

EXPIRED

[Handwritten signature]

Rentals: *MT.*
Lease *JK.*
Admin: *[Signature]*
Mineral *[Signature]*
Maps: *[Signature]*

STATE LEASE

MF099069

CONTROL	BASEFILE	COUNTY	
07-23062	134498 -	CULBERSON	/055
07-23053	112410 -	CULBERSON	/055
07-23035	134662 -	CULBERSON	/055
07-23026	136588 -	CULBERSON	/055
...			

SURVEY : PUBLIC SCHOOL LAND
BLOCK : 54
TOWNSHIP : 00
SECTION/TRACT: 17
PART :
ACRES : 1961.80
DEPTH LIMITS : NO

LESSEE : JOHNSON, CLAY
LEASE DATE : Mar 01 1998
PRIMARY TERM : 5 yrs
BONUS (\$) : 19618.00
RENTAL (\$) : 1.00
ROYALTY : 0.15625000
VAR ROYALTY :



MF 099069



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for assignment 11/1/00

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See MFO99060 #9 for
assignment 4/28/03

Scanned lw 10-22-2015

M 99069

GENERAL LAND OFFICE

GARRY MAURO
COMMISSIONER

MEMORANDUM

DATE:

TO: Garry Mauro, Commissioner
Spencer Reid, Senior Deputy

FROM: Robert Hatter, Director, Mineral Leasing
Peter Boone, Chief Mineral Evaluator

SUBJECT:

County: CULBERSON
Description: SEC 15, 16, 17, 18, BLK 54, PSL
Applicant: TITAN RESOURCES
Consideration: \$20, 54R, \$1, 5/32

Consideration

Recommended: PAB 4-8-98

Not Recommend: _____

Comments:

Form

Recommended: RH 4.8.98

Not Recommend: _____

Recommended, after technical changes: _____

Comments:

Spencer Reid, Senior Deputy

Date: 4.10.98

Recommended: SR

Not Recommend: _____

Garry Mauro, Commissioner

Date:

Approved: GM

Not Approved: _____

①

MF 99069
ITEM Memo
TO _____
FROM 4-8-98
DATE _____

Mineral Classified Land
Lease Consideration Comparison

County CULBERSON
Area SEC 15, 16, 17, 18, BLK 54, PSL

M. F.	Acres	Lease Date	Term	Total Bonus	B/Ac	Rental	Comparison
New	1961.8	3/1/98	5	39,263.	\$20	\$1	5/64
Rcmd	3303	1/15/98	5	49,545	\$15	\$1	ADJ N 5/64

134498, 112410, 134662, 136588, 135731

Remarks:

Consideration
Recommended 203 4-8-98
Not Recommended _____

50606

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 1st day of March 19 98, between the State of Texas, acting by and through its agent, Bank of Texas Trust Company, N.A. (formerly Alliance Trust Company, N.A.) as Successor Trustee under the wills of M. A. Grisham and Josephine Robertson Grisham, as Agent for Daniel Blinkoff under Management Agency Agreement dated October 3, 1996, and as Agent for Susannah Blinkoff under Management Agency Agreement dated February 8, 1996, P. O. Box 1588, Tulsa, OK 74101.

herein referred to as the owner of the soil (whether one or more), and Clay Johnson

of

310 West Texas, Suite 808, Midland, Texas 79701

(Give Permanent Address)

hereinafter called Lessee.

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

Block 54, Public School Land Survey
Section 15: S/2, SE/4 NE/4
Section 16: All
Section 17: All
Section 18: S/2

REFER TO EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF FOR ADDITIONAL PROVISIONS

containing 1,961.80 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Nineteen Thousand Six Hundred Eighteen and no/100
Dollars (\$ 19,618.00)

To the owner of the soil: Nineteen Thousand Six Hundred Eighteen and no/100
Dollars (\$ 19,618.00)

Total bonus consideration: Thirty-nine Thousand Two Hundred Thirty-six and no/100
Dollars (\$ 39,236.00)

The total bonus consideration paid represents a bonus of

Twenty and no/100s----- Dollars (\$ 20.00) per acre, on 1961.80 net acres.

2. TERM. Subject to the other provisions in this lease, this lease shall be for a term of five (5) years from this date (herein called "primary term") and as long thereafter as oil and gas, or either of them, is produced in paying quantities from said land. As used in this lease, the term "produced in paying quantities" means that the receipts from the sale or other authorized commercial use of the substance(s) covered exceed out of pocket operational expenses for the six months last past.

3. DELAY RENTALS. If no well is commenced on the leased premises on or before one (1) year from this date, this lease shall terminate, unless on or before such anniversary date Lessee shall pay or tender to the owner of the soil or to his credit in the Bank of Texas, N.A. c/o Bank of Oklahoma, N.A. Bank, at P. O. Box 1588, Tulsa OK 74101, or its successors (which shall continue as the depository regardless of changes in the ownership of said land), the amount specified below; in addition, Lessee shall pay or tender to the COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS, AT AUSTIN, TEXAS, a like sum on or before said date. Payments under this paragraph shall operate as a rental and shall cover the privilege of deferring the commencement of a well for one (1) year from said date. Payments under this paragraph shall be in the following amounts:

To the owner of the soil: Nine Hundred Eighty and 90/100
Dollars (\$ 980.90)

To the State of Texas: Nine Hundred Eight and 90/100
Dollars (\$ 980.90)

Total Rental: One Thousand Nine Hundred Sixty-one and 80/100
Dollars (\$ 1,960.80)

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

IF IT BEARS THE SEAL OF THE COUNTY CLERK

ATTEST:



March 27, 1998
LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS

BY _____ DEPUTY

ATTEST:

March 27, 1988

LINDA McDONALD, COUNTY CLERK

4. **PRODUCTION ROYALTIES.** Upon production of oil and/or gas, Lessee agrees to pay or cause to be paid one-half (1/2) of the royalty provided for in this lease to the Commissioner of the General Land Office of the State of Texas, at Austin, Texas, and one-half (1/2) of such royalty to the owner of the soil:

(A) **OIL.** Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be 5/32 part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be determined by 1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity in the general area where produced and when run, or 2) the highest market price thereof offered or paid in the general area where produced and when run, or 3) the gross proceeds of the sale thereof, whichever is the greater. Lessee agrees that before any gas produced from the leased premises is sold, used or processed in a plant, it will be run free of cost to the royalty owners through an adequate oil and gas separator of conventional type, or other equipment at least as efficient, so that all liquid hydrocarbons recoverable from the gas by such means will be recovered. The requirement that such gas be run through a separator or other equipment may be waived in writing by the royalty owners upon such terms and conditions as they prescribe.

(B) **NON PROCESSED GAS.** Royalty on any gas (including flared gas), which is defined as all hydrocarbons and gaseous substances not defined as oil in subparagraph (A) above, produced from any well on said land (except as provided herein with respect to gas processed in a plant for the extraction of gasoline, liquid hydrocarbons or other products) shall be 5/32 part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality in the general area where produced and when run, or the gross price paid or offered to the producer, whichever is the greater; provided that the maximum pressure base in measuring the gas under this lease shall not at any time exceed 14.65 pounds per square inch absolute, and the standard base temperature shall be sixty (60) degrees Fahrenheit, correction to be made for pressure according to Boyle's Law, and for specific gravity according to tests made by the Balance Method or by the most approved method of testing being used by the industry at the time of testing.

(C) **PROCESSED GAS.** Royalty on any gas processed in a gasoline plant or other plant for the recovery of gasoline or other liquid hydrocarbons shall be 5/32 part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease, and on fifty percent (50%), or that percent accruing to Lessee, whichever is 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 arm's length (or if there is no such third party, the highest percent then being specified in processing agreements or contracts in the industry), whichever is 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.** Royalty on carbon black, sulphur or any other products produced or manufactured from gas (excepting liquid hydrocarbons) whether said gas be "casinghead," "dry," or any other gas, by fractionating, burning or any other processing shall be 5/32 part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows: 1) on the basis of the highest market price of each product for the same month in which such product is produced, or 2) on the basis of the average gross sale price of each product for the same month in which such products are produced; whichever is the greater.

5. **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 under this lease 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. If Paragraph 3 of this lease does not specify a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar (\$1.00) per acre.

6. **ROYALTY IN KIND.** Notwithstanding any other provision in this lease, at any time or from time to time, the owner of the soil or the Commissioner of the General Land Office may, at the option of either, upon not less than sixty (60) days notice to the holder of the lease, require that the payment of any royalties accruing to such royalty owner under this lease be made in kind. The owner of the soil's or the Commissioner of the General Land Office's right to take its royalty in kind shall not diminish or negate the owner of the soil's or the Commissioner of the General Land Office's rights or Lessee's obligations, whether express or implied, under this lease.

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

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

9. **ROYALTY PAYMENTS AND REPORTS.** All royalties 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.

10. (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) PERMITS, 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. All applications, permits, reports or other filings that reference this lease or any specific well on the leased premises and that are submitted to the Texas Railroad Commission or any other governmental agency shall include the word "State" in the title. Additionally, in accordance with Railroad Commission rules, any signage on the leased premises for the purpose of identifying wells, tank batteries or other associated improvements to the land must also include the word "State." 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.

11. 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 13, using the expiration of the primary term as the date of cessation of production under Paragraph 13. 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.

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

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

14. 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. If Paragraph 3 of this lease does not specify a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar (\$1.00) per acre. To be effective, the shut-in oil or gas royalty

RECEIVED BY THE GENERAL LAND OFFICE
MAR 27 1998

ATTEST:

LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS

BY Cynthia Taylor DEPUTY

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. Such payment shall be made one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil. If the shut-in oil or gas royalty is paid, the lease shall be considered to be a producing lease and the payment shall extend the term of the lease for a period of one year from the end of the primary term, or from the first day of the month 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.

15. 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, one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil, beginning on or before the last day of the month 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. Compensatory royalty payments which are not timely paid will accrue penalty and interest in accordance with Paragraph 9 of this lease. None of these provisions will relieve Lessee of the obligation of reasonable development nor the obligation to drill offset wells as provided in Texas Natural Resources Code 52.173; however, at the determination of the Commissioner, and with the Commissioner's written approval, the payment of compensatory royalties can satisfy the obligation to drill offset wells.

16. 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 14 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 Texas Natural Resources Code 52.151-52.153, or (3) such greater or lesser number of acres as may then be allocated for production purposes to a proration unit for each such producing well under the rules and regulations of the Railroad Commission of Texas, or any successor agency, or other governmental authority having jurisdiction. 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. Notwithstanding the termination of this lease as to a portion of the lands covered hereby, Lessee shall nevertheless continue to have the right of ingress to and egress from the lands still subject to this lease for all purposes described in Paragraph 1 hereof, together with easements and rights-of-way for existing roads, existing pipelines and other existing facilities on, over and across all the lands described in Paragraph 1 hereof ("the retained lands"), for access to and from the retained lands and for the gathering or transportation of oil, gas and other minerals produced from the retained lands.

~~(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 16 (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 Commissioner of the General Land Office. 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.

17. OFFSET WELLS. Neither the bonus, delay rentals, nor royalties paid, or to be paid, under this lease shall relieve Lessee of his obligation to protect the oil and gas under the above-described land from being drained. Lessee, sublessee, receiver or other agent in control of the leased premises shall drill as many wells as the facts may justify and shall use appropriate means and drill to a depth necessary to prevent undue drainage of oil and gas from the leased premises. In addition, if oil and/or gas should be produced in commercial quantities within 1,000 feet of the leased premises, or in any case where the leased premises is being drained by production of oil or gas, the Lessee, sublessee, receiver or other agent in control of the leased premises shall in good faith begin the drilling of a well or wells upon the leased premises within 100 days after the draining well or wells or the well or wells completed within 1,000 feet of the leased premises start producing in commercial quantities and shall prosecute such drilling with diligence. Failure to satisfy the statutory offset obligation may subject this lease and the owner of the soil's agency rights to forfeiture. Only upon the determination of the Commissioner of the General Land Office and with his written approval may the payment of compensatory royalty under applicable statutory parameters satisfy the obligation to drill an offset well or wells required under this paragraph.

18. FORCE MAJEURE. If, after a good faith effort, Lessee is prevented from complying with any express or implied covenant of this lease, from conducting drilling operations on the leased premises, or from producing oil or gas from the leased premises by reason of war, rebellion, riots, strikes, acts of God, or any valid order, rule or regulation of government authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended and Lessee shall not be liable for damages for failure to comply with such covenants; additionally, this lease shall be extended while Lessee is prevented, by any such cause, from conducting drilling and reworking operations or from producing oil or gas from the leased premises. However, nothing in this paragraph shall suspend the payment of delay rentals in order to maintain this lease in effect during the primary term in the absence of such drilling or reworking operations or production of oil or gas.

A CERTIFIED COPY
IF IT BEARS THE SEAL OF THE COUNTY CLERK
ATTEST: March 27, 1998



LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS

BY Cynthia Tarney DEPUTY

36. ENVIRONMENTAL HAZARDS. Lessee shall use the highest degree of care and all reasonable safeguards to prevent contamination or pollution of any environmental medium, including soil, surface waters, groundwater, sediments, and surface or subsurface strata, ambient air or any other environmental medium in, on, or under, the leased premises, by any waste, pollutant, or contaminant. Lessee shall not bring or permit to remain on the leased premises any asbestos containing materials, explosives, toxic materials, or substances regulated as hazardous wastes, hazardous materials, hazardous substances (as the term "Hazardous Substance" is defined in the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), 42 U.S.C. Sections 9601, et seq.), or toxic substances under any federal, state, or local law or regulation ("Hazardous Materials"), except ordinary products commonly used in connection with oil and gas exploration and development operations and stored in the usual manner and quantities. LESSEE'S VIOLATION OF THE FOREGOING PROHIBITION SHALL CONSTITUTE A MATERIAL BREACH AND DEFAULT HEREUNDER AND LESSEE SHALL INDEMNIFY, HOLD HARMLESS AND DEFEND THE STATE OF TEXAS AND THE OWNER OF THE SOIL FROM AND AGAINST ANY CLAIMS, DAMAGES, JUDGMENTS, PENALTIES, LIABILITIES, AND COSTS (INCLUDING REASONABLE ATTORNEYS' FEES AND COURT COSTS) CAUSED BY OR ARISING OUT OF (I) A VIOLATION OF THE FOREGOING PROHIBITION OR (II) THE PRESENCE, RELEASE, OR DISPOSAL OF ANY HAZARDOUS MATERIALS ON, UNDER, OR ABOUT THE LEASED PREMISES DURING LESSEE'S OCCUPANCY OR CONTROL OF THE LEASED PREMISES. LESSEE SHALL CLEAN UP, REMOVE, REMEDY AND REPAIR ANY SOIL OR GROUND WATER CONTAMINATION AND DAMAGE CAUSED BY THE PRESENCE OR RELEASE OF ANY HAZARDOUS MATERIALS IN, ON, UNDER, OR ABOUT THE LEASED PREMISES DURING LESSEE'S OCCUPANCY OF THE LEASED PREMISES IN CONFORMANCE WITH THE REQUIREMENTS OF APPLICABLE LAW. THIS INDEMNIFICATION AND ASSUMPTION SHALL APPLY, BUT IS NOT LIMITED TO, LIABILITY FOR RESPONSE ACTIONS UNDERTAKEN PURSUANT TO CERCLA OR ANY OTHER ENVIRONMENTAL LAW OR REGULATION. LESSEE SHALL IMMEDIATELY GIVE THE STATE OF TEXAS AND THE OWNER OF THE SOIL WRITTEN NOTICE OF ANY BREACH OR SUSPECTED BREACH OF THIS PARAGRAPH, UPON LEARNING OF THE PRESENCE OF ANY HAZARDOUS MATERIALS, OR UPON RECEIVING A NOTICE FROM ANY GOVERNMENTAL AGENCY PERTAINING TO HAZARDOUS MATERIALS WHICH MAY AFFECT THE LEASED PREMISES. THE OBLIGATIONS OF LESSEE HEREUNDER SHALL SURVIVE THE EXPIRATION OR EARLIER TERMINATION, FOR ANY REASON, OF THIS AGREEMENT.

37. APPLICABLE LAW. This lease is issued under the provisions of Texas Natural Resources Code 52.171 through 52.190, commonly known as the Relinquishment Act, and other applicable statutes and amendments thereto, and if any provision in this lease does not conform to these statutes, the statutes will prevail over any nonconforming lease provisions.

38. 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. Once the filing requirements found in Paragraph 39 of this lease have been satisfied, the effective date of this lease shall be the date found on Page 1.

39. LEASE FILING. Pursuant to Chapter 9 of the Texas Business and Commerce 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. This lease is not effective until a certified copy of this lease (which is made and certified by the County Clerk from his records) is filed in the General Land Office in accordance with Texas Natural Resources Code 52.183. Additionally, this lease shall not be binding upon the State unless it recites the actual and true consideration paid or promised for execution of this lease. The bonus due the State and the prescribed filing fee shall accompany such certified copy to the General Land Office.

RAY JOHNSON
LESSEE
BY: RAY JOHNSON
TITLE: _____
DATE: 3-25-98

REFER TO ATTACHED SIGNATURE PAGE AND ACKNOWLEDGMENTS, ATTACHED HERETO AND MADE A PART HEREOF
STATE OF TEXAS

BY: _____
Individually and as agent for the State of Texas
Date: _____

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

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

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

IF IT BEARS THE SEAL OF THE COUNTY CLERK
A CERTIFIED COPY
ATTEST: 3-27-98

LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS
BY: Cynthia Tarango DEPUTY

YR00 CERTIFIED A
WITNESSED BY THE CLERK OF THE COUNTY

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 _____

(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 _____

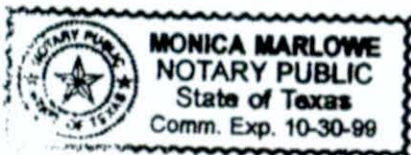
STATE OF Texas

(INDIVIDUAL ACKNOWLEDGMENT)

COUNTY OF Midland

Before me, the undersigned authority, on this day personally appeared Glenn Johnson
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 25 day of March, 19 98



Monica Marlowe
Notary Public in and for Texas

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 _____

A CERTIFIED COPY
IF IT BEARS THE SEAL OF THE COUNTY CLERK

ATTEST: 3-27-98



LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS

BY Lyndee Jarney DEPUTY

NOTARY PUBLIC
STATE OF TEXAS

NOTARY PUBLIC
STATE OF TEXAS



SIGNATURE PAGE

STATE OF TEXAS

Bank of Texas Trust Company, N.A. (formerly Alliance Trust Company, N.A.) as Successor Trustee under the will of M. A. Grisham.

Attest: Annette E. Consalvi
Individually and as agent for the State of Texas
Annette E. Consalvi, Assistant Secretary

Date: 3/25/98

By: David L. Smith
Individually and as agent for the State of Texas
David L. Smith, Vice President

Date: 3/25/98

STATE OF TEXAS

Bank of Texas Trust Company, N.A. (formerly Alliance Trust Company, N.A.) as Successor Trustee under the will of Josephine Robertson Grisham.

Attest: Annette E. Consalvi
Individually and as agent for the State of Texas
Annette E. Consalvi, Assistant Secretary

Date: 3/25/98

By: David L. Smith
Individually and as agent for the State of Texas
David L. Smith, Vice President

Date: 3/25/98

STATE OF TEXAS

Bank of Texas Trust Company, N.A. (formerly Alliance Trust Company, N.A.) as Agent for Daniel Blinkoff under Management Agency Agreement dated October 3, 1996.

Attest: Annette E. Consalvi
Individually and as agent for the State of Texas
Annette E. Consalvi, Assistant Secretary

Date: 3/25/98

By: David L. Smith
Individually and as agent for the State of Texas
David L. Smith, Vice President

Date: 3/25/98

STATE OF TEXAS

Bank of Texas Trust Company, N.A. (formerly Alliance Trust Company, N.A.) as Agent for Susannah Blinkoff under Management Agency Agreement dated February 8, 1996.

Attest: Annette E. Consalvi
Individually and as agent for the State of Texas
Annette E. Consalvi, Assistant Secretary

Date: 3/25/98

By: David L. Smith
Individually and as agent for the State of Texas
David L. Smith, Vice President

Date: 3/25/98

A CERTIFIED COPY
IF IT BEARS THE SEAL OF THE COUNTY CLERK

ATTEST: March 27, 1998



LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS

BY _____ DEPUTY

~~A CERTIFIED COPY
IF IT BEARS THE SEAL OF THE COUNTY CLERK
ATTEST: 3-27-98
LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS
BY Cynthia Long DEPUTY~~



~~A CERTIFIED COPY
IF IT BEARS THE SEAL OF THE COUNTY CLERK~~

~~ATTEST: 3-27-98
LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS~~

~~DEPUTY~~

STATE OF OKLAHOMA

(ACKNOWLEDGMENT)

COUNTY OF TULSA

BEFORE ME, the undersigned authority, on this day personally appeared David L. Smith and Annette E. Consalvi, known to me to be the persons whose names are subscribed to the foregoing instrument as Vice President and Assistant Secretary, respectively, of Bank of Texas Trust Company, N.A. (formerly Alliance Trust Company, N.A.) a national banking association, as Successor Trustee under the will of M. A. Grisham, and acknowledged to me that they executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said association.

Given under my hand and seal of office this the 25th day of March, 1998.

My Commission Expires
11-2-2000

Angela R. Sackett
NOTARY PUBLIC IN AND FOR THE STATE OF OKLAHOMA

STATE OF OKLAHOMA

(ACKNOWLEDGMENT)

COUNTY OF TULSA

BEFORE ME, the undersigned authority, on this day personally appeared David L. Smith and Annette E. Consalvi, known to me to be the persons whose names are subscribed to the foregoing instrument as Vice President and Assistant Secretary, respectively, of Bank of Texas Trust Company, N.A. (formerly Alliance Trust Company, N.A.) a national banking association, as Successor Trustee under the will of Josephine Robertson Grisham, and acknowledged to me that they executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said association.

Given under my hand and seal of office this the 25th day of March, 1998.

My Commission Expires
11-2-2000

Angela R. Sackett
NOTARY PUBLIC IN AND FOR THE STATE OF OKLAHOMA

A CERTIFIED COPY
IF IT BEARS THE SEAL OF THE COUNTY CLERK

ATTEST: March 27, 1998



LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS

BY _____ DEPUTY

A CERTIFIED COPY
IF IT BEARS THE SEAL OF THE COUNTY CLERK

ATTEST: 3-27-98



LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS

BY *Cynthia [Signature]* DEPUTY

A CERTIFIED COPY
IF IT BEARS THE SEAL OF THE COUNTY CLERK

ATTEST: _____

LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS

BY _____



STATE OF OKLAHOMA
COUNTY OF TULSA

(ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared David L. Smith and Annette E. Consalvi, known to me to be the persons whose names are subscribed to the foregoing instrument as Vice President and Assistant Secretary, respectively, of Bank of Texas Trust Company, N.A. (formerly Alliance Trust Company, N.A.) a national banking association, as Agent for Daniel Blinkoff under Management Agency Agreement dated October 3, 1996, and acknowledged to me that they executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said association.

Given under my hand and seal of office this the 25th day of March, 1998.

My Commission Expires
11-2-2000

Angela R. Sackett
NOTARY PUBLIC IN AND FOR THE STATE OF OKLAHOMA

STATE OF OKLAHOMA
COUNTY OF TULSA

(ACKNOWLEDGMENT)

BEFORE ME, the undersigned authority, on this day personally appeared David L. Smith and Annette E. Consalvi, known to me to be the persons whose names are subscribed to the foregoing instrument as Vice President and Assistant Secretary, respectively, of Bank of Texas Trust Company, N.A. (formerly Alliance Trust Company, N.A.) a national banking association, as Agent for Susannah Blinkoff under Management Agency Agreement dated February 8, 1996, and acknowledged to me that they executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said association.

Given under my hand and seal of office this the 25th day of March, 1998.

My Commission Expires
11-2-2000

Angela R. Sackett
NOTARY PUBLIC IN AND FOR THE STATE OF OKLAHOMA

A CERTIFIED COPY
IF IT BEARS THE SEAL OF THE COUNTY CLERK
ATTEST: March 27, 1998



LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS

BY _____ DEPUTY

A CERTIFIED COPY
IF IT BEARS THE SEAL OF THE COUNTY CLERK

ATTEST:

3-27-98



LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS

BY

[Signature]

DEPUTY

EXHIBIT "A"

ATTACHED TO AND MADE A PART OF THAT CERTAIN OIL AND GAS LEASE DATED MARCH 1, 1998, BY AND BETWEEN BANK OF TEXAS TRUST COMPANY, N.A. (FORMERLY ALLIANCE TRUST COMPANY, N.A.) AS SUCCESSOR TRUSTEE UNDER THE WILLS OF M. A. GRISHAM AND JOSEPHINE ROBERTSON GRISHAM, AS AGENT FOR DANIEL BLINKOFF UNDER MANAGEMENT AGENCY AGREEMENT DATED OCTOBER 3, 1996, AND AS AGENT FOR SUSANNAH BLINKOFF UNDER MANAGEMENT AGENCY AGREEMENT DATED FEBRUARY 8, 1996, AS OWNER OF THE SOIL, AND CLAY JOHNSON, AS LESSEE

1. If, at the expiration of the primary term hereof, this lease is being held by production or a shut-in well pursuant to the terms hereof, or Lessee is then engaged in operations on said land or on lands pooled therewith, or Lessee has completed a well as a dry hole or shall have commenced a well within 180 days prior to the expiration of the primary term hereof, Lessee agrees to commence a continuous drilling program on said lands, or on lands pooled therewith, within 180 days after the end of the primary term hereof or within 180 days after the completion of drilling operations being conducted on said land, or lands pooled therewith, at the end of the primary term hereof, whichever is the later date; and thereafter carry on the continuous drilling program until all proration units have been drilled, allowing not more than 180 days to elapse between the completion of one well and the commencement of the next succeeding well. Should Lessee fail to commence the continuous drilling program or subsequently default in the performance thereof, then in either event, this lease shall terminate as to all lands covered hereby, save and except for the proration units surrounding each well then producing, capable of producing or upon which operations are being conducted. The term "proration unit" as used in this paragraph means any acreage designated as a drilling unit or production unit in accordance with the rules of the Railroad Commission of the State of Texas. Further, the term "commencement" shall mean that point in time when the pertinent well is spudded and the term "completion" shall mean the date upon which the initial potential test report is filed with the Railroad Commission of the State of Texas, if a productive well, or the date of filing the plugging report with the commission, if a dry hole. Notwithstanding the termination of this lease as to a portion of the lands covered hereby, Lessee shall nevertheless continue to have the right of ingress to and egress from said land still subject to this lease for purposes described in paragraph 1 hereof, together with easements and rights of way for roads, pipelines and other facilities on, over and across all of the lands still subject to this lease and for the gathering or transportation of oil and gas produced from the retained lands. The sole liability or penalty for the failure of Lessee to drill any well or wells required or permitted in this lease shall be the termination or partial termination of Lessee's rights under the lease as provided above.

In conducting such continuous drilling program, Lessee shall be entitled to accumulate and later use time, if any, saved between wells, beginning with the second well under this continuous drilling program. If one well is commenced sooner than 180 days after the completion of the last preceding well, the portion of the prescribed 180 day period not used may be carried forward and added to the period between subsequent wells.

A CERTIFIED COPY
IF IT BEARS THE SEAL OF THE COUNTY CLERK

ATTEST:

March 27, 1998



LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS

BY _____ DEPUTY

MF 99069
ITEM Lease
TO _____
FROM _____
DATE 3-1-98

A CERTIFIED COPY
IF IT BEARS THE SEAL OF THE COUNTY CLERK
ATTEST: 3-27-98



LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS
By Cynthia Tarany DEPUTY

THE STATE OF TEXAS I McDonald
COUNTY OF CULBERSON I Linda Usher, Clerk of the County Court in and
for said County and State, do hereby certify that the foregoing is a true and
correct copy of Oil & Gas Lease dated March 1
19 98,
filed for record in my office this 27 day of March,
19 98 at 8:22 A.M., under Clerk's File No. 50606, to be
recorded in the Oil & Gas Records of Culberson County,
Texas.
TO CERTIFY WHICH, Witness my hand and official seal at Van Horn, this
27 day of March, 19 98
By Cynthia Tarany, Deputy. McDonald
LINDA USHER, COUNTY CLERK
CULBERSON COUNTY, TEXAS.

FILED FOR RECORD
AT 8:20 O'CLOCK A. M.
ON THE 27 DAY OF March
A.D., 19 98.
I hereby certify that this instrument was FILED on
the date and at the time stamped hereon by me
and was duly RECORDED in the Volume and
Page of the _____ Records
of Culberson County, Texas.
Linda McDonald
COUNTY CLERK, CULBERSON COUNTY, TEXAS
BY Cynthia Tarany DEPUTY
VOL. _____ PAGE _____
RECORDED _____



50606

TITAN RESOURCES, L.P.

April 1, 1998

Mr. Drew Reid
Texas General Land Office
Stephen F. Austin Building
1700 North Congress Avenue, Room 600
Austin, Texas 78701

Re: 13 Relinquishment Act Oil and Gas Leases dated March 1, 1998
Bank of Texas Trust Company, N.A., Agent for the State of Texas, Lessor
Clay Johnson, Lessee
Various lands totaling 31,708.88 acres, more or less
Located in Blocks 54, 66, 98 and 99
Public School Land Survey
Culberson County, Texas

IN Q & A
4/2/98

Dear Mr. Reid:

The captioned leases have been taken by Clay Johnson, a landman working for Titan Resources, L.P. With reference to our previous conversations pertaining to the captioned Oil and Gas Leases, and pursuant to our meeting with representatives of the General Land Office on January 6, 1998, enclosed please find the following for your files and further handling:

1. Certified copy of each of the 13 Oil and Gas Leases referenced above dated March 1, 1998, between the State of Texas, acting by and through its Agent, Bank of Texas Trust Company, N.A. (formerly Alliance Trust Company, N.A.) as Successor Trustee under the wills of M. A. Grisham and Josephine Robertson Grisham, as Agent for Daniel Blinkorr under Management Agency Agreement dated October 3, 1996 and as Agent for Susannah Blinkoff under Management Agency Agreement dated February 8, 1996, said Agent referred to as the owner of the soil, and Clay Johnson, Lessee, covering the land referenced in the caption and fully described in the accompanying leases, Culberson County, Texas.
2. Titan Resources, L.P. Check No. 1487 made payable to the order of Commissioner of the General Land Office of the State of Texas in the amount of \$317,088.80, representing payment in full of lease bonus consideration (1/2 due the State of Texas) for the above mentioned Oil and Gas Leases.

$$31,708.88 \text{ acres} \times \$20/\text{acre} \times \frac{1}{2} = \$317,088.88$$

April 1, 1998

3. Titan Resources, L.P. Check No. 1496 made payable to the order of Commissioner of the General Land Office of the State of Texas in the amount of \$1,625.00, representing the required processing fees and filing fees for handling this matter.

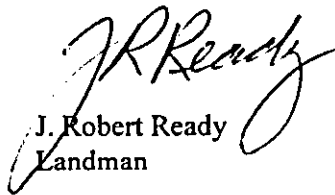
processing fee 13 x \$100 =	\$1,300
filing 13 x \$25 =	<u>\$325</u>
total	\$1,625

Each of the subject leases cover 4 or fewer adjacent sections of land, except for two leases that describe 5 sections of land. Plats indicating the lands described on each lease are enclosed for your convenience, and to reflect the reason for the grouping of lands on each lease.

Please advise this office of the assigned Mineral Numbers for the enclosed leases when they have been processed and duly filed in your records. Your prompt handling of this matter will be very much appreciated. If additional information is required, please do not hesitate to contact the undersigned. Thank you for your continued cooperation and courtesy in this matter.

Very truly yours,

TITAN RESOURCES, L.P.


J. Robert Ready
Landman

JRR/jb

Enclosures

TITAN RESOURCES, L.P. ✓
ACQUISITION CHECKING

COMMISSIONER OF THE GENERAL LAND OFFICE

PARAGON #299:Lease Bonus

Payment in full of the 1/2 of
Lease Bonus Consideration
due the State of Texas under
(13) Oil and Gas Leases
dated 03/01/98 from Bank
of Texas Trust Company,N.A.,
in the capacities and for the
entities as set out on the
attached spreadsheet, said
lands being located in
Culberson County, Texas.

3/23/98

001487

317,088.80

Chen King

Lease Bonus

170

98038652
98038652

X
317,088.80

TITAN RESOURCES, L.P.
ACQUISITION CHECKING

COMMISSIONER OF THE GENERAL LAND OFFICE

PARAGON #299:Lease Bonus

Payment in full of the 1/2 of
Lease Bonus Consideration
due the State of Texas under
(13) Oil and Gas Leases
dated 03/01/98 from Bank
of Texas Trust Company,N.A.,
in the capacities and for the
entities as set out on the
attached spreadsheet, said
lands being located in
Culberson County, Texas.

3/23/98

001487

317,088.80

Checking

Lease Bonus

ENERGY RESOURCES
- 2-2-98

317,088.80

TITAN RESOURCES, L.P. ✓
ACQUISITION CHECKING

COMMISSIONER OF THE GENERAL LAND OFFICE

PARAGON #299:GLO Filing & Processing Fees

Processing and Filing Fees
due the State of Texas for
(13) Oil and Gas Leases
dated 03/01/98 from Bank
of Texas Trust Company,
N.A., in the capacities and
for the entities as set out
on the attached spreadsheet,
said lands being located in
Culberson County, Texas.

3/27/98

001496

1,625.00

ind

98038651

Checking

GLO Processing and Filing Fees

X 1,625.00

TITAN RESOURCES, L.P.
ACQUISITION CHECKING

COMMISSIONER OF THE GENERAL LAND OFFICE

PARAGON #299:GLO Filing & Processing Fees

Processing and Filing Fees
due the State of Texas for
(13) Oil and Gas Leases
dated 03/01/98 from Bank
of Texas Trust Company,
N.A., in the capacities and
for the entities as set out
on the attached spreadsheet,
said lands being located in
Culberson County, Texas.

3/27/98

001496

1,625.00

TITAN RESOURCES, L.P.
3/27/98 2:00 PM
11/10/98

Checking

GLO Processing and Filing Fees

1,625.00

③

MF 99069
ITEM Letter
TO _____
FROM _____
DATE 4-1-98



Texas General Land Office
Garry Mauro, Commissioner

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

June 24, 1998

Attn: J. Robert Ready
TITAN Resources, L.P.
500 W. Texas, Suite 500
Midland, Texas 79701

Re: RELINQUISHMENT ACT LEASE No. M-099069
Secs. 15, 16, 17 & 18, Blk. 54, PSL Survey
1,961.80 Acres, Culberson County

Dear Mr. Ready:

The certified copy of the Relinquishment Act lease covering the above referenced tract has been approved and filed in our records under mineral file number M-099069. Please refer to this number in all future correspondence concerning the lease.

Your remittance of \$11,743.00, has been applied as the state's portion of the bonus, the processing fee and the filing fee. Please let me know if you should have any questions.

Sincerely,

Drew Reid
Minerals Leasing
Energy Resources
(512) 475-1534

MT/DR

④

MF 99069
ITEM Letter
TO _____
FROM _____
DATE 6-24-98

⑤

M-99069

Rental Payment 2/25/99

2002

6
File No. MF099069

Rental Payment

Date Filed: 7/34/00

By Ed Rogers
Dayton, Ohio, Commissioner

3
2
5
4

Check # 101984

Property Id / MMS	Eff. Date	Recording Information	State	County/Parish		
TX299-109-039-000-00 M-99069	03/01/1998	05/07/98 BK 76 PG 975 ENTRY 50606	Texas	Culberson		
Property Name / Lessor						
State of Texas, acting by and through its agent, Bank of Texas Trust Company, N. A. (formerly Alliance Trust Company, N.A.) as Successor Trustee under the Wills of M. A. Grisham and Josephine Robertson Grisham, as Agent for Daniel Blinkoff under Management Agency Agreement dated October 3, 1996, and as Agent for Susannah Blinkoff under Management Agency Agreement dated February 8, 1996						
Property Legal Description						
Block 54, Public School Land Survey Section 15: S/2, SE/4 NE/4 Section 16: All Section 17: All Section 18: S/2						
Payee Name & Address				SSN/Tax Id Number		
State of Texas, acting by and through the Commissioner of the General Land Office 1700 N. Congress Avenue Austin, TX 78701						
				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
03/01/2001	12	DELAY RENTAL	980.90	0.00		
•••••						
•••••			0.00	0.00		
•••••						
•••••			0.00	0.00		
•••••						
•••••			0.00	0.00		
•••••						
•••••			0.00	0.00		
•••••						

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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.

No 101984

7.

File No. MF099069

Donald Bejment

Date Filed: 2/23/01

David Dewhurst, Commissioner

By Bill Rogers

3030

Check # 9900804

Property Id / MMS	Eff. Date	Recording Information	State	County/Parish		
TX299-109-039-000-00 M-99069	03/01/1998	05/07/98 BK 76 PG 975 ENTRY 50606	Texas	Culberson		
Property Name / Lessor						
State of Texas, acting by and through its agent, Bank of Texas Trust Company, N. A. (formerly Alliance Trust Company, N.A.) as Successor Trustee under the Wills of M. A. Grisham and Josephine Robertson Grisham, as Agent for Daniel Blinkoff under Management Agency Agreement dated October 3, 1996, and as Agent for Susannah Blinkoff under Management Agency Agreement dated February 8, 1996						
Property Legal Description						
Block 54, Public School Land Survey Section 15: S/2, SE/4 NE/4 Section 16: All Section 17: All Section 18: S/2						
Payee Name & Address				SSN/Tax Id Number		
State of Texas, acting by and through the Commissioner of the General Land Office 1700 N. Congress Avenue Austin, TX 78701						
				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
03/01/2002	12	DELAY RENTAL	980.90	0.00		
			0.00	0.00		
			0.00	0.00		
			0.00	0.00		
			0.00	0.00		
			0.00	0.00		

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✓ Pure Resources LP

02021958

X 980.90

9900804

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.

8.

MF 099069

Rental Segment

Date Filed: 7/15/02

David Dawkins, Commissioner

DR

