336 and a copy of "Notice to Permittee" which provides important information for permit administration. You should notify the District Engineer, in writing, upon completion of the authorized work. A pre-addressed postcard has been enclosed for your convenience.

Sincerely,

Bruce H. Bennett

Bruce H. Bennett
Leader, North Evaluation Unit

Enclosures

Copies Furnished:

Commander (ob), Eighth Coast Guard District, Hale Boggs Federal Building, 501 Magazine Street, New Orleans, Louisiana 70130-3396 w/encl

Director, National Ocean Service, Coast & Geo. Sur., Mapping & Charting Branch, Source Data Unit, Attn: N/CG2211, Station 7317, SSMC3, 1315 East-West Highway, Silver Spring, Maryland 20910-3233

RK
DB
DBCHAGNO
SH
WF

NATIONAL ENERGY GROUP, INC.

June 2, 2003 via Fedex

Mr. James Taylor, Pipeline Response Plan Officer
Research and Special Programs Administration
U.S. Department of Transportation
400 Seventh Street, S.W.
Washington, D.C. 20590-0001

Re: NEG Operating LLC Sabine Lake 6" gathering line
Request for Case-by-Case Determination
DOT Title 49 Part 194 Response Plan requirements

Dear Mr. Taylor:

NEG Operating LLC requests guidance concerning its recently constructed six (6)-inch gathering line within Sabine Lake, Orange County TX/Cameron Parish, LA. The line is approximately 16,000 feet in length and is fully within the confines of Sabine Lake. The right-of-way was trenched and the line was buried to a depth of three (3) feet within the lakebed and back-filled according to USACE permit requirements. The gathering line will be used to transport natural gas and liquid condensate from a well in Orange County to a meter/sales point in the lake in Cameron Parish. The line has just recently been hydro-tested to insure integrity. A map is included to assist in the Administration's determination.

According to NEG's interpretation, the line is not jurisdictional to the DOT CFR Response Plan requirements under Part 194 due to: (a) it's size and length limitations (i.e., it is less than 6-5/8" in diameter and less than 10-miles in length), (b) it being a gathering line, ending at a sales point in the lake, and (c) it not being within the limits of any incorporated or unincorporated city town of village, or designated residential or commercial area. Also, it has been determined that there are no public drinking water supply intakes within the lake. Approximately 4,100 feet of line does lie within one (1) mile of the extreme northern-most edge of the Sabine National Wildlife Refuge in Cameron Parish, LA, at approximate coordinates X=1,218661.44 and Y= 480976.18.

Construction was conducted in accordance with a full suit of permits from state and federal agencies, including but not limited to the United States Department of the Army Corps of Engineers (USACE)-Galveston District, the Railroad Commission of Texas (RRC) Office of Pipeline Safety and the Louisiana Department of Natural Resources Coastal Management Division.

1400 One Energy Square • 4925 Greenville Avenue • Dallas, Texas 75206 • (214) 692-9211 • FAX (214) 692-9310

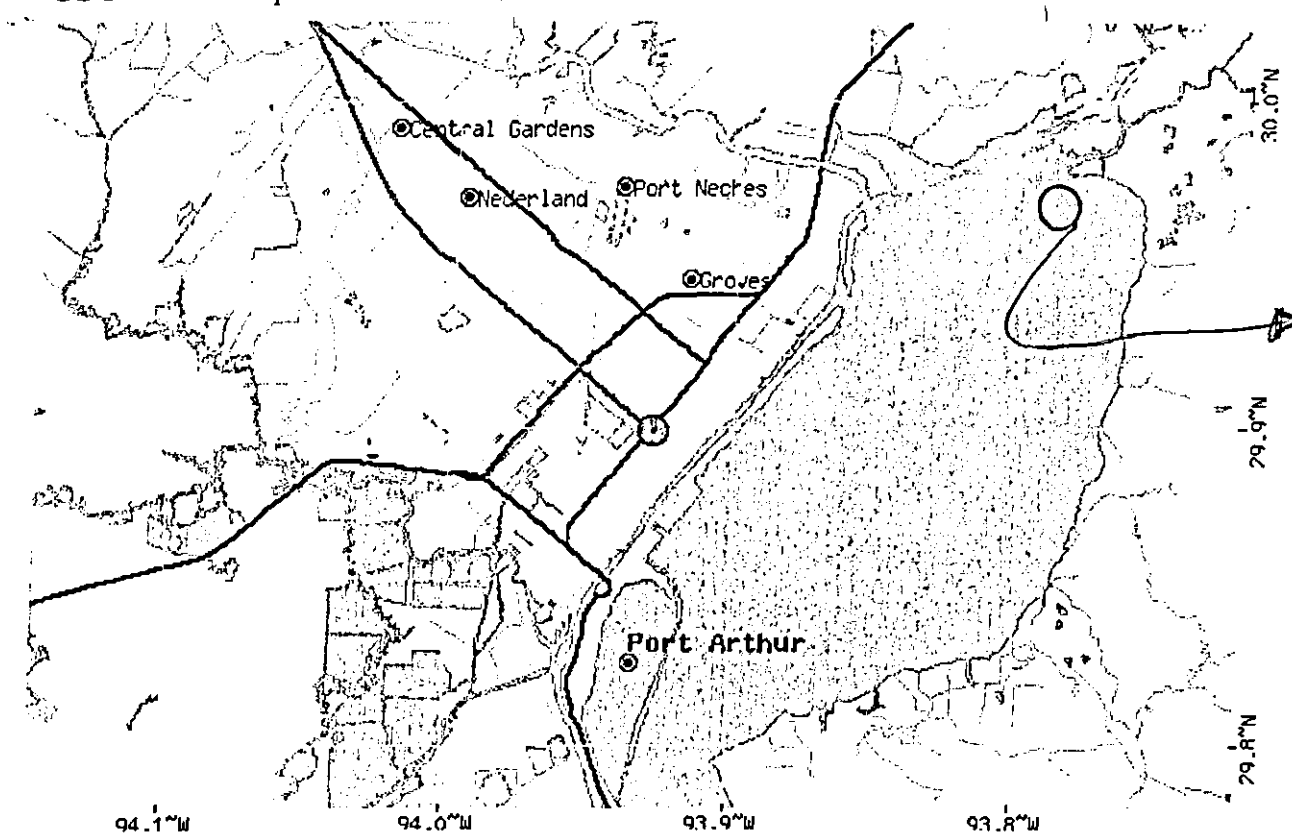
Any guidance you can lend on this matter will be much appreciated. If you have any questions or need any additional information, you may reach me at 214. 692.9211, extension 112, or you may email me at the following address: dbutler@negx.com.

Very truly yours,

NEG Operating LLC

Don Butler

DWB/
enclosure



APPROX. LOCATIO
OF FLOWLINE
SEGMENT.

| Zoom In | Zoom Out |

LEGEND

State	Military Area
County	National Park
Lake/Pond/Ocean	Other Park
Expressway	City
Highway	County
Connector	
Stream	

Scale 1:205265 (0 1 2 3 4 5 6 mi; 0 2 4 6 8 10 km)
*average--true scale depends on monitor resolution

U.S. Department of the Interior || *U.S. Geological Survey*
12201 Sunrise Valley Drive, Reston, VA 20192, USA
URL: http://geonames.usgs.gov/pls/gnis/web_query.gnis_web_query_form
Maintainer: gnis_manager@usgs.gov
Last modified: November 1, 2000
USGS Privacy Policy and Disclaimers

DEPARTMENT OF THE ARMY PERMIT

COPY

Permittee Benchmark Oil and Gas Company

Permit No. 22315

Issuing Office Galveston District

NOTE: The term "you" and its derivatives, as used in this permit, means the permittee or any future transferee. The term "this office" refers to the appropriate district or division office of the Corps of Engineers having jurisdiction over the permitted activity or the appropriate official of that office acting under the authority of the commanding officer..

You are authorized to perform work in accordance with the terms and conditions specified below.

Project Description: To install, operate, and maintain a typical jack-up rig, production platform, and/or well protector, and appurtenant structures and other equipment necessary for oil and gas drilling and production activities.. All work will be performed within a 500-foot radius of the well platform. The project will be conducted in accordance with the attached plans in six sheets.

Project Location: On Sabine Lake, at State Tract 8, Orange County, Texas.

Permit Conditions:

General Conditions:

1. The time limit for completing the work authorized ends on 31 December 2006. If you find that you need more time to complete the authorized activity, submit your request for a time extension to this office for consideration at least one month before the above date is reached.

2. You must maintain the activity authorized by this permit in good condition and in conformance with the terms and conditions of this permit. You are not relieved of this requirement if you abandon the permitted activity, although you may make a good faith transfer to a third party in compliance with General Condition 4 below. Should you wish to cease to maintain the authorized activity or should you desire to abandon it without a good faith transfer, you must obtain a modification of this permit from this office, which may require restoration of the area.

3. If you discover any previously unknown historic or archeological remains while accomplishing the activity authorized by this permit, you must immediately notify this office of what you have found. We will initiate the Federal and state coordination required to determine if the remains warrant a recovery effort or if the site is eligible for listing in the National Register of Historic Places.

4. If you sell the property associated with this permit, you must obtain the signature of the new owner in the space provided and forward a copy of the permit to this office to validate the transfer of this authorization.

5. If a conditioned water quality certification has been issued for your project, you must comply with the conditions specified in the certification as special conditions to this permit. For your convenience, a copy of the certification is attached if it contains such conditions.

6. You must allow representatives from this office to inspect the authorized activity at any time deemed necessary to ensure that it is being or has been accomplished in accordance with the terms and conditions of your permit.

Special Conditions:

1. The permittee understands and agrees that if future operations by the United States require the removal, relocation or other alteration of the structure or work herein authorized, or if, in the opinion of the Secretary of the Army or his authorized representative, said structure or work shall cause unreasonable obstruction to the free navigation of the navigable waters, the permittee will be required, upon due notice from the Corps of Engineers, to remove, relocate or alter the structural work or obstructions caused thereby without expense to the United States. No claim shall be made against the United States on account of any such removal or alteration.

2. The permittee must promptly comply with any future regulations or instructions affecting the authorized work if and when issued in accordance with law by any department of the Federal Government for the aid or protection of aerial navigation.

3. When a well is plugged and abandoned, the casing shall be cut off a minimum of 15 feet below the mudline, the area cleared of all structures, and written notice given to the Galveston District Engineer within 30 calendar days of completion.

4. When structures or work authorized by this permit are determined by the Galveston District Engineer to have become abandoned, obstructive to navigation or cease to be used for the purpose for which they were permitted, such structures or other work must be removed, the area cleared of all obstructions, and written notice given to the Galveston District Engineer within 30 calendar days of completion.

Further Information:

1. Congressional Authorities: You have been authorized to undertake the activity described above pursuant to:

(X) Section 10 of the Rivers and Harbors Act of 1899 (33 U.S.C. 403).

(X) Section 404 of the Clean Water Act (33 U.S.C. 1344).

( ) Section 103 of the Marine Protection, Research and Sanctuaries Act of 1972 (33 U.S.C. 1413).

2. Limits of this authorization.

a. This permit does not obviate the need to obtain other Federal, state, or local authorizations required by law.

b. This permit does not grant any property rights or exclusive privileges.

c. This permit does not authorize any injury to the property or rights of others.

d. This permit does not authorize interference with any existing or proposed Federal project.

3. Limits of Federal Liability. In issuing this permit, the Federal Government does not assume any liability for the following:

a. Damages to the permitted project or uses thereof as a result of other permitted or unpermitted activities or from natural causes.

b. Damages to the permitted project or uses thereof as a result of current or future activities undertaken by or on behalf of the United States in the public interest.

c. Damages to persons, property, or to other permitted or unpermitted activities or structures caused by the activity authorized by this permit.

d. Design or construction deficiencies associated with the permitted work.

e. Damage claims associated with any future modification, suspension, or revocation of this permit.

4. Reliance on Applicant's Data: The determination of this office that issuance of this permit is not contrary to the public interest was made in reliance on the information you provided.

5. Reevaluation of Permit Decision. This office may reevaluate its decision on this permit at any time the circumstances warrant. Circumstances that could require a reevaluation include, but are not limited to, the following:

a. You fail to comply with the terms and conditions of this permit.

b. The information provided by you in support of your permit application proves to have been false, incomplete, or inaccurate (See 4 above).

c. Significant new information surfaces which this office did not consider in reaching the original public interest decision.

Such a reevaluation may result in a determination that it is appropriate to use the suspension, modification, and revocation procedures contained in 33 CFR 325.7 or enforcement procedures such as those contained in 33 CFR 326.4 and 326.5. The referenced enforcement procedures provide for the issuance of an administrative order requiring you to comply with the terms and conditions of your permit and for the initiation of legal action where appropriate. You will be required to pay for any corrective measures ordered by this office, and if you fail to comply with such directive, this office may in certain situations (such as those specified in 33 CFR 209.170) accomplish the corrective measures by contract or otherwise and bill you for the cost.

6. Extensions. General condition 1 establishes a time limit for the completion of the activity authorized by this permit. Unless there are circumstances requiring either a prompt completion of the authorized activity or a reevaluation of the public interest decision, the Corps will normally give favorable consideration to a request for an extension of this time limit.

Your signature below, as permittee, indicates that you accept and agree to comply with the terms and conditions of this permit.

_____ _____

(PERMITTEE) *(DATE)*

BENCHMARK OIL AND GAS COMPANY

This permit becomes effective when the Federal official, designated to act for the Secretary of the Army, has signed below.

_____ _____

(DISTRICT ENGINEER) *(DATE)*

BRUCE H. BENNETT, LEADER
NORTH EVALUATION UNIT
FOR COLONEL LEONARD D. WATERWORTH

When the structures or work authorized by this permit are still in existence at the time the property is transferred, the terms and conditions of this permit will continue to be binding on the new owner(s) of the property. To validate the transfer of this permit and the associated liabilities associated with compliance with its terms and conditions, have the transferee sign and date below.

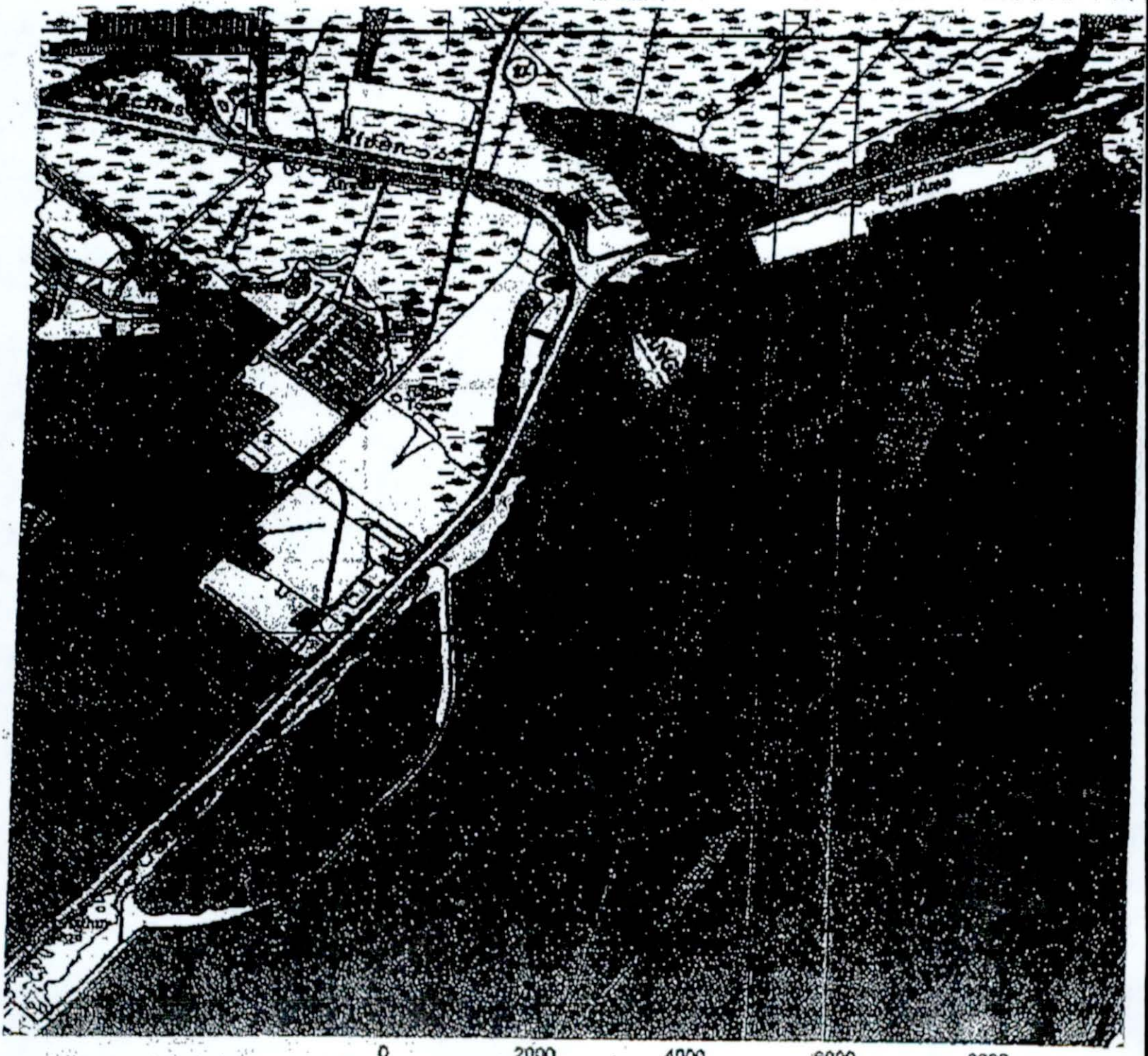
_____ _____

(TRANSFEREE) *(DATE)*

Applicant: Benchmark O
Date: 26 Jul 01
Pg 1 Of 6
PERMITTED PLANS

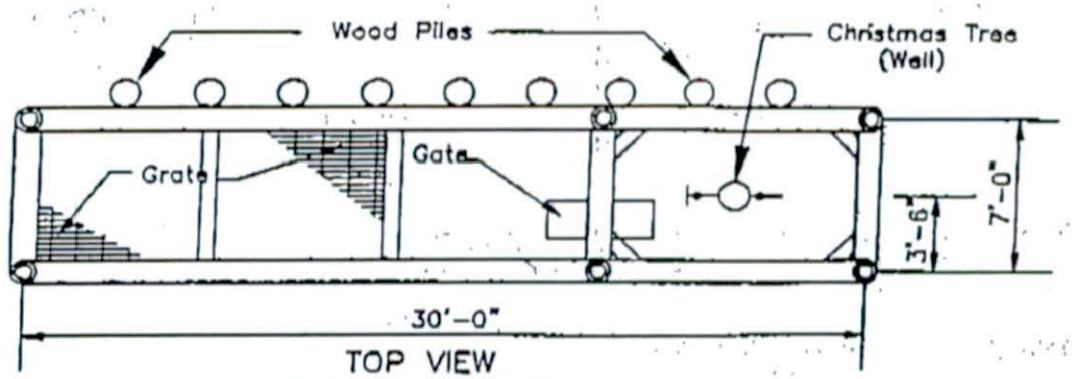
TopoZone.com

Target is UTM 15 420452E 3312951N - **WEST OF GREENS BAYOU** quad [Quad Inf

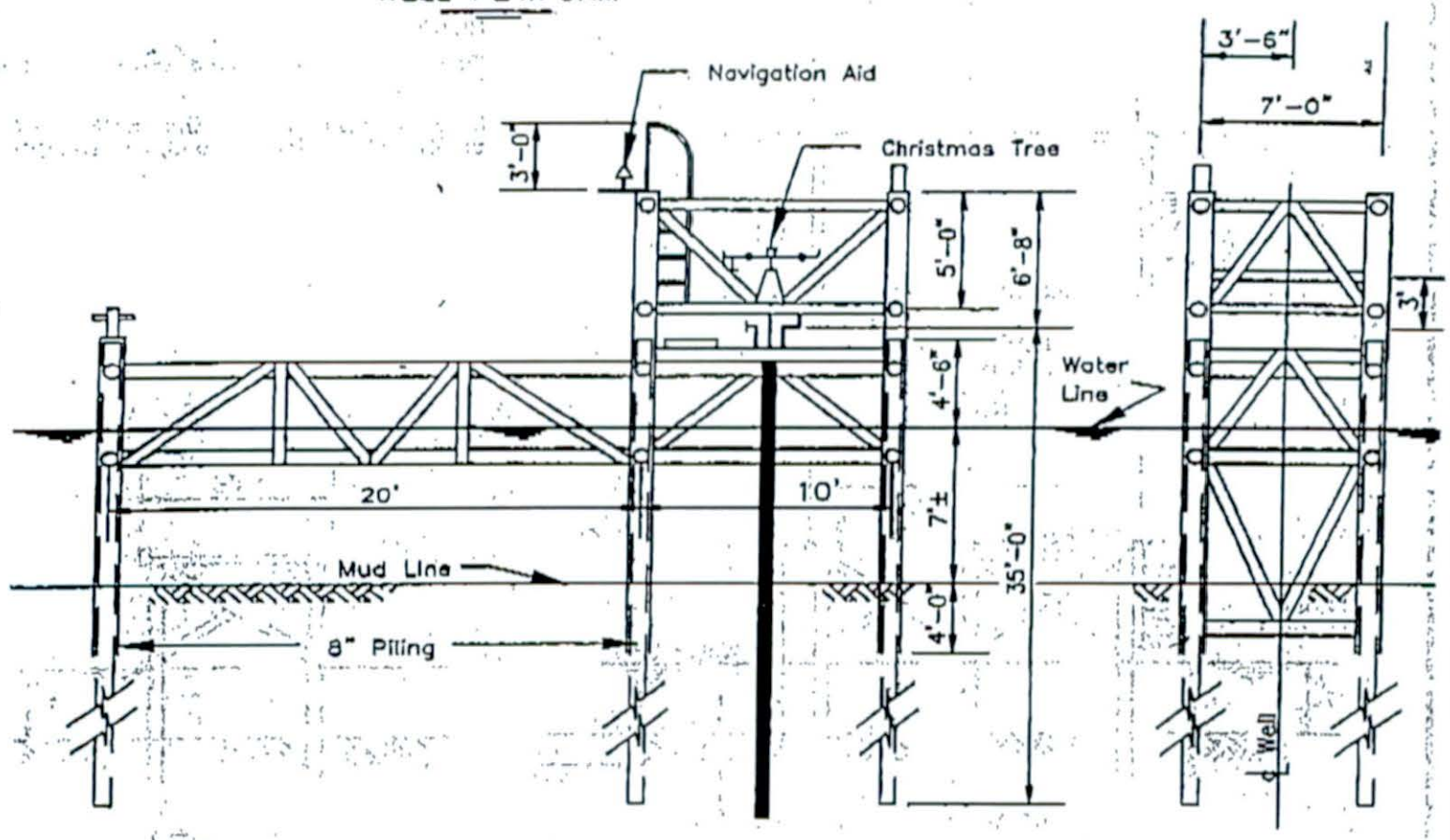


Permit Number:
Applicant: Benchmark Oil
Date: 24 Jul 01
Pg 3 Of 6

PERMITTED PLANS



TOP VIEW
WELL PLATFORM



SIDE VIEW
WELL PLATFORM

END VIEW
WELL PLATFORM

SHEET 2 OF 5 Not To Scale File: BAY-2-80

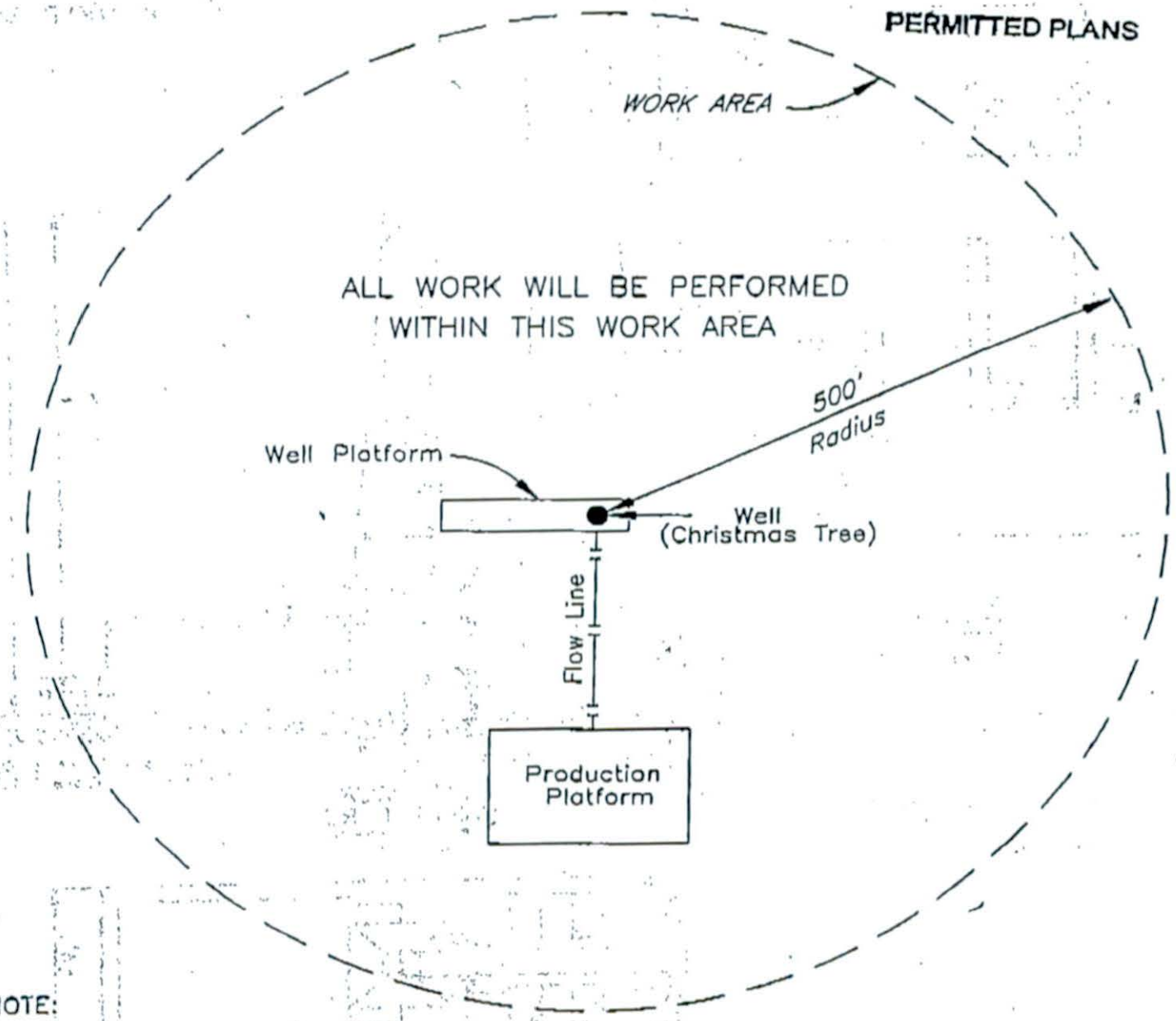
APPLICATION BY:
Benchmark Oil & Gas Company
P.O. Box 820729
Houston, Texas 77282-0729

PROPOSED WELL PLATFORM
SABINE LAKE
ORANGE COUNTY, TEXAS

February, 2001

Permit Number: 22513
Applicant: Benchmark Oil &
Date: 26 Jul 01
Pg 6 Of 6

PERMITTED PLANS



NOTE:

The orentation of platforms and pipelines in work area may change from above layout.

No shell reefs were found within the 500' work area.

SHEET 5 OF 5 NOT TO SCALE File: BAY-5-609

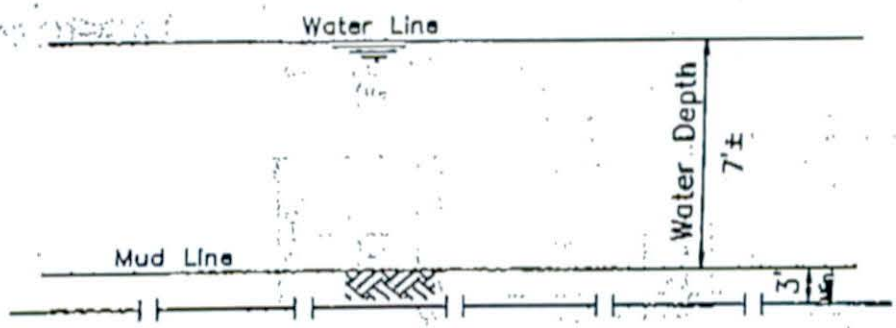
APPLICATION BY:
Benchmark Oil & Gas Company
P. O. Box 820729
Houston, Texas 77282-0729

PROPOSED WORK AREA
STATE TRACT NO. 8
SABINE LAKE
ORANGE COUNTY, TEXAS

February, 2001

Permit Number:
Applicant: Benchmark Oil
Date: 26 Jul 01
Pg 4 of 6

PERMITTED PLANS



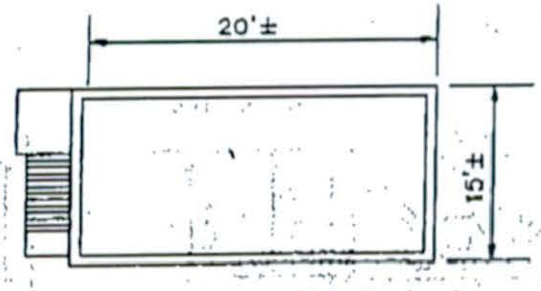
TYPICAL FLOWLINE SECTION

SCALE 1"=10'

NOTE:

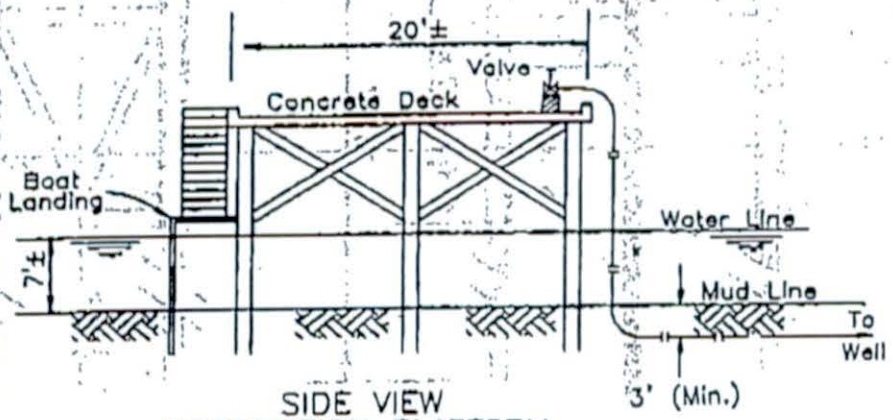
Flowlines will be buried three feet be the mud line.

It is anticipated that the method of burial will be jetting and/or trenchin

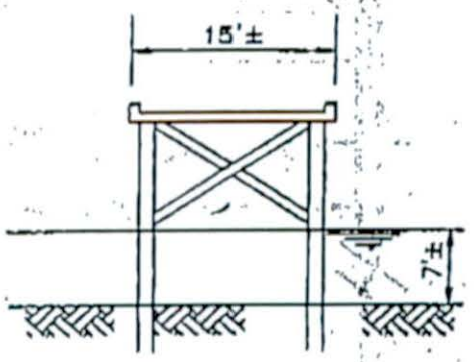


TOP VIEW
Production Platform

N.T.S.



SIDE VIEW
PRODUCTION PLATFORM



END VIEW
PRODUCTION PLATFORM

N.T.S.

SHEET 3 OF 5

File: BAY-3-

APPLICATION BY:
Benchmark Oil & Gas Company
P. O. Box 820729
Houston, Texas 77282-0729

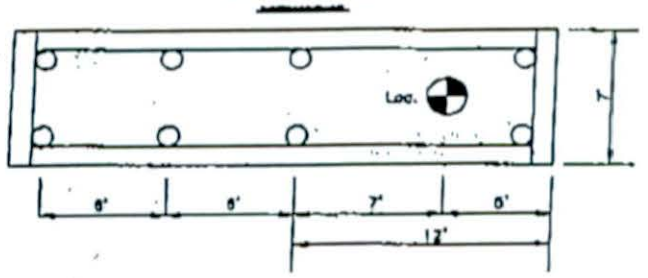
PROPOSED PRODUCTION FACILITIES
FLOWLINES & PRODUCTION PLATFORM
SABINE LAKE
ORANGE COUNTY, TEXAS

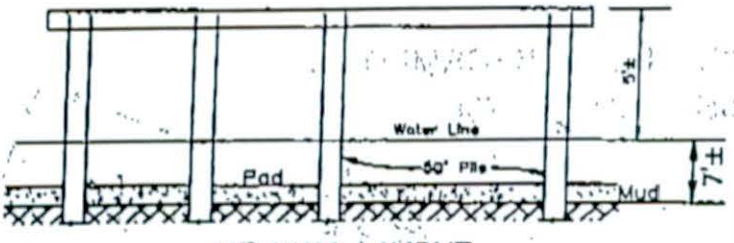
February, 2001

Permit Number:
Applicant: Benchmark Oil
Date: 26 Jul 01
Pg 5 Of 6

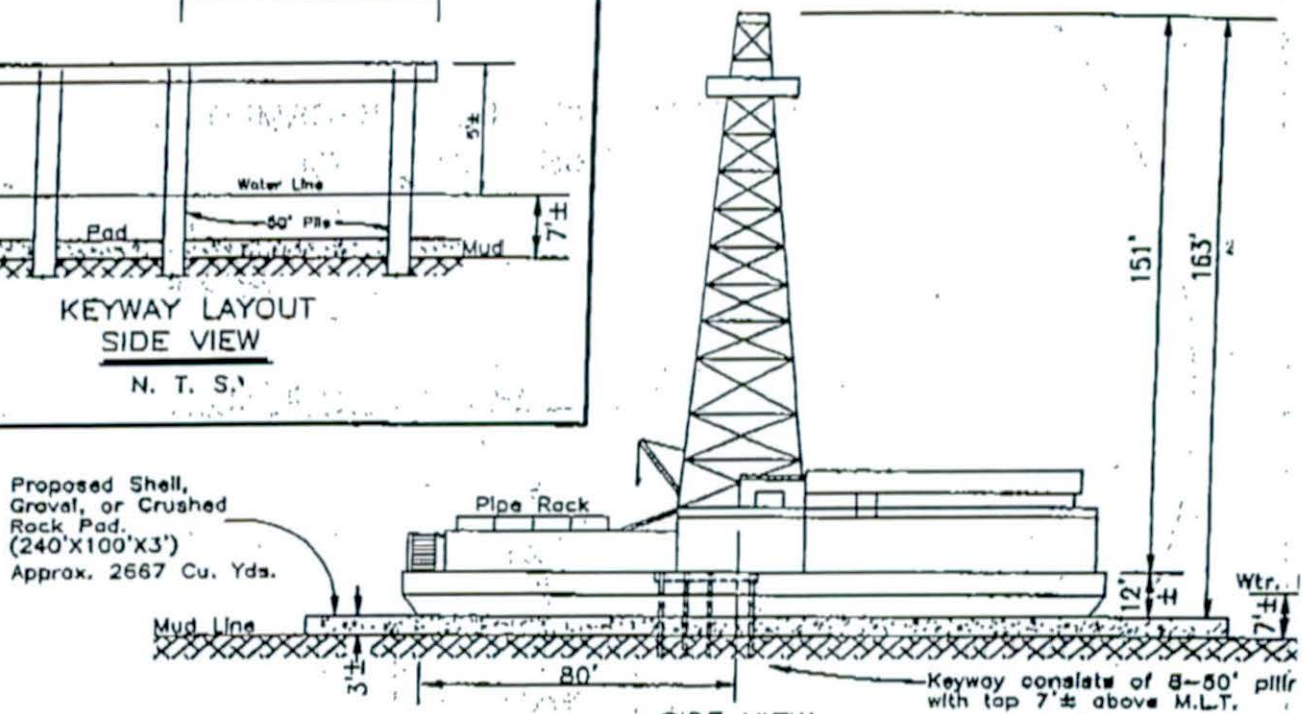
PERMITTED PLANS

TOP VIEW

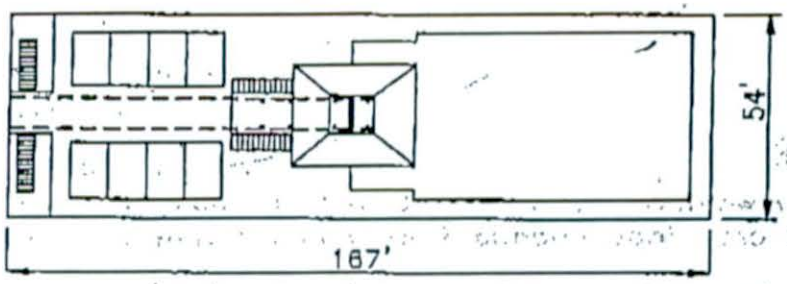




KEYWAY LAYOUT
SIDE VIEW
N. T. S.



SIDE VIEW
MARINE BARGE
N. T. S.



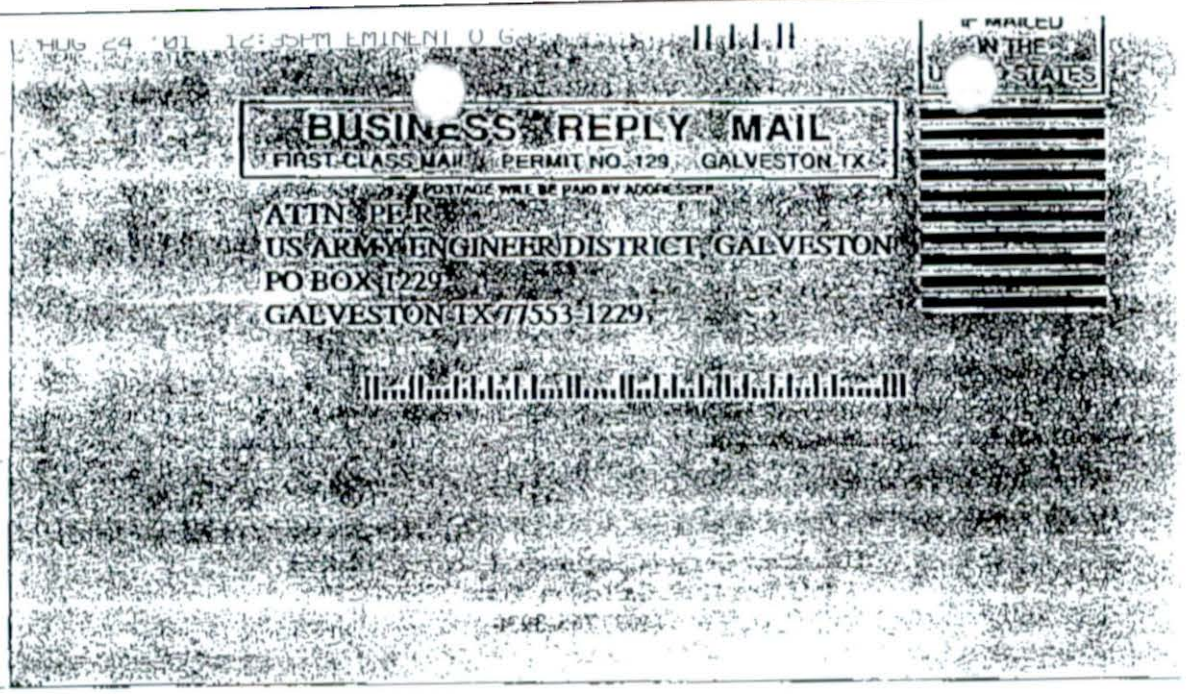
TOP VIEW
MARINE BARGE
N. T. S.

SHEET 4 OF 5 File: BAY-4-

APPLICATION BY:
Benchmark Oil & Gas Company
P. O. Box 820729
Houston, Texas 77282-0729

PROPOSED MARINE BARGE
and KEYWAY LAYOUT
SABINE LAKE
ORANGE COUNTY, TEXAS

February, 2001



Compliance Certificate

I _____ hereby certify that the work authorized by Department of the Army Permit 22314, located in Orange County/Parish, was performed in accordance with the project plans and the terms and conditions of the permit. The authorized work was completed as of _____ (date).

_____ (date)

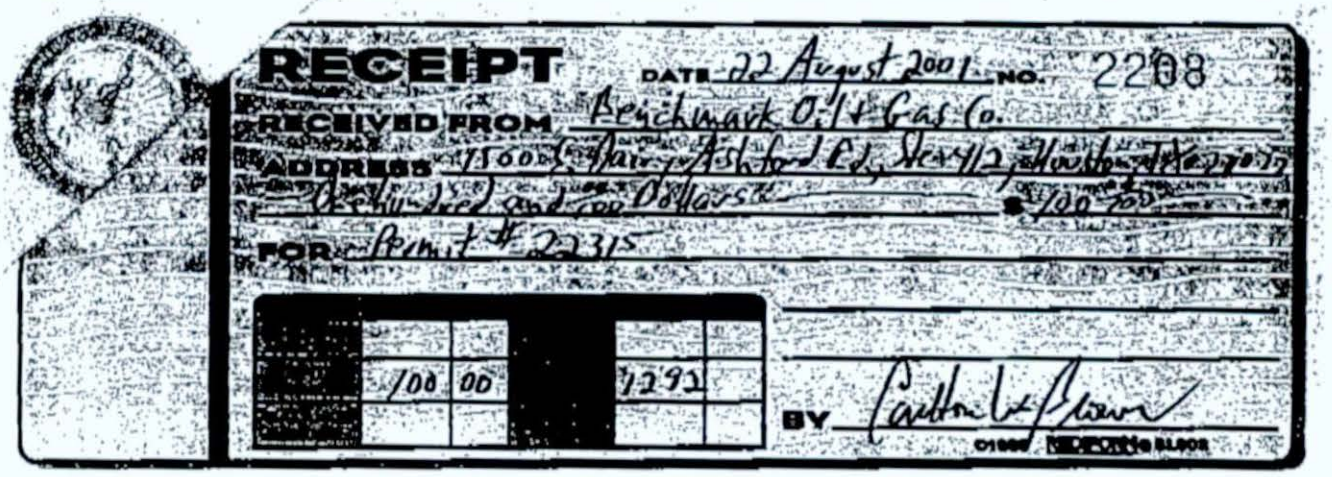
Signature of Permittee

U.S. Army Corps of Engineers, Galveston District
P.O. Box 1229, Galveston, Texas 77553-1229
(409) 766-3930

40.23.1

DEPARTMENT OF THE ARMY
CORPS OF ENGINEERS
REGULATORY BRANCH
P.O. BOX 1229
GALVESTON, TEXAS 77553-1229
ATTN: REGULATORY BRANCH
ANDREA SOUDA
(409) 766-3925

SWG-2001-00315
Notice of Publication
Evaluation Period
Galveston District



RECEIPT DATE 22 August 2001 NO. 2208

RECEIVED FROM Benchmark Oil + Gas Co.

ADDRESS 1500 Post Oak Blvd, Ste 912 Houston, TX 77056

One Hundred and no/100 Dollars $100.00

FOR Permit # 22315

100 00 7292

BY Cynthia Stevens

01000 RECEIPTS BLOCK

Public Notice

U.S. Army Corps Of Engineers
Galveston District

Permit Application No: 22315
Date Issued: 16 April 2001
Comments Due: 16 May 2001

U.S. ARMY CORPS OF ENGINEERS, GALVESTON DISTRICT

PURPOSE OF PUBLIC NOTICE: To inform you of a proposal for work in which you might be interested. It is also to solicit your comments and information to better enable us to make a reasonable decision on factors affecting the public interest. We hope you will participate in this process.

AUTHORITY: This application will be reviewed pursuant to Section 10 of the Rivers and Harbors Act of 1899 and Section 404 of the Clean Water Act.

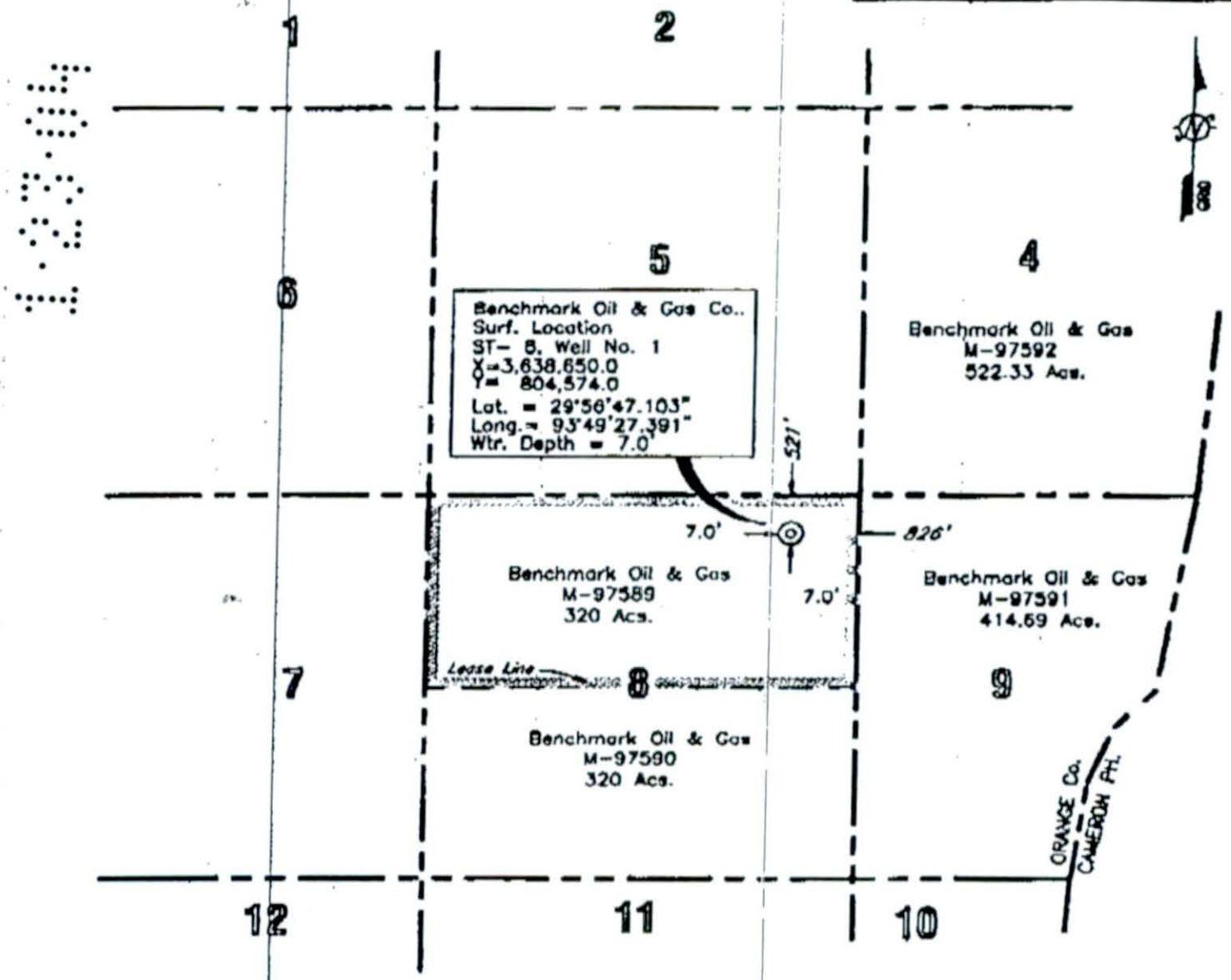
APPLICANT: Benchmark Oil and Gas Company
1880 S. Dairy Ashford Road, Suite 540
Houston, TX 77077

AGENT: J. Connor Consulting, Inc.
16225 Park Ten Place, Suite 700
Houston, TX 77084
Telephone 281-578-3388
POC: Gregory Roland

LOCATION: The project is located at State Tract 8, Sabine Lake, Orange County, Texas. The project can be located on the U.S.G.S. quadrangle map entitled: West of Greens Bayou, Texas. Approximate UTM Coordinates: Zone 15; Easting: 420452; Northing: 3312951.

PROJECT DESCRIPTION: The applicant proposes to install, operate, and maintain a typical jack-up rig, production platform, and/or well protector, and appurtenant structures and other equipment necessary for oil and gas drilling and production activities. The applicant's plans are enclosed in 6 sheets.

JOHN T. JAKUBIK & ASSOCIATES, INC.
4309 Greenbriar • Stafford, Texas 77477
Phone: 281/240-0488 • Fax: 281/240-2438



NOTES

Water depths are based on MLT. Tide reading at time of survey was +0.8'.

Proposed well location is approximately 3 miles east of Graves, Texas.

Bearings and coordinates shown are based on the Texas Coordinate System, South Central Zone, (NAD 27).

I hereby certify that this is a true and correct plat based on a ground survey made under my supervision on February 21, 2001.

John T. Jakubik R.P.L.S. No. 1717

JOHN T. JAKUBIK & ASSOCIATES, INC.
4309 Greenbriar • Stafford, Texas 77477
Phone: 281/240-0488 • Fax: 281/240-2438

BENCHMARK OIL & GAS COMPANY

PROPOSED WELL LOCATION
STATE TRACT 8, WELL No. 1
SABINE LAKE
ORANGE COUNTY, TEXAS

DRAWN BY:	JTJ	SCALE:	1"=2000'	ACAD FILE:	BOCK8ORTA
SURVEYED BY:	JTJ	DATE:	02-28-01	DATA FILE:	BOC8ORT
CHECKED BY:		JOB No.:	01-02-8067	REV:	

NATIONAL ENERGY GROUP, INC.
FAX COVER SHEET

TO: Robert Hatter	FROM: Martha Rogers
COMPANY: GLO	COMPANY: National Energy Group, Inc. 4925 Greenville Ave., Suite 1400 Dallas, TX 75206
FAX NO.: 512-475-1543	FOR INFORMATION CALL: (214) 692-9211
DATE: 8/24/01	FAX NO.: (214) 692-8562
Page(s) 11 including this sheet.	

COMMENTS:

Robert -

Per our discussion, please review & advise with any GLO stipulations to drilling, storage facilities & pipelines

Thank you -
Martha Rogers

ph # 214-692-9211 Ext. 112
fax # 214-692-8562

DEPARTMENT OF THE ARMY
GALVESTON DISTRICT, CORPS OF ENGINEERS
P.O. BOX 1229
GALVESTON, TEXAS 77553-1229

REPLY TO ATTENTION OF:

August 14, 2001

Evaluation Section

SUBJECT: Permit Application - 22315

COPY

Benchmark Oil and Gas Company
1500 South Dairy Ashford Road, Suite 412
Houston, Texas 77077

Gentlemen:

Two copies of a permit for work in waters of the United States, resulting from your above numbered application, are enclosed for your signature.

Before you accept the permit, please note all terms and conditions and any minor plan modifications that may have been necessary. Also, please note the Notification of Administrative Appeal Options regarding this permit. This authorization is based on a preliminary jurisdictional determination.

Both copies should be signed in the space provided and the date the permit is signed should be inserted. A fee in the amount of $100.00 must be paid before the permit can be approved. Your check should be made payable to the U.S. Army Engineer District, Galveston, and mailed to the District Engineer at the address shown above.

Within ten days, both copies of the accepted permit should be returned to this office for approval, after which one copy of the permit will be promptly sent to you for retention. This permit is not valid until signed in the issuing office.

Sincerely,

Bruce H. Bennett

Bruce H. Bennett
Leader, North Evaluation Unit

Enclosures

AUG 15 2001

NOTICE TO PERMITTEES

Department of the Army Permits for Work in Navigable Waters require attention to administration and policies which are often misunderstood or disregarded. To avoid possible misinterpretations and to expedite procedures, permit post-authorization requirements and pertinent information are outlined as follows:

1. Permits remain in effect until revoked, relinquished, or the structures are removed. An extension of time for completion of structures or work may be granted provided that a public notice is issued and that evidence is furnished of the bona fide intention of the permittee to complete the work within a reasonable time. If work or structures are not completed within the time provided in the permit, it is the permittee's responsibility to request an extension of time at least 4 months before the expiration date.

2. Maintenance of authorized completed structures may be done at any time without extending the completion period. It is, however, required that the District Engineer be notified prior to commencement of maintenance.

3. SPECIAL REGULATIONS GOVERN MAINTENANCE WORK INVOLVING DREDGING OR FILL. This maintenance is not authorized by the original permit and specific prior approval is required before such work is commenced in navigable waters. Your request for authorization should be submitted in time for public notice requirements and coordination with other agencies.

4. If ownership of structures or work covered by a permit is transferred, the District Engineer must be notified immediately. The notification will provide information so that permit responsibilities can be changed to the new owner or assignee.

5. Permittees are reminded that the Area Engineer must be notified as soon as possible of the time for commencement of construction or work, and immediately upon completion. If pipelines across Federal project channels are covered by the permit, the Area Engineer should be informed of the date the pipelines are to be placed in time for him to arrange for an inspector to be present.

6. All material changes in location or plans must be submitted promptly to the District Engineer for approval before construction is begun.

7. Permits should not be considered as an approval of design features of any structure authorized or an implication that such structure is adequate for the purpose intended.

DISTRICT ENGINEER
GALVESTON DISTRICT
CORPS OF ENGINEERS

SWG FL 279
24 April 85

▶ 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

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division

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

Form W-1
Rev. 3/93

EFFECTIVE SEPT. 1, 1991, PERMIT APPLICATION FEE WIL VARY ACCORDING TO THE TOTAL DEPTH SHOWN IN ITEM NO. 9 BELOW.
0 - 2000' - 8100, 2001' - 4000' - 8125
4001' - 9000' - 8150 9001' or deeper - 8200

Corrected W-1

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

Enter here, if assigned: API No. 42- 361-30785
Permit No. 513400
Rule 37 Case No.

1. Operator's Name (exactly as shown on Form P-5, Organization Report): National Energy Group, Inc.
3. RRC Operator No.: 600647
4. RRC District No.: 03
5. County of Well Site: Orange

2. Address (including city and zip code): 4925 Greenville Ave. Ste.#1400 Dallas, TX 75206

959973

6. Lease Name (32 spaces maximum): State Tract 8
7. RRC Lease/ID No.:
8. Well No.: 1
9. Total Depth: 11,600'

10. Location
• Section _____ Block _____ Survey Sabine Lake St.Tr.8 Abstract No. A- _____
• This well is to be located 3 miles in a east direction from Groves, which is the nearest town in the county of the well site.

11. Distance from proposed location to nearest lease or unit line: 2950 ft. (Corrected Plat Submitted 9/6/01)
12. Number of contiguous acres in lease, pooled unit, or unitized tract: 1586.69 (OUTLINE ON PLAT.)

13. FIELD NAME (Exactly as shown on RRC proration schedule) List all established and wildcat zones of anticipated completion. Attach additional Form W-1's as needed to list these zones. One zone per line.	Completion depth	15. Spacing pattern (ft.)	16. Density pattern (acres)	17. Number of acres in drilling unit for this well. OUTLINE ON PLAT.	18. Is this acreage assigned to another well on this lease & in this reservoir? If so, explain in Remarks.	19. Distance from proposed location to nearest applied for, permitted, or completed well, this lease & reservoir. (ft.)	20. Oil, gas, or other type well (Specify)	21. No. of applied for, permitted, or completed locations (including this one) on lease in this reservoir. OIL	GAS
Wildcat 00006001	11500'	467/1200	40	40	no	N/A	o,g	1	1
Sabine Lake,N.(Hackberry,L.)	11000	467/1200	40	40	no	N/A	g	0	1
79358400									

RECEIVED
RRC OF TEXAS
NOV 02 2001
OIL & GAS DIVISION
AUSTIN, TEXAS

Perpendicular surface location from two nearest designated lines:
Lease/Unit 3161'FNL & 4454'FWL
• Survey/Section 521'FNL & 826'FEL

If a directional well, show also projected bottom-hole location:
• Lease/Unit _____
• Survey/Section _____

23. Is this a pooled unit?
Yes [X] ▶ (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 [X]

25. Is this wellbore subject to Statewide Rule 36 (hydrogen sulfide area)? Yes [ ] No [X] If subject to Rule 36, is Form H-9 filed? Yes [ ] No [ ] ▶ If not filed, explain in Remarks.

26. Do you have the right to develop the minerals under any right-of-way that crosses, or is contiguous to, this tract? If not, and if the well requires a Rule 37 or 38 exception, see instructions for Rule 37.
Yes [X] No [ ]

Remarks
P-12 attached Rule 67147 200252
67149 200246

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

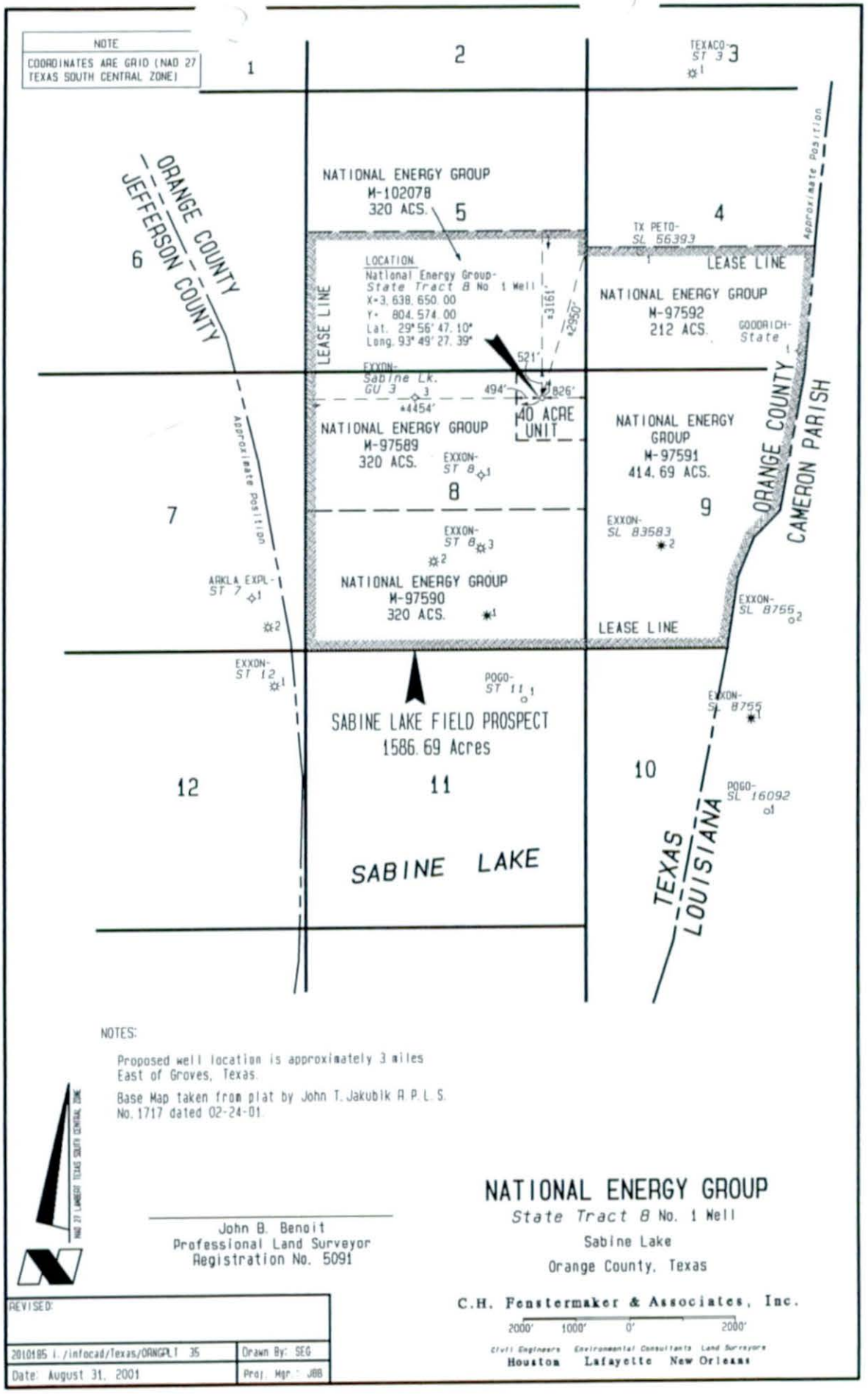
Signature

Roland R.Baker for Martha Rogers
Name and title of operator's representative

Date: Sept.6,2001 (mo. day yr.)
Tel.: 214 692-8562 (Area Code Number)

• RRC Use Only •

513400



NOTES:

Proposed well location is approximately 3 miles East of Groves, Texas.

Base Map taken from plat by John T. Jakubik R.P.L.S. No. 1717 dated 02-24-01.

NAD 27 LAMBERT TEXAS SOUTH CENTRAL ZONE

John B. Benoit
Professional Land Surveyor
Registration No. 5091

NATIONAL ENERGY GROUP

State Tract 8 No. 1 Well

Sabine Lake

Orange County, Texas

C.H. Fenstermaker & Associates, Inc.

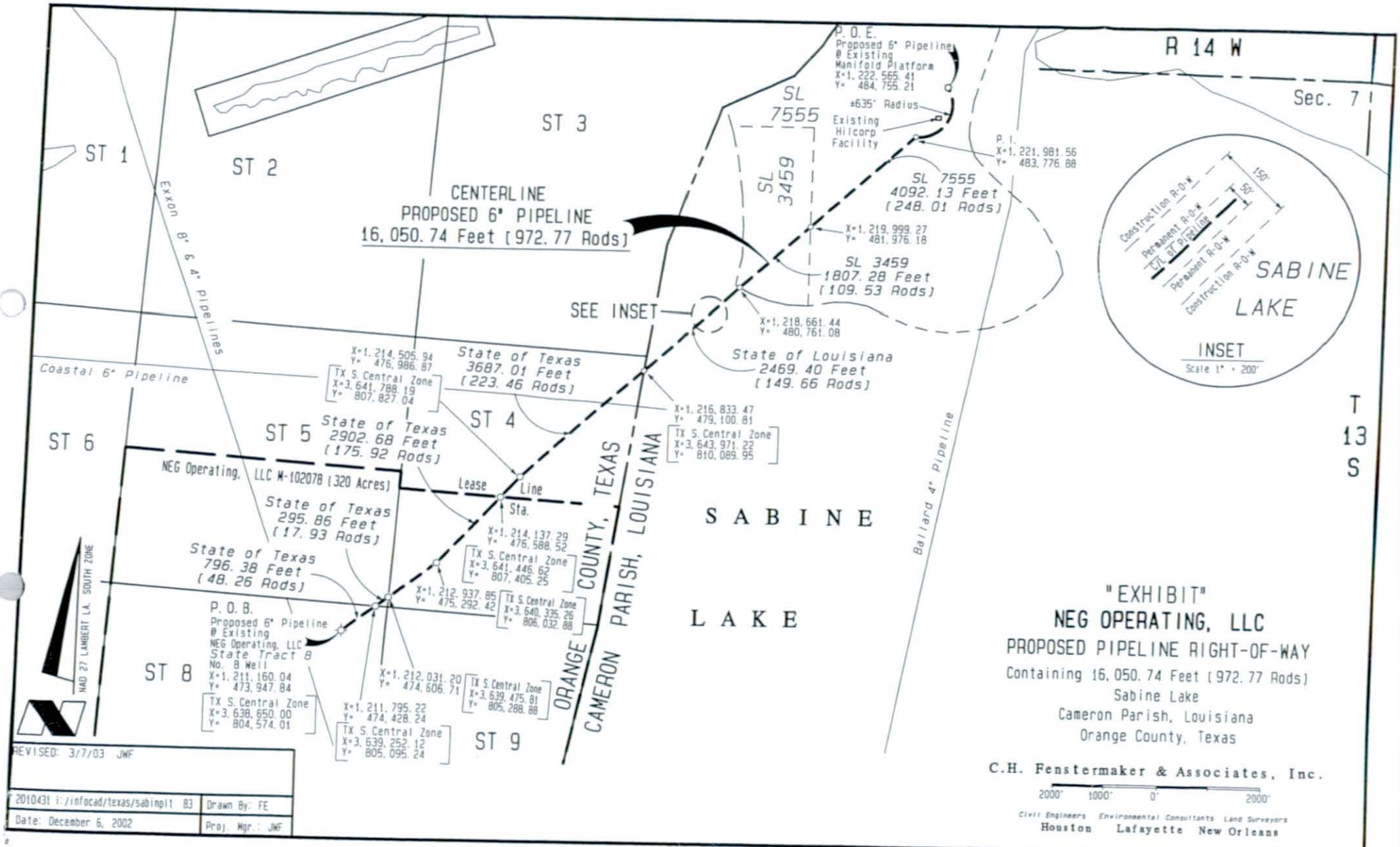
2000' 1000' 0' 2000'

Civil Engineers Environmental Consultants Land Surveyors
Houston Lafayette New Orleans

REVISED:	
2010185 i:/infocad/Texas/ORANGPLT 35	Drawn By: SEG
Date: August 31, 2001	Proj. Mgr.: JBB

NEXT

1304


P. O. E.
Proposed 6" Pipeline
@ Existing
Manifold Platform
X=1, 222, 565. 41
Y= 484, 755. 21
±635' Radius
Existing
Hilcorp
Facility
P. I.
X=1, 221, 981. 56
Y= 483, 776. 88
R 14 W
Sec. 7
T
13
S
SL
7555
SL
3459
SL 7555
4092. 13 Feet
(248. 01 Rods)
X=1, 219, 999. 27
Y= 481, 976. 18
SL 3459
1807. 28 Feet
(109. 53 Rods)
X=1, 218, 661. 44
Y= 480, 761. 08
State of Louisiana
2469. 40 Feet
(149. 66 Rods)
SEE INSET
CENTERLINE
PROPOSED 6" PIPELINE
16, 050. 74 Feet (972. 77 Rods)
ST 1
ST 2
ST 3
ST 4
ST 5
ST 6
ST 8
ST 9
8, 3 4" pipelines
Coastal 6" Pipeline
X=1, 214, 505. 94
Y= 476, 986. 87
Tx S. Central Zone
X=3, 641, 788. 19
Y= 807, 827. 04
State of Texas
3687. 01 Feet
(223. 46 Rods)
X=1, 216, 833. 47
Y= 479, 100. 81
Tx S. Central Zone
X=3, 643, 971. 22
Y= 810, 089. 95
State of Texas
2902. 68 Feet
(175. 92 Rods)
NEG Operating, LLC W-102078 (320 Acres)
Lease Line
Sta.
State of Texas
295. 86 Feet
(17. 93 Rods)
X=1, 214, 137. 29
Y= 476, 588. 52
Tx S. Central Zone
X=3, 641, 446. 62
Y= 807, 405. 25
State of Texas
796. 38 Feet
(48. 26 Rods)
X=1, 212, 937. 85
Y= 475, 292. 42
Tx S. Central Zone
X=3, 640, 335. 26
Y= 806, 032. 88
P. O. B.
Proposed 6" Pipeline
@ Existing
NEG Operating, LLC
State Tract 8
No. 8 Well
X=1, 211, 160. 04
Y= 473, 947. 84
Tx S. Central Zone
X=3, 638, 650. 00
Y= 804, 574. 01
X=1, 212, 031. 20
Y= 474, 606. 71
Tx S. Central Zone
X=3, 639, 475. 81
Y= 805, 288. 88
X=1, 211, 795. 22
Y= 474, 428. 24
Tx S. Central Zone
X=3, 639, 252. 12
Y= 805, 095. 24
NAD 27 LAMBERT LA. SOUTH ZONE
SABINE
LAKE
ORANGE COUNTY, TEXAS
CAMERON PARISH, LOUISIANA
Ballard 4" Pipeline
Construction R-O-W
Permanent R-O-W
C/L of Pipeline
Permanent R-O-W
Construction R-O-W
150'
50'
SABINE
LAKE
INSET
Scale 1" = 200'
"EXHIBIT"
NEG OPERATING, LLC
PROPOSED PIPELINE RIGHT-OF-WAY
Containing 16, 050. 74 Feet (972. 77 Rods)
Sabine Lake
Cameron Parish, Louisiana
Orange County, Texas
C.H. Fenstermaker & Associates, Inc.
2000' 1000' 0' 2000'
Civil Engineers Environmental Consultants Land Surveyors
Houston Lafayette New Orleans
REVISED: 3/7/03 JWF
2010431 I:/infocad/texas/sabinplt 83
Drawn By: FE
Date: December 6, 2002
Proj. Mgr.: JWF

40

File No. MF 097589
Drilling & Completion Reports

Date Filed: 2-2-06
Jerry E. Patterson, Commissioner

By

UNITED STATES POSTAL SERVICE

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

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

RECEIVED
05 DEC 12 AM 11:50
ENERGY RESOURCES

GENERAL LAND OFFICE
DEC 12 2005
RECEIVED

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

ATTN: CARL BONN, Energy Resources
03111

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:

NEG Operating LLC
4925 Greenville Ave, Ste 1400
Dallas, Texas 75206

MF097589

COMPLETE THIS SECTION ON DELIVERY

A. Received by *(Please Print Clearly)* B Rush

B. Date of Delivery 12/7

C. Signature

X

☐ Agent
☐ Addressee

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

3. Service Type

☐ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandi
☐ Insured Mail ☐ C.O.D.

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

2. Article Number *(Copy from service label)* 7000 0520 0024 5631 5903

PS Form 3811, July 1999 Domestic Return Receipt 102595-99-M

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

7000 0520 0024 5631 5903

Postage	$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	**$**

Postmark Here

***Recipient's Name** (Please Print Clearly) (To be completed by mailer)*

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

City, State, ZIP+ 4

PS Form 3800, February 2000 **See Reverse for Instructions**

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

JERRY PATTERSON, COMMISSIONER

December 5, 2005

VIA CRRR #7000 0520 0024 5631 5903

NEG Operating LLC
4925 Greenville Ave, Ste 1400
Dallas, TX 75206

RE: Termination of State Lease MF097589 & MF102078
Lease Name: State Tract 8#1 (Unit # 3434) (03-196286)
Orange & Jefferson Counties

Gentlemen:

A review of our records has determined that the above-referenced lease and unit terminated June 1, 2005 due to non-production. The lease has not been held by timely paid shut-in payments and there is no documentation in this office of any reworking operations. As a result, this lease has terminated under the terms and conditions of the lease and laws of the state as further defined in Title 31 of the Texas Administrative Code ("TAC"). Pursuant to the TAC, a recorded original or certified copy of a Release of the State Oil and Gas Lease must be filed with our office.

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 below within 30 days of receipt of this letter. Failure to reply or failure to present sufficient evidence of the continuation of the lease will result in the mineral file being endorsed as terminated. You will receive no further communication from this office prior to termination.

Sincerely,

Carl F. Bonn, CPL
Mineral Leasing
Office: (512) 463-5407
Fax: (512) 475-1543

41

File No. MF097589
Termination Ltr.

Date Filed: 2-16-06
Jerry E. Patterson, Commissioner
By Carl Bonn

NEG OPERATING LLC

RECEIVED
06 MAY 10 PM 2:10
[illegible]

May 5, 2006

Texas General Land Office
1700 N Congress Ave., Room 600
Austin, TX 78701
Attn: Mary Silva

RE: State of Texas M-97589 & M-102078
Sabine Lake Prospect
Jefferson and Orange Counties, Texas
NEG Lease No. 420531.00 & 420535.00

Dear Ms. Silva:

Attached please find certified copies of a Release of Oil and Gas Leases covering the above referenced State of Texas leases which have been recorded in Jefferson and Orange Counties, Texas. Also enclosed please find check number 13233 in the amount of $50.00 to cover filing fees.

If you need additional information, please let me know.

Sincerely,

NEG Operating LLC
by National Energy Group, Inc.

Susan H. Warren
Lease Records Manager

Enclosure
Cc: Benchmark Assets Company
Coastal Exploration and Development Corporation
Aminex USA Inc.
RIMCO Production Company Inc.
D & E Energy, Inc.
Judah Oil

4925 Greenville Avenue • Suite 1400 • Dallas, Texas 75206 • (214) 692-9211 • FAX (214) 692-9310

90-01-5

NEG OPERATING LLC
1400 One Energy Square. 4925 Greenville Avenue
Dallas, Texas 75206
Accounts Payable Account

FIRST AMERICAN BANK
BRYAN, TEXAS

06040773

VENDOR NAME	VENDOR NO.	CHECK DATE	CHECK NUMBER	AMOUNT
TEXAS GENERAL LAND OFFICE	**21082**	**05/05/06**	**13233**	**$50.00**

VOUCHER	VENDOR INV #	INV DATE	TOTAL AMOUNT	PRIOR PMTS & DISCOUNTS	NET AMOUNT
05-AP-42	050106	05/01/06	50.00	0.00	50.00
FILLING FEE RELEASE OGL ST TX M-97589 & M-102078 SABINE LAKE					
TOTAL INVOICES PAID					50.00

RECEIVED
05 MAY 10 PM 2:10
ENERGY RESOURCES

Attn: Mary Silva

126

PAYEE: DETACH THIS STATEMENT BEFORE DEPOSITING

30·01·2

42.

File No. MF097589

Letter + Fees for Releases

Date Filed: 5/10/06

Jerry E. Patterson, Commissioner

By

TRUE AND CORRECT COPY OF ORIGINAL
FILED IN JEFFERSON COUNTY CLERK'S OFFICE

REL 2006014811
10 PGS

Sabine Lake Prospect

RELEASE OF OIL AND GAS LEASES

STATE OF TEXAS §
§ KNOW ALL MEN BY THESE PRESENTS:
COUNTIES OF JEFFERSON
AND ORANGE §

NEG OPERATING LLC, 1400 One Energy Square, 4925 Greenville Avenue, Dallas, Texas 75206, a Delaware limited liability company, BENCHMARK ASSETS COMPANY, 1500 South Dairy Ashford, Suite 412, Houston, Texas 77077, COASTAL EXPLORATION AND DEVELOPMENT CORPORATION, 6220 Gaston Avenue, Suite 605, Dallas, Texas 75214, AMINEX USA INC., 403 East Commerce, Suite 220, San Antonio, Texas 78205, RIMCO PRODUCTION COMPANY INC., 333 Clay Street, Suite 1100, Houston, Texas 77002, D & E ENERGY, INC., 600 Travis, Suite 7050, Houston, Texas 77002, JUDAH OIL, P.O. Box 568, Artesia, New Mexico 88221, and SUNCLEAR ENERGY, INC. do hereby release, relinquish and surrender all of their right, title and interest in and to the Oil and Gas Leases set forth on Exhibit "A" attached hereto and made a part hereof,.

This Release may be executed in counterparts and shall become effective as to those parties executing same as of the date on which same is filed for record in the County Clerk's Office of Jefferson and Orange Counties, Texas, regardless of whether any one or more of the other parties hereto execute the same or not. For recordation purposes, authorization is given to detach the signature and acknowledgement pages from one or more counterparts and to attach them for filing with any other executed counterpart of this Release.

Executed this 9th day of January, 2006.

NEG OPERATING LLC
By: NEG Holding LLC, Sole Member
By: AREP/NEG MGP LLC, Managing Member
By: AREP Oil & Gas LLC., Sole Member

By: _____
Name: Bob G. Alexander
Title: President

BENCHMARK ASSETS COMPANY

By: _____
Name: _____
Title: _____

COASTAL EXPLORATION AND
DEVELOPMENT CORPORATION

By: _____
Name: _____
Title: _____

90-01-5

TRUE AND CORRECT COPY OF ORIGINAL
FILED IN JEFFERSON COUNTY CLERK'S OFFICE

Sabine Lake Prospect

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NEG OPERATING LLC
By: NEG Holding LLC, Sole Member
By: AREP/NEG MGP LLC, Managing Member
By: AREP Oil & Gas LLC., Sole Member

By: _____
Name: Bob G. Alexander
Title: President

BENCHMARK ASSETS COMPANY

By: Dorothy E Pledger
Name: Dorothy E. Pledger
Title: V. President

COASTAL EXPLORATION AND
DEVELOPMENT CORPORATION

By: _____
Name: _____
Title: _____

90.01.5

TRUE AND CORRECT COPY OF ORIGINAL
FILED IN JEFFERSON COUNTY CLERK'S OFFICE

RELEASE OF OIL AND GAS LEASES

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By: NEG Holding LLC, Sole Member
By: AREP/NEG MGP LLC, Managing Member
By: AREP Oil & Gas LLC., Sole Member

By: _____
Name: Bob G. Alexander
Title: President

BENCHMARK ASSETS COMPANY

By:_____
Name: _____
Title: _____

COASTAL EXPLORATION AND
DEVELOPMENT CORPORATION

By: _____
Name: _____
Title: _____

46-01-5

TRUE AND CORRECT COPY OF ORIGINAL
FILED IN JEFFERSON COUNTY CLERK'S OFFICE

AMINEX USA INC

By: Antonio Prado
Name: Antonio Prado
Title: President

RIMCO PRODUCTION COMPANY INC.

By:_____
Name: _____
Title: _____

D & E ENERGY INC.

By:_____
Name: _____
Title: _____

JUDAH OIL

By:_____
Name: _____
Title: _____

TRUE AND CORRECT COPY OF ORIGINAL
FILED IN JEFFERSON COUNTY CLERK'S OFFICE

AMINEX USA INC

By:_____
Name: _____
Title: _____

RIMCO PRODUCTION COMPANY INC.

By:_____
Name: Daniel A. Silverman
Title: Chief operating officer

D & E ENERGY INC.

By:_____
Name: _____
Title: _____

JUDAH OIL

By:_____
Name: _____
Title: _____

TRUE AND CORRECT COPY OF ORIGINAL
FILED IN JEFFERSON COUNTY CLERK'S OFFICE

AMINEX USA INC

By:_____
Name: _____
Title: _____

RIMCO PRODUCTION COMPANY INC.

By:_____
Name: _____
Title: _____

D & E ENERGY INC.

By: Michael W. Englert
Name: MICHAEL W. ENGLERT
Title: PRESIDENT

JUDAH OIL

By:_____
Name: _____
Title: _____

TRUE AND CORRECT COPY OF ORIGINAL
FILED IN JEFFERSON COUNTY CLERK'S OFFICE

AMINEX USA INC

By:_____
Name: _____
Title: _____

RIMCO PRODUCTION COMPANY INC.

By:_____
Name: _____
Title: _____

D & E ENERGY INC.

By:_____
Name: _____
Title: _____

JUDAH OIL

By: _____
Name: James B Campanella
Title: Pres. Sec. T

TRUE AND CORRECT COPY OF ORIGINAL
FILED IN JEFFERSON COUNTY CLERK'S OFFICE

SUNCLEAR ENERGY, INC.

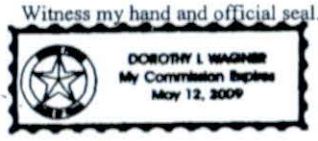
By:_____
Name: _____
Title: _____

TRUE AND CORRECT COPY OF ORIGINAL
FILED IN JEFFERSON COUNTY CLERK'S OFFICE

STATE OF TEXAS §
COUNTY OF DALLAS §

Before me, a Notary Public, in and for said county and state, on this 9th day of January, 2006, personally appeared Bob G. Alexander, to me known to be the identical person who subscribed the name of AREP Oil & Gas LLC, as sole member of AREP/NEG MGP LLC, as managing member of NEG Holding LLC, a Delaware limited liability company, as the sole member of NEG Operating LLC, a Delaware limited liability company, the maker thereof, to the foregoing instrument as its President and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of such limited liability company for the uses and purposes therein set forth.

Witness my hand and official seal.



Dorothy L. Wagner
NOTARY PUBLIC

STATE OF TEXAS §
COUNTY OF HARRIS §

On this _____ day of _____, 2006, before me appeared _____ _____, to me personally known, who, being by me duly sworn, did say he is _____ of BENCHMARK ASSETS COMPANY and that said instrument was signed on behalf of said corporation by authority of its Board of Directors and said _____, acknowledged said instrument to be the free act and deed of said corporation.

_____
NOTARY PUBLIC

STATE OF TEXAS §
COUNTY OF DALLAS §

On this _____ day of _____, 2006, before me appeared _____ _____, to me personally known, who, being by me duly sworn, did say he is _____ of COASTAL EXPLORATION AND DEVELOPMENT CORPORATION, and that said instrument was signed on behalf of said corporation by authority of its Board of Directors and said _____, acknowledged said instrument to be the free act and deed of said corporation.

_____
NOTARY PUBLIC

90.01.5

TRUE AND CORRECT COPY OF ORIGINAL
FILED IN JEFFERSON COUNTY CLERK'S OFFICE

STATE OF TEXAS §
COUNTY OF DALLAS §

Before me, a Notary Public, in and for said county and state, on this _____ day of January, 2006, personally appeared Bob G. Alexander, to me known to be the identical person who subscribed the name of AREP Oil & Gas LLC, as sole member of AREP/NEG MGP LLC, as managing member of NEG Holding LLC, a Delaware limited liability company, as the sole member of NEG Operating LLC, a Delaware limited liability company, the maker thereof, to the foregoing instrument as its President and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of such limited liability company for the uses and purposes therein set forth.

Witness my hand and official seal.

_____
NOTARY PUBLIC

STATE OF TEXAS §
COUNTY OF HARRIS §

On this 13th day of January, 2006, before me appeared Dorothy E. Pledger, to me personally known, who, being by me duly sworn, did say he is Vice-President of BENCHMARK ASSETS COMPANY and that said instrument was signed on behalf of said corporation by authority of its Board of Directors and said Dorothy E. Pledger, acknowledged said instrument to be the free act and deed of said corporation.

Ron W Evans 1-13-06
NOTARY PUBLIC

RON W. EVANS
MY COMMISSION EXPIRES
OCTOBER 13, 2007

STATE OF TEXAS §
COUNTY OF DALLAS §

On this _____ day of _____, 2006, before me appeared _____, to me personally known, who, being by me duly sworn, did say he is _____ of COASTAL EXPLORATION AND DEVELOPMENT CORPORATION, and that said instrument was signed on behalf of said corporation by authority of its Board of Directors and said _____, acknowledged said instrument to be the free act and deed of said corporation.

_____
NOTARY PUBLIC

90.01.5

TRUE AND CORRECT COPY OF ORIGINAL
FILED IN JEFFERSON COUNTY CLERK'S OFFICE

STATE OF TEXAS §
COUNTY OF DALLAS §

Before me, a Notary Public, in and for said county and state, on this _____ day of January, 2006, personally appeared Bob G. Alexander, to me known to be the identical person who subscribed the name of AREP Oil & Gas LLC, as sole member of AREP/NEG MGP LLC, as managing member of NEG Holding LLC, a Delaware limited liability company, as the sole member of NEG Operating LLC, a Delaware limited liability company, the maker thereof, to the foregoing instrument as its President and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of such limited liability company for the uses and purposes therein set forth.

Witness my hand and official seal.

_____
NOTARY PUBLIC

STATE OF TEXAS §
COUNTY OF HARRIS §

On this _____ day of _____, 2006, before me appeared _____ _____, to me personally known, who, being by me duly sworn, did say he is _____ of BENCHMARK ASSETS COMPANY and that said instrument was signed on behalf of said corporation by authority of its Board of Directors and said _____, acknowledged said instrument to be the free act and deed of said corporation.

_____
NOTARY PUBLIC

STATE OF TEXAS §
COUNTY OF DALLAS §

On this 9th day of Feb., 2006, before me appeared _____ Chance A. Smith, to me personally known, who, being by me duly sworn, did say he is President of COASTAL EXPLORATION AND DEVELOPMENT CORPORATION, and that said instrument was signed on behalf of said corporation by authority of its Board of Directors and said Chance A. Smith, acknowledged said instrument to be the free act and deed of said corporation.

Bee Ann Duckworth
NOTARY PUBLIC

Bee Ann Duckworth
Notary Public, State of Texas
My Comm. Expires 04/25/07

90.01.5

TRUE AND CORRECT COPY OF ORIGINAL
FILED IN JEFFERSON COUNTY CLERK'S OFFICE

STATE OF TEXAS §
COUNTY OF BEXAR §

On this 18 day of January, 2006, before me appeared _____, to me personally known, who, being by me duly sworn, did say he is Antonio Prado President of AMINEX USA INC., and that said instrument was signed on behalf of said corporation by authority of its Board of Directors and said _____, acknowledged said instrument to be the free act and deed of said corporation.

CAPRICE MINA RITCHESON
NOTARY PUBLIC STATE OF TEXAS
COMMISSION EXPIRES:
SEPTEMBER 26, 2009

_____
NOTARY PUBLIC

STATE OF TEXAS §
COUNTY OF HARRIS §

On this _____ day of _____, 2006, before me appeared _____, to me personally known, who, being by me duly sworn, did say he is _____ of RIMCO PRODUCTION COMPANY INC., and that said instrument was signed on behalf of said corporation by authority of its Board of Directors and said _____, acknowledged said instrument to be the free act and deed of said corporation.

_____
NOTARY PUBLIC

STATE OF TEXAS §
COUNTY OF HARRIS §

On this _____ day of _____, 2006, before me appeared _____, to me personally known, who, being by me duly sworn, did say he is _____ of D & E ENERGY INC., and that said instrument was signed on behalf of said corporation by authority of its Board of Directors and said _____, acknowledged said instrument to be the free act and deed of said corporation.

_____
NOTARY PUBLIC

STATE OF NEW MEXICO §
COUNTY OF _____ §

On this _____ day of _____, 2006, before me appeared _____, to me personally known, who, being by me duly sworn, did say he is _____ of JUDAH OIL., and that said instrument was signed on behalf of said corporation by authority of its Board of Directors and said _____, acknowledged said instrument to be the free act and deed of said corporation.

_____
NOTARY PUBLIC

90.01.5

TRUE AND CORRECT COPY OF ORIGINAL
FILED IN JEFFERSON COUNTY CLERK'S OFFICE

STATE OF TEXAS §
COUNTY OF BEXAR §

On this _____ day of _____, 2006, before me appeared _____, to me personally known, who, being by me duly sworn, did say he is _____ of AMINEX USA INC., and that said instrument was signed on behalf of said corporation by authority of its Board of Directors and said _____, acknowledged said instrument to be the free act and deed of said corporation.

_____
NOTARY PUBLIC

STATE OF TEXAS §
COUNTY OF HARRIS §

On this 12 day of January 2006, before me appeared Daniel H. Silverman, to me personally known, who, being by me duly sworn, did say he is Chief operating officer of RIMCO PRODUCTION COMPANY INC., and that said instrument was signed on behalf of said corporation by authority of its Board of Directors and said Corporation, acknowledged said instrument to be the free act and deed of said corporation.

AMIE FAUL
Notary Public, State of Texas
My Commission Expires
September 07, 2009

Amie Faul
NOTARY PUBLIC

STATE OF TEXAS §
COUNTY OF HARRIS §

On this _____ day of _____, 2006, before me appeared _____, to me personally known, who, being by me duly sworn, did say he is _____ of D & E ENERGY INC., and that said instrument was signed on behalf of said corporation by authority of its Board of Directors and said _____, acknowledged said instrument to be the free act and deed of said corporation.

_____
NOTARY PUBLIC

STATE OF NEW MEXICO §
COUNTY OF _____ §

On this _____ day of _____, 2006, before me appeared _____, to me personally known, who, being by me duly sworn, did say he is _____ of JUDAH OIL., and that said instrument was signed on behalf of said corporation by authority of its Board of Directors and said _____, acknowledged said instrument to be the free act and deed of said corporation.

_____
NOTARY PUBLIC

TRUE AND CORRECT COPY OF ORIGINAL
FILED IN JEFFERSON COUNTY CLERK'S OFFICE

STATE OF TEXAS §
COUNTY OF BEXAR §

On this _____ day of _____, 2006, before me appeared _____, to me personally known, who, being by me duly sworn, did say he is _____ of AMINEX USA INC., and that said instrument was signed on behalf of said corporation by authority of its Board of Directors and said _____, acknowledged said instrument to be the free act and deed of said corporation.

_____
NOTARY PUBLIC

STATE OF TEXAS §
COUNTY OF HARRIS §

On this _____ day of _____, 2006, before me appeared _____, to me personally known, who, being by me duly sworn, did say he is _____ of RIMCO PRODUCTION COMPANY INC., and that said instrument was signed on behalf of said corporation by authority of its Board of Directors and said _____, acknowledged said instrument to be the free act and deed of said corporation.

_____
NOTARY PUBLIC

STATE OF TEXAS §
COUNTY OF HARRIS §

On this 9th day of January, 2006, before me appeared Mike W. Englert, to me personally known, who, being by me duly sworn, did say he is President of D & E ENERGY INC., and that said instrument was signed on behalf of said corporation by authority of its Board of Directors and said Corporation, acknowledged said instrument to be the free act and deed of said corporation.

AMIE FAUL
Notary Public, State of Texas
My Commission Expires
September 07, 2009

_____
NOTARY PUBLIC

STATE OF NEW MEXICO §
COUNTY OF _____ §

On this _____ day of _____, 2006, before me appeared _____, to me personally known, who, being by me duly sworn, did say he is _____ of JUDAH OIL., and that said instrument was signed on behalf of said corporation by authority of its Board of Directors and said _____, acknowledged said instrument to be the free act and deed of said corporation.

_____
NOTARY PUBLIC

TRUE AND CORRECT COPY OF ORIGINAL
FILED IN JEFFERSON COUNTY CLERK'S OFFICE

STATE OF TEXAS §
COUNTY OF BEXAR §

On this _____ day of _____, 2006, before me appeared _____, to me personally known, who, being by me duly sworn, did say he is _____ of AMINEX USA INC., and that said instrument was signed on behalf of said corporation by authority of its Board of Directors and said _____, acknowledged said instrument to be the free act and deed of said corporation.

_____
NOTARY PUBLIC

STATE OF TEXAS §
COUNTY OF HARRIS §

On this _____ day of _____, 2006, before me appeared _____, to me personally known, who, being by me duly sworn, did say he is _____ of RIMCO PRODUCTION COMPANY INC., and that said instrument was signed on behalf of said corporation by authority of its Board of Directors and said _____, acknowledged said instrument to be the free act and deed of said corporation.

_____
NOTARY PUBLIC

STATE OF TEXAS §
COUNTY OF HARRIS §

On this _____ day of _____, 2006, before me appeared _____, to me personally known, who, being by me duly sworn, did say he is _____ of D & E ENERGY INC., and that said instrument was signed on behalf of said corporation by authority of its Board of Directors and said _____, acknowledged said instrument to be the free act and deed of said corporation.

_____
NOTARY PUBLIC

STATE OF NEW MEXICO §
COUNTY OF Eddy §

On this 13th day of January, 2006, before me appeared James B. Campanella, to me personally known, who, being by me duly sworn, did say he is President of JUDAH OIL., and that said instrument was signed on behalf of said corporation by authority of its Board of Directors and said Caroline Asher, acknowledged said instrument to be the free act and deed of said corporation.

Caroline Asher
NOTARY PUBLIC

OFFICIAL SEAL
CAROLINE ASHER
NOTARY PUBLIC
STATE OF NEW MEXICO
My Commission Expires 12/26/06

90.01.5

I CERTIFY THIS IS A TRUE COPY, Witness my Hand and Seal of Office
04/19/2006
CAROLYN L. GUIDRY, COUNTY CLERK, JEFFERSON COUNTY, TEXAS
BY Barbara James DEPUTY
BARBARA JAMES

EXHIBIT "A"

Attached hereto and made a part hereof that certain Release of Oil and Gas Leases dated January 9, 2006, from NEG Operating LLC, Benchmark Assets Company, Coastal Exploration and Development Corporation, Aminex USA Inc., Rimco Production Company, Inc., D & E Energy Inc., Judah Oil and Sunclear Energy, Inc.

LEASE NO.:	420531.00
LEASE DATE:	October 1, 1996
LESSOR:	State of Texas M-97589
LESSEE:	Benchmark Oil and Gas Company
RECORDED:	Volume 1015, Page 672, Orange County, Texas Entry No. 97-9702887, Jefferson County, Texas
DESCRIPTION:	N/2 of Tract 8, Sabine Lake, Orange and Jefferson Counties, Texas, containing 320 acres, more or less

LEASE NO.:	420535.00
LEASE DATE:	July 10, 2001
LESSOR:	State of Texas M-102078
LESSEE:	Benchmark Oil and Gas Company
RECORDED:	Volume 1249, Page 506, Orange County, Texas Entry No. 2001035007, Jefferson County, Texas
DESCRIPTION:	S/2 of Tract 5, Sabine Lake, Orange and Jefferson Counties, Texas, containing 320 acres, more or less

FILED AND RECORDED
OFFICIAL PUBLIC RECORDS
Carolyn L Guidry
2006 Apr 12 03:30 PM 2006014811
JAMES $97.00
CAROLYN L. GUIDRY COUNTY CLERK
JEFFERSON COUNTY TEXAS

RETURN TO

NEG OPERATING LLC
4925 GREENVILLE AVE
STE 1400
DALLAS TX 75206

90.01.5

43.

File No. MF097589

Release for Jefferson County

Date Filed: 5/10/06

Jerry E. Patterson, Commissioner

By

296280

Sabine Lake Prospect

RELEASE OF OIL AND GAS LEASES

STATE OF TEXAS §
§ KNOW ALL MEN BY THESE PRESENTS:
COUNTIES OF JEFFERSON
AND ORANGE §

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Executed this 9th day of January, 2006.

NEG OPERATING LLC
By: NEG Holding LLC, Sole Member
By: AREP/NEG MGP LLC, Managing Member
By: AREP Oil & Gas LLC., Sole Member

By: _____
Name: Bob G. Alexander
Title: President

BENCHMARK ASSETS COMPANY

By: _____
Name: _____
Title: _____

COASTAL EXPLORATION AND
DEVELOPMENT CORPORATION

By: _____
Name: _____
Title: _____

COUNTY CLERK OF ORANGE COUNTY, TEXAS
CERTIFIED COPY

90.05

RELEASE OF OIL AND GAS LEASES

STATE OF TEXAS §
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COUNTIES OF JEFFERSON
AND ORANGE §

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By: AREP/NEG MGP LLC, Managing Member
By: AREP Oil & Gas LLC., Sole Member

By: _____
Name: Bob G. Alexander
Title: President

BENCHMARK ASSETS COMPANY

By: Dorothy E Pledger
Name: Dorothy E. Pledger
Title: V. P. Land

COASTAL EXPLORATION AND
DEVELOPMENT CORPORATION

By: _____
Name: _____
Title: _____

COUNTY CLERK OF ORANGE COUNTY, TEXAS CERTIFIED COPY

RELEASE OF OIL AND GAS LEASES

STATE OF TEXAS §
§ KNOW ALL MEN BY THESE PRESENTS:
COUNTIES OF JEFFERSON
AND ORANGE §

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NEG OPERATING LLC
By: NEG Holding LLC, Sole Member
By: AREP/NEG MGP LLC, Managing Member
By: AREP Oil & Gas LLC., Sole Member

By: _____
Name: Bob G. Alexander
Title: President

BENCHMARK ASSETS COMPANY

By:_____
Name: _____
Title: _____

COASTAL EXPLORATION AND
DEVELOPMENT CORPORATION

By: _____
Name: Choice Smith
Title: President

COUNTY CLERK OF ORANGE COUNTY, TEXAS
CERTIFIED COPY

AMINEX USA INC

By: Antonio Prado
Name: Antonio Prado
Title: President

RIMCO PRODUCTION COMPANY INC.

By:_____
Name: _____
Title: _____

D & E ENERGY INC.

By:_____
Name: _____
Title: _____

JUDAH OIL

By:_____
Name: _____
Title: _____

COUNTY CLERK OF ORANGE COUNTY, TEXAS
CERTIFIED COPY

AMINEX USA INC

By:_____
Name: _____
Title: _____

RIMCO PRODUCTION COMPANY INC.

By:_____
Name: Daniel H. Silverman
Title: Chief operating officer

D & E ENERGY INC.

By:_____
Name: _____
Title: _____

JUDAH OIL

By:_____
Name: _____
Title: _____

COUNTY CLERK OF ORANGE COUNTY, TEXAS
CERTIFIED COPY

AMINEX USA INC

By:_____
Name: _____
Title: _____

RIMCO PRODUCTION COMPANY INC.

By:_____
Name: _____
Title: _____

D & E ENERGY INC.

By: Michael W. Englert
Name: Michael W. Englert
Title: President

JUDAH OIL

By:_____
Name: _____
Title: _____

COUNTY CLERK OF ORANGE COUNTY, TEXAS
CERTIFIED COPY

AMINEX USA INC

By:_____
Name: _____
Title: _____

RIMCO PRODUCTION COMPANY INC.

By:_____
Name: _____
Title: _____

D & E ENERGY INC.

By:_____
Name: _____
Title: _____

JUDAH OIL

By: _____
Name: James B Campanella
Title: president

COUNTY CLERK OF ORANGE COUNTY, TEXAS
CERTIFIED COPY

SUNCLEAR ENERGY, INC.

By:_____
Name: _____
Title: _____

COUNTY CLERK OF ORANGE COUNTY, TEXAS
CERTIFIED COPY

STATE OF TEXAS §
COUNTY OF DALLAS §

Before me, a Notary Public, in and for said county and state, on this 9th day of January, 2006, personally appeared Bob G. Alexander, to me known to be the identical person who subscribed the name of AREP Oil & Gas LLC, as sole member of AREP/NEG MGP LLC, as managing member of NEG Holding LLC, a Delaware limited liability company, as the sole member of NEG Operating LLC, a Delaware limited liability company, the maker thereof, to the foregoing instrument as its President and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of such limited liability company for the uses and purposes therein set forth.

Witness my hand and official seal.



Dorothy L. Wagner
NOTARY PUBLIC

STATE OF TEXAS §
COUNTY OF HARRIS §

On this _____ day of _____, 2006, before me appeared _____ _____, to me personally known, who, being by me duly sworn, did say he is _____ of BENCHMARK ASSETS COMPANY and that said instrument was signed on behalf of said corporation by authority of its Board of Directors and said _____, acknowledged said instrument to be the free act and deed of said corporation.

_____
NOTARY PUBLIC

STATE OF TEXAS §
COUNTY OF DALLAS §

On this _____ day of _____, 2006, before me appeared _____ _____, to me personally known, who, being by me duly sworn, did say he is _____ of COASTAL EXPLORATION AND DEVELOPMENT CORPORATION, and that said instrument was signed on behalf of said corporation by authority of its Board of Directors and said _____, acknowledged said instrument to be the free act and deed of said corporation.

_____
NOTARY PUBLIC

COUNTY CLERK OF ORANGE COUNTY, TEXAS
CERTIFIED COPY

STATE OF TEXAS §
COUNTY OF DALLAS §

Before me, a Notary Public, in and for said county and state, on this _____ day of January, 2006, personally appeared Bob G. Alexander, to me known to be the identical person who subscribed the name of AREP Oil & Gas LLC, as sole member of AREP/NEG MGP LLC, as managing member of NEG Holding LLC, a Delaware limited liability company, as the sole member of NEG Operating LLC, a Delaware limited liability company, the maker thereof, to the foregoing instrument as its President and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of such limited liability company for the uses and purposes therein set forth.

Witness my hand and official seal.

_____
NOTARY PUBLIC

STATE OF TEXAS §
COUNTY OF HARRIS §

On this 13th day of January, 2006, before me appeared _____, to me personally known, who, being by me duly sworn, did Dorothy E. Pledger
say he is Vice-president of BENCHMARK ASSETS COMPANY and that said instrument was signed on behalf of said corporation by authority of its Board of Directors and said Dorothy E. Pledger, acknowledged said instrument to be the free act and deed of said corporation.

Ron W. Evans 1-13-2006
_____
NOTARY PUBLIC

RON W. EVANS
MY COMMISSION EXPIRES
OCTOBER 13, 2007

STATE OF TEXAS §
COUNTY OF DALLAS §

On this _____ day of _____, 2006, before me appeared _____, to me personally known, who, being by me duly sworn, did say he is _____ of COASTAL EXPLORATION AND DEVELOPMENT CORPORATION, and that said instrument was signed on behalf of said corporation by authority of its Board of Directors and said _____, acknowledged said instrument to be the free act and deed of said corporation.

_____
NOTARY PUBLIC

COUNTY CLERK OF ORANGE COUNTY, TEXAS
CERTIFIED COPY

00.01.5

STATE OF TEXAS §
COUNTY OF DALLAS §

Before me, a Notary Public, in and for said county and state, on this _____ day of January, 2006, personally appeared Bob G. Alexander, to me known to be the identical person who subscribed the name of AREP Oil & Gas LLC, as sole member of AREP/NEG MGP LLC, as managing member of NEG Holding LLC, a Delaware limited liability company, as the sole member of NEG Operating LLC, a Delaware limited liability company, the maker thereof, to the foregoing instrument as its President and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of such limited liability company for the uses and purposes therein set forth.

Witness my hand and official seal.

_____
NOTARY PUBLIC

STATE OF TEXAS §
COUNTY OF HARRIS §

On this _____ day of _____, 2006, before me appeared _____ _____, to me personally known, who, being by me duly sworn, did say he is _____ of BENCHMARK ASSETS COMPANY and that said instrument was signed on behalf of said corporation by authority of its Board of Directors and said _____, acknowledged said instrument to be the free act and deed of said corporation.

_____
NOTARY PUBLIC

STATE OF TEXAS §
COUNTY OF DALLAS §

On this 7th day of February 2006, before me appeared _____ Chase A. Smith, to me personally known, who, being by me duly sworn, did say he is President of COASTAL EXPLORATION AND DEVELOPMENT CORPORATION, and that said instrument was signed on behalf of said corporation by authority of its Board of Directors and said Chase A. Smith, acknowledged said instrument to be the free act and deed of said corporation.

Bea Ann Duckworth
NOTARY PUBLIC

NOTARY PUBLIC STATE OF TEXAS
Bea Ann Duckworth
Notary Public, State of Texas
My Comm. Expires 04/29/07

COUNTY CLERK OF ORANGE COUNTY, TEXAS
CERTIFIED COPY

90.01.5

STATE OF TEXAS §
COUNTY OF BEXAR §

On this 18 day of January, 2006, before me appeared _____ Antonio Prado, to me personally known, who, being by me duly sworn, did say he is President of AMINEX USA INC., and that said instrument was signed on behalf of said corporation by authority of its Board of Directors and said _____, acknowledged said instrument to be the free act and deed of said corporation.

CAPRICE MINA RITCHESON
NOTARY PUBLIC STATE OF TEXAS
COMMISSION EXPIRES:
SEPTEMBER 26, 2009

_____
NOTARY PUBLIC

STATE OF TEXAS §
COUNTY OF HARRIS §

On this _____ day of _____, 2006, before me appeared _____ _____, to me personally known, who, being by me duly sworn, did say he is _____ of RIMCO PRODUCTION COMPANY INC., and that said instrument was signed on behalf of said corporation by authority of its Board of Directors and said _____, acknowledged said instrument to be the free act and deed of said corporation.

_____
NOTARY PUBLIC

STATE OF TEXAS §
COUNTY OF HARRIS §

On this _____ day of _____, 2006, before me appeared _____ _____, to me personally known, who, being by me duly sworn, did say he is _____ of D & E ENERGY INC., and that said instrument was signed on behalf of said corporation by authority of its Board of Directors and said _____, acknowledged said instrument to be the free act and deed of said corporation.

_____
NOTARY PUBLIC

STATE OF NEW MEXICO §
COUNTY OF _____ §

On this _____ day of _____, 2006, before me appeared _____ _____, to me personally known, who, being by me duly sworn, did say he is _____ of JUDAH OIL., and that said instrument was signed on behalf of said corporation by authority of its Board of Directors and said _____, acknowledged said instrument to be the free act and deed of said corporation.

_____
NOTARY PUBLIC

COUNTY CLERK OF ORANGE COUNTY, TEXAS
CERTIFIED COPY

90.01.5

STATE OF TEXAS §
COUNTY OF BEXAR §

On this _____ day of _____, 2006, before me appeared _____ _____, to me personally known, who, being by me duly sworn, did say he is _____ of AMINEX USA INC., and that said instrument was signed on behalf of said corporation by authority of its Board of Directors and said _____, acknowledged said instrument to be the free act and deed of said corporation.

_____
NOTARY PUBLIC

STATE OF TEXAS §
COUNTY OF HARRIS §

On this 12 day of January, 2006, before me appeared Daniel H. Silverman, to me personally known, who, being by me duly sworn, did say he is chief operating officer of RIMCO PRODUCTION COMPANY INC., and that said instrument was signed on behalf of said corporation by authority of its Board of Directors and said corporation, acknowledged said instrument to be the free act and deed of said corporation.

AMIE FAUL
Notary Public, State of Texas
My Commission Expires
September 07, 2009

Amie Faul
NOTARY PUBLIC

STATE OF TEXAS §
COUNTY OF HARRIS §

On this _____ day of _____, 2006, before me appeared _____ _____, to me personally known, who, being by me duly sworn, did say he is _____ of D & E ENERGY INC., and that said instrument was signed on behalf of said corporation by authority of its Board of Directors and said _____, acknowledged said instrument to be the free act and deed of said corporation.

_____
NOTARY PUBLIC

STATE OF NEW MEXICO §
COUNTY OF _____ §

On this _____ day of _____, 2006, before me appeared _____ _____, to me personally known, who, being by me duly sworn, did say he is _____ of JUDAH OIL., and that said instrument was signed on behalf of said corporation by authority of its Board of Directors and said _____, acknowledged said instrument to be the free act and deed of said corporation.

_____
NOTARY PUBLIC

COUNTY CLERK OF ORANGE COUNTY, TEXAS
CERTIFIED COPY

90-01-5

STATE OF TEXAS §
COUNTY OF BEXAR §

On this _____ day of _____, 2006, before me appeared _____ _____, to me personally known, who, being by me duly sworn, did say he is _____ of AMINEX USA INC., and that said instrument was signed on behalf of said corporation by authority of its Board of Directors and said _____, acknowledged said instrument to be the free act and deed of said corporation.

_____
NOTARY PUBLIC

STATE OF TEXAS §
COUNTY OF HARRIS §

On this _____ day of _____, 2006, before me appeared _____ _____, to me personally known, who, being by me duly sworn, did say he is _____ of RIMCO PRODUCTION COMPANY INC., and that said instrument was signed on behalf of said corporation by authority of its Board of Directors and said _____, acknowledged said instrument to be the free act and deed of said corporation.

_____
NOTARY PUBLIC

STATE OF TEXAS §
COUNTY OF HARRIS §

On this 9th day of January, 2006, before me appeared _____ Mike W. Englert, to me personally known, who, being by me duly sworn, did say he is President of D & E ENERGY INC., and that said instrument was signed on behalf of said corporation by authority of its Board of Directors and said Corporation, acknowledged said instrument to be the free act and deed of said corporation.

AMIE FAUL
Notary Public, State of Texas
My Commission Expires
September 07, 2009

Amie Faul
NOTARY PUBLIC

STATE OF NEW MEXICO §
COUNTY OF _____ §

On this _____ day of _____, 2006, before me appeared _____ _____, to me personally known, who, being by me duly sworn, did say he is _____ of JUDAH OIL., and that said instrument was signed on behalf of said corporation by authority of its Board of Directors and said _____, acknowledged said instrument to be the free act and deed of said corporation.

_____
NOTARY PUBLIC

COUNTY CLERK OF ORANGE COUNTY, TEXAS
CERTIFIED COPY

90.01.5

STATE OF TEXAS §
COUNTY OF BEXAR §

On this _____ day of _____, 2006, before me appeared _____ _____, to me personally known, who, being by me duly sworn, did say he is _____ of AMINEX USA INC., and that said instrument was signed on behalf of said corporation by authority of its Board of Directors and said _____, acknowledged said instrument to be the free act and deed of said corporation.

_____
NOTARY PUBLIC

STATE OF TEXAS §
COUNTY OF HARRIS §

On this _____ day of _____, 2006, before me appeared _____ _____, to me personally known, who, being by me duly sworn, did say he is _____ of RIMCO PRODUCTION COMPANY INC., and that said instrument was signed on behalf of said corporation by authority of its Board of Directors and said _____, acknowledged said instrument to be the free act and deed of said corporation.

_____
NOTARY PUBLIC

STATE OF TEXAS §
COUNTY OF HARRIS §

On this _____ day of _____, 2006, before me appeared _____ _____, to me personally known, who, being by me duly sworn, did say he is _____ of D & E ENERGY INC., and that said instrument was signed on behalf of said corporation by authority of its Board of Directors and said _____, acknowledged said instrument to be the free act and deed of said corporation.

_____
NOTARY PUBLIC

STATE OF NEW MEXICO §
COUNTY OF Eddy §

On this 13th day of Janvary, 2006, before me appeared James B. Campanella, to me personally known, who, being by me duly sworn, did say he is President of JUDAH OIL., and that said instrument was signed on behalf of said corporation by authority of its Board of Directors and said Caroline Asher, acknowledged said instrument to be the free act and deed of said corporation.

OFFICIAL SEAL
CAROLINE ASHER
NOTARY PUBLIC
STATE OF NEW MEXICO
My Commission Expires 10/28/06

Caroline Asher
NOTARY PUBLIC

COUNTY CLERK OF ORANGE COUNTY, TEXAS
CERTIFIED COPY

9.0.5

EXHIBIT "A"

Attached hereto and made a part hereof that certain Release of Oil and Gas Leases dated January 9, 2006, from NEG Operating LLC, Benchmark Assets Company, Coastal Exploration and Development Corporation, Aminex USA Inc., Rimco Production Company, Inc., D & E Energy Inc., Judah Oil and Sunclear Energy, Inc.

LEASE NO.:	420531.00
LEASE DATE:	October 1, 1996
LESSOR:	State of Texas M-97589
LESSEE:	Benchmark Oil and Gas Company
RECORDED:	Volume 1015, Page 672, Orange County, Texas Entry No. 97-9702887, Jefferson County, Texas
DESCRIPTION:	N/2 of Tract 8, Sabine Lake, Orange and Jefferson Counties, Texas, containing 320 acres, more or less

LEASE NO.:	420535.00
LEASE DATE:	July 10, 2001
LESSOR:	State of Texas M-102078
LESSEE:	Benchmark Oil and Gas Company
RECORDED:	Volume 1249, Page 506, Orange County, Texas Entry No. 2001035007, Jefferson County, Texas
DESCRIPTION:	S/2 of Tract 5, Sabine Lake, Orange and Jefferson Counties, Texas, containing 320 acres, more or less

FB & RT -
Neg Operating LLC
4925 Greenville Avenue
Suite 1400
Dallas, Texas
75206

(16) 65.00 + 11.00
21.00 for certified copy

FILED FOR RECORD
3:30 O'CLOCK P M
06 April 12
KAREN JO VANCE
CLERK, COUNTY COURT
ORANGE COUNTY, TEXAS
BY [signature] DEPUTY

COUNTY CLERK OF ORANGE COUNTY, TEXAS
CERTIFIED COPY

9.0.1.5

THE STATE OF TEXAS

COUNTY OF ORANGE

I, Karen Jo Vance, County Clerk for Orange County, Texas do hereby certify that the above and foregoing is a true and correct copy of RELEASE OF OIL AND GAS LEASES, File No. 296280, N E G OPERATING, LLC, ET AL to N E G HOLDING, LLC, ET AL, as the same appears of record in the Official Public Records of Real Property, Orange County, Texas.

Given under my hand and seal of office, this 13TH day of APRIL, 2006, A.D.

Karen Jo Vance
County Clerk
Orange County, Texas

By _____, Deputy
JUANITA TRIPP

49.

File No. MF097589

Release for Orange County

Date Filed: 4/10/06

Jerry E. Patterson, Commissioner

By

TEXAS GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

May 18, 2006

Attn: Susan H. Warren
NEG Operating, LLC
4925 Greenville Avenue, Suite 1400
Dallas, Texas 75206

Re: Release of State of Texas Leases – MF-097589 & M-102078
Sabine Lake Prospect, Jefferson & Orange Counties, Texas

Dear Ms. Warren:

The General Land Office received the following instruments on May 10, 2006, filed them in the Mineral file numbers as stated above.

Releases dated January 9, 2006, recorded in Jefferson & Orange Counties, Texas.

Your remittance of $50.00 has been applied as the state's portion of the filing fees. If you have any questions, please feel free to call me.

Sincerely,

Mary Helen Silva
Lease Administration
Energy Resources
512:475-1532

95,

File No. MF097589

Release for Orange County

Date Filed: 5/10/06

Jerry E. Patterson, Commissioner

By _____

M-97589

NEG OPERATING LLC

July 29, 2005

Via UPS

Railroad Commission of Texas
District 03 Office
Attn: Doug Story
1706 Seamist Dr., Ste 501
Houston, TX 77008-3135

Re: Notice of Intent to Plug & Abandon
NEG Operating LLC
RRC Dist. #03
State Tract 8 #1
RRC #196286
Orange County

Dear Mr. Story:

NEG Operating LLC submits an original and three copies of Notice of Intention to Plug and Abandon (Form W-3A) and TCEQ approved Depth of Useable-Quality Ground Water to Be Protected.

If you have any questions, please call me at the 214/692-9211, Ext. 123.

Very truly yours,

NEG Operating LLC

Bettie Watson
Attorney-In-Fact

BCW/attachments

CC: Texas General Land Office – Attn: Robert Hatter – Stephen F. Austin Bldg. – 1700 N. Congress, Rm 600 – Austin, Texas 78701 - reference Lease #M-97589
Certified Return Receipt #7004-1160 0001 5762 0949

BCC: WELLFILE E-file / DB / REGFILE
E-mail: Jeff Harwell David Rigsby

RECEIVED
05 AUG -9 AM 10:39

4925 Greenville Avenue • Suite 1400 • Dallas, Texas 75206 • (214) 692-9211 • FAX (214) 692-9310

Form W-3A

Rev. 1/1/83
483-024
DBC0697

RAILROAD COMMISSION OF TEXAS

Oil and Gas Division

Notice of Intention to Plug and Abandon

Type or print only

Operators must comply with RRC plugging procedures as outlined on the reverse side.

1. Operator's Name and Address (Exactly as shown on Form P-5, Organization Report)
NEG OPERATING LLC
4925 Greenville Ave., STE 1400
Dallas, TX 75206

2. RRC Operator Number: 602995

3. RRC District No.: 03

4. County of Well Site: Orange

5. API No.: 42- 361 - 30785

6. Drilling Permit No.: 513400

7. Rule 37 Case No.:

8. Oil Lease No. or Gas Well ID No.: 196286

9. Well No.: 1

10. Field Name (Exactly as shown on RRC records): Sabine Lake, N. (Hackberry, L)

11. Lease Name: State Tract 8

12. Location
- Section No. _____ Block No. _____ Survey: Sabine Lake, State Tract 8 No. _____ Abstract No. A-
- Distance (in miles) and direction from a nearby town in this county (name the town): 3 miles E. of Groves, TX

13. Type of well
1 - oil 3 - disposal 5 - other (specify) _____
2 - gas 4 - injection Enter appropriate no. in box: 2

14. Type of completion
Single [X] Multiple [ ]

15. Total depth: 11450'

16. Usable-quality water strata (as determined by Texas Dept. of Water Resources) occur to a depth of 200 feet and in deeper strata from _____ to _____ feet; and from _____ to _____ feet

17.
- If there are wells in this area which are producing from or have produced from a shallower zone, state depth of zone _____
- If there are wells into which salt water is being or has been disposed of into a shallower zone, state depth of zone _____

18. Casing record (list all casing in well)

Size (inches)	Depth (feet)	Cement (sacks)	Drilled hole size (inches)	Top of cement (feet)	Top of cement determined by: Temper. Survey	Calculated	Cement bond log	Anticipated casing recovery (feet)
10 3/4 set @	3143 w/	749	14 3/4	Surf	[ ]	[ ]	[ ]	15'
7 5/8 set @	10010 w/	485	9 7/8	8250	[ ]	[X]	[ ]	3100'
Liner 5" set @	11447 w/	300	6 1/2	9580	[ ]	[ ]	[ ]	-0-
_____ set @	_____ w/	_____	_____	_____	[ ]	[ ]	[ ]	_____
_____ set @	_____ w/	_____	_____	_____	[ ]	[ ]	[ ]	_____

19. Has notice of intent to plug been filed previously for this well?
[ ] Yes _____ (mo. day yr.) [X] No

20. Plugging proposal (List all bridge and cement plugs. Load the hole with at least 9.5 lbs. per gallon mud.)

	No. of sacks	Depth in feet (top & bottom)
1.	46 Sx	9565 - 11222
2.	45 Sx	9300 - 9500
3.	70 Sx	3000 - 3200
4.	54 Sx	1044 - 1155
5.	48 Sx	850 - 750
6.	48 Sx	350 - 450
7.	12 Sx	50 - 750
8.	_____	-

21. Record of perforated intervals or open hole

Perforations	Open	Plugged	Plugging method
11222 - 11272	[ ]	[ ]	
-	[ ]	[ ]	
-	[ ]	[ ]	
Open Hole -	[ ]	[ ]	

22. Name and address of cementing company or contractor

23. Anticipated plugging date for this well is: NOT KNOWN (mo. day yr.)

Bettie Watson
Typed or printed name of operator's representative

Attorney-In-Fact
Title of person

214 692 9211
Telephone: Area Code Number

7 29 05
Date: mo. day year

Bettie Watson
Signature

RRC District Office Action

Approved

Expiration date _____ (mo. day year)

District Director

Date

PLEASE DO NOT STAPLE

DEPTH OF USABLE-QUALITY GROUND WATER TO BE PROTECTED XC RK SH

'PLEASE READ ALL INSTRUCTIONS

The information requested is essential in order for this agency to provide an appropriate response. Please allow for receipt of this form in our offices at least two weeks before your operation begins. Due to the volume of these requests, it is difficult for us to handle telephone inquiries, and such only serve to delay the processing of these forms. Complete, keep the bottom sheet (goldenrod) for your files, and mail the top 3 sheets of the 4-sheet set of carbon-backed forms to the address below; one of them will be returned to you bearing our response and one will be sent to the appropriate district office of the Railroad Commission. For questions phone: 512/239-0515.

Surface Casing - MC 151
TNRCC
P.O. Box 13087
Austin, TX 78711-3087

Date 14 March 2001 TNRCC File No.: SC- 1410

E. B. Krider 281.558.3585
Name of person preparing this request & telephone no. w/AC

Benchmark Oil & Gas Company
Company (operator's name as on RRC form W-1)

P. O. Box 820729
Mailing Address

Houston, Texas 77282-0729
City and State Zip Code

No map sent

COUNTY Orange Survey Name Sabine Lake State Tract 8

Block No. _____ Township _____ Section or Survey No. _____ (or) Lot No. _____

Abstract No. A- _____ LEASE Name State Tract 8 Well No. 1 Well No. 1

(A map showing all surrounding SURVEYS and your well site must accompany this request.)

Distances, in feet, and directions measured at right angles from each of two intersecting Section or Survey lines
(NOT LEASE LINES) 521 feet from North line and 326 feet from East line

Distance (in miles) and direction from a nearby town in this County (name the town) 3.5 miles in an easterly direction from Port Arthur

THE ABOVE INFORMATION IN THIS BLOCK MUST BE COMPLETE AND CORRECT!!!

RRC Lease No. _____ RRC Dist. No. _____

Elevation (if avail.) 6.2 feet Total Depth 11,600' Geologic Fm. at T.D. Hackberry

Purpose of the Request: ☒ New Drill ☐ Re-entry ☐ Plug & Abd. ☐ Other (specify) _____

Is this an amended request? ☐ Yes ☒ No Give previous File No. for this well: SC- _____

Additional data (check if attached):

Log of same or nearby well _____ (The applicable type of well log of a nearby well that shows the aquifers.)

ALWAYS attach the electric log of any well that is to be reentered.

Additional remarks: Lease No. M-97589

The TEXAS NATURAL RESOURCE CONSERVATION COMMISSION's recommendation for the protection of usable-quality ground water at the referenced location is as follows:

CO-ORANGE,SUR-SABINE LAKE ST,SEC-8,LSE-STATE TRACT 8 WELL#1,#1/200

The interval from the land surface to a depth of 200 feet must be protected.

Very truly yours,

Karen F. Scott

Karen F. Scott
Geologist, Surface Casing, TNRCC

Date March 29, 2001
typed by TNRCC

NOTE: The depth to which we recommend that usable-quality water strata should be protected is intended to apply only to the subject well and not for area-wide use. Approval of the well-completion methods for protection of this ground water falls under the jurisdiction of the Railroad Commission of Texas. **This recommendation is intended for normal drilling, production, and plugging operations only and does not apply to salt water disposal operations into a nonproductive zone (RRC Form W-14).**

TYPE OR PRINT IN INK

DO NOT WRITE HERE FOR TNRCC USE ONLY

TNRCC-0051 (Rev. 09-17-96)

NEG OPERATING LLC

September 12, 2005

Via Certified Return Receipt
7004 2890 0000 7841 1047

Texas General Land Office
Attn: Mr. Robert Hatter
P.O. Box 12873
Austin, Texas 78711-2873

Re: Intention to Plug & Abandon
NEG Operating LLC
State Tract 8 #1
Lease #M-97589
Orange Co.

Dear Mr. Hatter:

NEG Operating LLC transmits the Notice of Intention to Plug & Abandon (Form W-3A) Application and Railroad Commission Approval for the referenced well.

If you have any questions, please call me at the 214/692-9211, Ext. 123.

Very truly yours,

TransTexas Gas Corporation

Bettie Watson

Bettie Watson
Attorney-In-Fact

BCW/attachments

4925 Greenville Avenue • Suite 1400 • Dallas, Texas 75206 • (214) 692-9211 • FAX (214) 692-9310

Original Well file
9-12-05 CC: Reg file
GLO
Maps: Yes

RECEIVED
RAILROAD COMMISSION OF TEXAS
AUG 01 2005
OG DIVISION
HOUSTON, TX

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division

Type or print only

Notice of Intention to Plug and Abandon

Operators must comply with RRC plugging procedures as outlined on the reverse side.

Form W-3A
Rev. 1/1/83
483-024
DBC0697

1. Operator's Name and Address (Exactly as shown on Form P-5, Organization Report)
NEG OPERATING LLC
4925 Greenville Ave., STE 1400
Dallas, TX 75206

2. RRC Operator Number: 602995

3. RRC District No.: 03

4. County of Well Site: Orange

5. API No.: 42- 361 - 30785

6. Drilling Permit No.: 513400

7. Rule 37 Case No.:

8. Oil Lease No. or Gas Well ID No.: 196286

9. Well No.: 1

10. Field Name (Exactly as shown on RRC records): Sabine Lake, N. (Hackberry, L)

11. Lease Name: State Tract 8

12. Location
- Section No. _____ Block No. _____ Survey: Sabine Lake, State Tract 8 No. _____ Abstract No. A-
- Distance (in miles) and direction from a nearby town in this county (name the town): 3 miles E. of Groves, TX

13. Type of well
1 - oil 3 - disposal 5 - other (specify) _____
2 - gas 4 - injection Enter appropriate no. in box: 2

14. Type of completion
Single [X] Multiple [ ]

15. Total depth: 11450'

16. Usable-quality water strata (as determined by Texas Dept. of Water Resources) occur to a depth of 200 feet and in deeper strata from _____ to _____ feet; and from _____ to _____ feet

17.
- If there are wells in this area which are producing from or have produced from a shallower zone, state depth of zone
- If there are wells into which salt water is being or has been disposed of into a shallower zone, state depth of zone

18. Casing record (list all casing in well)

Size (inches)	Depth (feet)		Cement (sacks)	Drilled hole size (inches)	Top of cement (feet)	Top of cement determined by: Temper. Survey	Calculated	Cement bond log	Anticipated casing recovery (feet)
10 3/4 set @	3143	w/	749	14 3/4	Surf	[ ]	[ ]	[ ]	15'
7 5/8 set @	10010	w/	485	9 7/8	8250	[ ]	[X]	[ ]	3100'
Liner 5" set @	11447	w/	300	6 1/2	9580	[ ]	[ ]	[ ]	-0-
_____ set @	_____	w/	_____	_____	_____	[ ]	[ ]	[ ]	_____
_____ set @	_____	w/	_____	_____	_____	[ ]	[ ]	[ ]	_____

19. Has notice of intent to plug been filed previously for this well?
[ ] Yes _____ (mo. day yr.) [X] No

21. Record of perforated intervals or open hole

Perforations	Open	Plugged	Plugging method
11222 - 11272	[ ]	[ ]	
-	[ ]	[ ]	
-	[ ]	[ ]	
Open Hole -	[ ]	[ ]	

22. Name and address of cementing company or contractor

20. Plugging proposal (List all bridge and cement plugs. Load the hole with at least 9.5 lbs. per gallon mud.)

	No. of sacks	Depth in feet (top & bottom)
1.	46 Sx	9565 - 11222
2.	45 Sx	9300 - 9500
3.	70 Sx	3000 - 3200
4.	54 Sx	1044 - 1155
5.	48 Sx	850 - 750
6.	48 Sx	350 - 450
7.	12 Sx	50 - 750
8.	48	250 - 150

23. Anticipated plugging date for this well is: NOT KNOWN (mo. day yr.)

BETTIE WATSON
Typed or printed name of operator's representative

ATTORNEY-IN-FACT
Title of person

214 692 9211
Telephone: Area Code Number

7 29 05
Date: mo. day year

Bettie Watson
Signature

RRC District Office Action

Expiration date: 9, 2, 06 (mo. day year)

District Director

9/2/05
Date

12

10-91-6

PLEASE DO NOT STAPLE

DEPTH OF USABLE-QUALITY GROUND WATER TO BE PROTECTED

XC RK SH

PLEASE READ ALL INSTRUCTIONS

The information requested is essential in order for this agency to provide an appropriate response. Please allow for receipt of this form in our offices at least two weeks before your operation begins. Due to the volume of these requests, it is difficult for us to handle telephone inquiries, and such only serve to delay the processing of these forms. Complete, keep the bottom sheet (goldenrod) for your files, and mail the top 3 sheets of the 4-sheet set of carbon-backed forms to the address below; one of them will be returned to you bearing our response and one will be sent to the appropriate distnct office of the Railroad Commission. For questions phone: 512/239-0515.

Surface Casing - MC 151
TNRCC
P.O. Box 13087
Austin, TX 78711-3087

Date 14 March 2001 TNRCC File No.: SC- 1410

RECEIVED
RRC OF TEXAS
AUG 01 2005
OG DIVISION
HOUSTON, TX

No map sent

E. B. Krider 281.558.8535
Name of person preparing this request & telephone no. w/AC

Benchmark Oil & Gas Company
Company (operator's name as on RRC form W-1)

P. O. Box 820729
Mailing Address

Houston, Texas 77282-0729
City and State Zip Code

COUNTY Orange Survey Name Sabine Lake State Tract 3

Block No. _____ Township _____ Section or Survey No. _____ (or) Lot No. _____

Abstract No. A- _____ LEASE Name State Tract 3 Well No. 1 Well No. 1

(A map showing all surrounding SURVEYS and your well site must accompany this request.)

Distances, in feet, and directions measured at right angles from each of two intersecting Section or Survey lines
(NOT LEASE LINES) 521 feet from North line and 326 feet from East line

Distance (in miles) and direction from a nearby town in this County (name the town) 3.5 miles in an easterly direction from Port Arthur

THE ABOVE INFORMATION IN THIS BLOCK MUST BE COMPLETE AND CORRECT!!!

RRC Lease No. _____ RRC Dist. No. _____

Elevation (if avail.) 6.2 feet Total Depth 11,600' Geologic Fm. at T.D. Hackberry

Purpose of the Request: ☒ New Drill ☐ Re-entry ☐ Plug & Abd. ☐ Other (specify) _____

Is this an amended request? ☐ Yes ☒ No Give previous File No. for this well: SC- _____

Additional data (check if attached):

Log of same or nearby well _____ (The applicable type of well log of a nearby well that shows the aquifers.)

ALWAYS attach the electric log of any well that is to be reentered.

Additional remarks: Lease No. A-97589

TYPE OR PRINT IN INK

DO NOT WRITE HERE
FOR TNRCC USE ONLY

The TEXAS NATURAL RESOURCE CONSERVATION COMMISSION's recommendation for the protection of usable-quality ground water at the referenced location is as follows:

CO-ORANGE,SUR-SABINE LAKE ST.SEC-3,LSE-STATE TRACT 3 WELL#1,#1/200

The interval from the land surface to a depth of 200 feet must be protected.

Very truly yours,
Karen F. Scott
Karen F. Scott
Geologist, Surface Casing, TNRCC

March 29, 2001
Date
typed by TNRCC

NOTE: The depth to which we recommend that usable-quality water strata should be protected is intended to apply only to the subject well and not for area-wide use. Approval of the well-completion methods for protection of this ground water falls under the jurisdiction of the Railroad Commission of Texas. This recommendation is intended for normal drilling, production, and plugging operations only and does not apply to salt water disposal operations into a nonproductive zone (RRC Form W-14).

RRC-2051 (Rev 09-17-96)

46.

File No. MF097589

Will Read

Date Filed: 8/9/05

Jerry Patterson, Commissioner

By