

State Lease Number
<b>M-</b>
For GLO Use Only



JULY 19, 2011

**OIL AND GAS LEASE BID APPLICATION**

**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, and as those laws may be amended.

**APPLICANT IDENTIFICATION TO APPEAR ON LEASE** (type/print)

Name: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_  
 (Include +4 Code)  
 Telephone: (     ) \_\_\_\_\_

**AREA DESCRIPTION**

County(ies): \_\_\_\_\_ Survey/Area: \_\_\_\_\_  
 (If Applicable)  
 Block/Tsp.: \_\_\_\_\_ Section/Tract: \_\_\_\_\_ Acres: \_\_\_\_\_  
 (If Applicable)

**BID SUBMISSION**

(A) Bonus Amount (\$ \_\_\_\_\_)  
 (type/print above)  
 (B) Sales Fee Amount (\$ \_\_\_\_\_)  
 (type/print above)

This Sales Fee is 1½% of the cash bonus as provided in Section 32.110 of the Natural Resources Code as amended.

MGL. NO.  _____
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**APPLICANT NAME**

\_\_\_\_\_ (same as above)

**BONUS AMOUNT ONLY (A)**  
 (**Do Not** include sales fee)

\_\_\_\_\_ (\$)

**STATE OF TEXAS TAX I.D. #**

\_\_\_\_\_ (must be an 11-digit number)

**SIGNATURE OF AGENT**

\_\_\_\_\_ (signature)

\_\_\_\_\_ (type/print name)

**JULY 19, 2011 SEALED BID OIL & GAS LEASE SALE**  
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Under the applicable provisions of Chapters 32, 34 and 52 of the Natural Resources Code, the tracts in this Notice for Bids will be leased by competitive sealed bid for the production of oil, gas, and other minerals. The School Land Board will receive sealed bids until 10:00 a.m. on July 19, 2011, at the General Land Office in Austin, Texas. Bids received after 10:00 a.m. will not be considered.

Separate bids must be submitted on the enclosed bid form for each tract identified by a separate MGL. NO. Bids should include:

- 1) The tract description as given in this Notice for Bids
- 2) Bidder's name and address
- 3) Bidder's Tax I.D. Number

All oil and gas bids must be sealed and addressed to the COMMISSIONER OF THE TEXAS GENERAL LAND OFFICE, 1700 N. CONGRESS AVE., STEPHEN F. AUSTIN STATE OFFICE BUILDING, AUSTIN, TEXAS, 78701-1495. Each envelope containing a bid should be endorsed "SEALED BID FOR MINERAL LEASE, JULY 19, 2011." Each oil, gas, and other minerals bid must include a check for the cash bonus, which is being offered on the tract. In addition, an oil, gas, and other minerals bid must include a separate check in the amount of 1½% of the bid as a sales fee. All checks should be payable to the Commissioner of the Texas General Land Office.

Bids on School Land Board tracts offered for lease will be opened at the School Land Board meeting at 10:00 a.m. in the General Land Office, Austin, Texas. Subject to the right to reject any bid, the board will lease advertised tracts to the bidder offering the best bid meeting or exceeding the minimum bid. If identical bids for a tract are submitted by more than one bidder, and if those bids are the high bids received, all bids on that tract will be rejected. Bids received from unsuccessful bidders will be returned (including the 1½% sales fee for oil and gas bids). A sample of the oil and gas lease form for School Land Board tracts is included in this Notice for Bids.

By order of the School Land Board in its regular meeting on June 7, 2011:

Secretary

Commissioner, Texas General Land Office  
and Chairman, School Land Board

## **PERMANENT SCHOOL FUND OIL AND GAS TRACTS**

The tracts are listed by geographical area with a minimum bid shown for each tract. For Gulf of Mexico acreage, the tracts are listed by offshore area with large or "L" tracts listed first, followed by small or "S" tracts. If you have any questions, please call the Mineral Leasing Division at either (512) 475-1512 or (512) 475-1542.

### **SURVEYED SCHOOL LAND**

#### **TERMS AND CONDITIONS**

The royalty on all surveyed school land is 25% of the gross production of oil and/or gas. The primary term of the lease shall be five (5) years. The annual rental is \$5.00 per acre for the second and third year of the lease. For the fourth and fifth year of the lease, the annual rental will increase to \$25.00 per acre.

#### **SPECIAL RENTAL CONDITIONS FOR CULBERSON, LOVING, REEVES, AND WARD COUNTY TRACTS:**

For all tracts in Culberson and Reeves Counties with a minimum bid equal to \$500.00 per acre, the annual rental is \$5.00 per acre for the second, third, and fifth years of the lease. For the fourth year, the annual rental is \$500.00 per acre.

For all tracts in Culberson, Loving, Reeves, and Ward Counties with a minimum bid equal to \$1,000.00 per acre, the annual rental is \$5.00 per acre for the second, third, and fifth years of the lease. For the fourth year, the annual rental is \$1,000.00 per acre.

### **RIVERS, CREEKS, AND BAYOUS**

#### **TERMS AND CONDITIONS**

The royalty on all rivers, creeks, lakes and bayous is 25% of the gross production of oil and/or gas. The primary term of the lease shall be three (3) years. The annual rental thereon is fixed at \$5.00 per acre beginning with the second year of the lease.

### **SUBMERGED AREAS BAYS, LAKES, ISLANDS AND BAYOUS & GULF OF MEXICO**

#### **TERMS AND CONDITIONS**

The royalty on bays, lakes, islands, bayous (influenced by the tides), and the Gulf of Mexico is 25% of the gross production of oil and/or gas, but can be reduced to:

- 20% if production, in paying quantities, is established, brought on line and sales thereof are commenced within the initial twenty-four (24) months of the primary term of the lease.
- 22.5% if production, in paying quantities, is established, brought on line and sales thereof are commenced between the 25th and 48th month of the primary term of the lease.

If the initial well drilled is a dry hole, the lessee may receive the lower royalty rates as follows:

- 20% if a second well is commenced and production, in paying quantities, can be established, brought on line and sales thereof are commenced by the end of the 30th month, as provided for in the lease.
- 22.5% if a second well is commenced and production, in paying quantities, can be established, brought on line and sales thereof are commenced by the end of the 54th month as provided for in the lease.

The primary term of the leases shall be five (5) years. The annual rental thereon is fixed at \$10.00 per acre beginning with the second year of the lease.

## SULPHUR TRACT

### TERMS & CONDITIONS

The royalty on all sulphur leases is fixed at 1/6<sup>th</sup> of the gross production of sulphur or \$10.00 per long ton, whichever is greater. The primary term of the lease shall be two (2) years. The annual rental is \$800.00 per acre. The minimum advance royalty is \$500,000.00 per year. Each bid must include a check for the cash bonus, which is being offered for the tract. In addition, a bid must include a separate check in the amount of 1 1/2% of the bid as a sales fee. Subject to the right to reject any bid, the School Land Board will lease advertised tracts to the highest bidder meeting the minimum bid. For a copy of the Sulphur Lease Form, please call (512) 475-1502.

## TEXAS PARKS AND WILDLIFE DEPARTMENT TRACT

### TERMS AND CONDITIONS

The royalty on the Texas Parks and Wildlife Department (TPWD) tract is fixed at 25% of the gross production of oil and/or gas. The primary term of the leases shall be three (3) years. The annual rental is fixed at \$10.00 per net mineral acre beginning with the second year of the lease. Subject to the right to reject any bid, the TPWD Board for Lease will lease advertised tracts to the highest bidder meeting or exceeding the minimum bid.

The lease issued for the TPWD tract shall be subject to the following surface use restrictions:

- Any provision herein to the contrary notwithstanding, it is agreed and understood that no entry shall be permitted on the surface of the leased lands. Any development of the land shall be by means of directional wells located off the leased land, or by pooling of said land with other land or leases as provided by Subchapter E, Chapter 52, Natural Resources Code.

For a copy of the lease form to be used for TPWD tracts or for additional information concerning TPWD tracts, contact the Mineral Leasing Division at either (512) 475-1499 or (512) 475-1512 or TPWD at (512) 389-4590.

## TEXAS DEPARTMENT OF AGING AND DISABILITIES SERVICES

### TERMS AND CONDITIONS

The royalty on Texas Department of Aging and Disabilities Services (DADS) tracts is fixed at 25% of the gross production of oil and/or gas. The primary term of the lease shall be five (5) years. The annual rental is \$5.00 per acre for the second and third year of the lease. For the fourth and fifth year of the lease, the annual rental will increase to \$25.00 per acre.

Any lease issued for DADS tracts shall be subject to the following surface use restrictions:

- Any provision herein to the contrary notwithstanding, it is agreed and understood that no entry shall be permitted on the surface of the leased lands. Any development of the land shall be by means of directional wells located off the leased land, or by pooling of said land with other land or leases as provided by Subchapter E, Chapter 52, Natural Resources Code.

## ABBREVIATIONS AND DEFINITIONS

**AC** - Acre(s)

**NAVI DIST** - NAVIGATION DISTRICT: Indicates that all or a portion of the tract lies within the boundaries of a navigation district. Bidders should contact the applicable governing authority for the navigation district and the General Land Office for surface use restrictions.

**POL** - PORTION OUTSIDE LEASE: Indicates that the acreage within the boundaries of the tract is available for lease save and except any portion included in a valid oil and/or gas lease. Lease information is available in the mineral file located in the Archives and Records Division of the General Land Office.

**POU** - PORTION OUTSIDE UNIT: Indicates that the acreage within the boundaries of the tract is available for lease save and except any portion included in a valid oil and/or gas unit. Unit information is available in the mineral file located in the Archives and Records Division of the General Land Office.

**PT** - PART: Bidders should contact the General Land Office for further information.

**TMLL** -THREE MARINE LEAGUE LINE: Denotes tracts that are adjacent to the Three Marine League Line. These tracts have been submitted to the MMS for the coordination of acreage.

**WFAL** - Denotes tracts that are WEST of the FEDERAL ADMINISTRATION LINE.

**NOTE:** Information printed in this Notice for Bids is provided in summary form for the purpose of soliciting bids to lease the subject tracts and should not be relied upon as the sole source of information regarding the tracts. Prospective bidders are advised to contact all governmental authorities with jurisdiction over a tract in order to ascertain its status and suitability for the bidder's intended use. No representation or warranty is made with regard to the information set forth, or referenced, herein. In particular, even if bids are calculated on a per acre basis, no portion of a bid will be refunded should the actual acreage in a tract later be determined to be less than the acreage reflected herein.

The following is a sample lease form for bay and Gulf of Mexico tracts. For a sample copy of the lease form to be used for other land types, call (512) 475-1512. Area/Location maps shall be provided upon request. Please call (512) 475-1512 or (512) 475-1499 for additional information.

### **SAMPLE OIL AND GAS LEASE NO. M-\_\_\_\_\_**

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:

was, after being duly advertised, offered for lease on the **19<sup>th</sup> day of July, 2011** 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 **19<sup>th</sup> day of July, 2011**, hereinafter the "effective date" and it was found and determined that \_\_\_\_\_ whose address is \_\_\_\_\_, \_\_\_\_\_ 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, Jerry E. Patterson, 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 \_\_\_\_\_ Dollars (\$\_\_\_\_\_), 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 non

exclusive right to explore for oil and gas and the exclusive right to drill 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; the right to grant third parties seismic, geophysical and geological permits and to enter into other agreements with third parties, which allow such third parties to conduct geophysical, geological or seismic surveys on, over, under, through and across the land covered herein during the term of this lease; and 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, compressing, processing, transporting and otherwise making the oil, gas and other products produced hereunder ready for sale or use. Lessor's right to take its royalty in kind shall not diminish or negate Lessor's rights or Lessee's obligations, whether express or implied, under this lease.

**(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 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; provided, however, that the liability of the transferor to properly discharge its obligation under the lease, including properly plugging abandoned wells, removing platforms or pipelines, or remediation of contamination at drill sites shall pass to the transferee upon the prior written consent of the Commissioner of the General Land Office. The Commissioner may require the transferee to demonstrate financial responsibility and may require a bond or other security. 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 (specifically including any rules promulgated that relate to plans of operations), 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 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. LEASE SECURITY:** Lessee shall take the highest degree of care and all proper safeguards to protect said premises and to prevent theft of oil, gas, and other hydrocarbons produced from said lease. This includes, but is not limited to, the installation of all necessary equipment, seals, locks, or other appropriate protective devices on or at all access points at the lease's production, gathering and storage systems where theft of hydrocarbons can occur. Lessee shall be liable for the loss of any hydrocarbons resulting from theft and shall pay the State of Texas royalties thereon as provided herein on all oil, gas or other hydrocarbons lost by reason of theft.

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

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

**28. ANTIQUITIES CODE:** In the event that any feature of archeological or historical interest on Permanent School Fund Land is encountered during the activities authorized by this lease, Lessee will immediately cease activities and will immediately notify the General Land Office (ATTN: Archaeologist, Asset Management Division, 1700 N. Congress Ave., Austin, Texas 78701) and the Texas Historical Commission (P.O. Box 12276, Austin, TX 78711) 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) and the Antiquities Code of Texas, Chapter 191, Tex. Nat. Code Ann. (Vernon 1993 & Supp. 1998). On state-owned land not dedicated to the Permanent School Fund, lessee shall notify the Texas Historical Commission before breaking ground at a project location. An archaeological survey might be required by the commission before construction of the project can commence. Further, in the event that any site, object, location, artifact or other feature of archaeological, scientific, educational, cultural or historic interest is encountered during the activities authorize by this lease, lessee will immediately notify lessor and the Texas Historical Commission so that adequate measures may be undertaken to protect or recover such discoveries or findings, as appropriate.

**29. 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.

**30. 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.

**31. 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.

\_\_\_\_\_  
**JERRY E. PATTERSON**  
**COMMISSIONER, GENERAL LAND OFFICE**

**APPROVED**

**Contents** \_\_\_\_\_  
**Legal** \_\_\_\_\_  
**DC** \_\_\_\_\_  
**Exec** \_\_\_\_\_

**(CORPORATION ACKNOWLEDGMENT)**

**STATE OF** \_\_\_\_\_  
**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 \_\_\_\_\_, 2011.

\_\_\_\_\_  
Notary Public in and for \_\_\_\_\_

**(INDIVIDUAL ACKNOWLEDGMENT)**

**STATE OF** \_\_\_\_\_  
**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 \_\_\_\_\_, 2011

\_\_\_\_\_  
Notary Public in and for \_\_\_\_\_

**SURVEYED SCHOOL LAND (The royalty rate for all Surveyed School Land is fixed at 25% - See Page 1 for special rental conditions)**

MGL. NO.	COUNTY	DIST./DIR. FROM COUNTY SEAT	SEC. / TRACT	BLOCK	TSP	SURVEY	ACRES	PART / COMMENTS	MINIMUM BID
1	ANGELINA	10N71E	5			W. J. TOWNSEND	126.50	TEXAS FOREST SERVICE, ALL	\$63,250.00
2	CULBERSON	55N25E	283			NOAH CELSOR	601.00	ALL	\$300,500.00
3	CULBERSON	39N40E	13	100		PUBLIC SCHOOL LAND	80.00	SE/8	\$40,000.00
4	CULBERSON	47N41E	15	103		PUBLIC SCHOOL LAND	252.54	N/2 OF NE/4, S/2 OF NW/4, & S/2 OF SW/4	\$126,270.00
5	CULBERSON	46N38E	16	103		PUBLIC SCHOOL LAND	80.00	N/2 OF NE/4	\$40,000.00
6	CULBERSON	43N35E	23	103		PUBLIC SCHOOL LAND	80.00	E/2 OF NW/4	\$40,000.00
7	CULBERSON	58N47E	2	52		PUBLIC SCHOOL LAND	240.70	SE/4 & S/2 OF NE/4	\$240,700.00
8	CULBERSON	42N56E	3	60		PUBLIC SCHOOL LAND	320.00	N/2	\$96,000.00
9	CULBERSON	43N60E	24	60		PUBLIC SCHOOL LAND	320.00	W/2	\$96,000.00
10	CULBERSON	33N46E	2	92		PUBLIC SCHOOL LAND	80.00	W/2 OF N/4	\$40,000.00
11	CULBERSON	31N47E	16	92		PUBLIC SCHOOL LAND	80.00	N/2 OF SE/4	\$40,000.00
12	CULBERSON	38N45E	19	96		PUBLIC SCHOOL LAND	80.00	N/2 OF NW/4	\$40,000.00
13	CULBERSON	37N45E	23	96		PUBLIC SCHOOL LAND	80.00	S/2 OF NW/4	\$40,000.00
14	CULBERSON	38N47E	24	96		PUBLIC SCHOOL LAND	80.00	N/2 OF SW/4	\$40,000.00
15	CULBERSON	70N38E	30	58	02S	T. & P. RY. CO.	487.00	ALL	\$487,000.00
16	CULBERSON	44N60E	18	59	06S	T. & P. RY. CO.	272.65	NE/4 & N/2 OF SE/4	\$81,795.00
17	CULBERSON	40N77E	32	59	07S	T. & P. RY. CO.	365.86	S/2	\$109,758.00
18	CULBERSON	38N74E	26	60	07S	T. & P. RY. CO.	171.73	SW/4	\$51,519.00
19	CULBERSON	38N78E	36	60	07S	T. & P. RY. CO.	148.90	SW/4	\$44,670.00
20	CULBERSON	33N75E	42	60	07S	T. & P. RY. CO.	686.00	ALL	\$205,800.00
21	CULBERSON	55N20E	40	62	02S	T. & P. RY. CO.	677.00	ALL	\$338,500.00
22	CULBERSON	40N04W	4	66	04S	T. & P. RY. CO.	709.00	ALL	\$70,900.00
23	CULBERSON/REEVES	49N64E	18	58	06S	T. & P. RY. CO.	370.39	N/2	\$111,117.00
24	LOVING	23N35E	13	C-24		PUBLIC SCHOOL LAND	640.00	ALL	\$320,000.00
25	LOVING	15N50W	18	55		T. & P. RY. CO.	480.00	POU	\$480,000.00
26	MARION	N6015E				ERVIN DON CRUTCHER	99.37	ALL	\$29,811.00
27	MARION	N6014E				JOHN J. HAYNES, JR.	18.97	ALL	\$5,690.70
28	PECOS	8S70W	26	3		T. & P. RY. CO.	644.50	ALL	\$161,125.00
29	PECOS	6S69W	27	3		T. & P. RY. CO.	646.40	ALL	\$161,600.00
30	PECOS	6S40W	62	3		T. & P. RY. CO.	646.20	ALL	\$161,550.00
31	REEVES	19N15W	2	3		H. & G. N. RY. CO.	279.98	NE PT.	\$279,980.00
32	REEVES	14N22W	8	3		H. & G. N. RY. CO.	80.00	W/4 OF E/2	\$80,000.00

**SURVEYED SCHOOL LAND (The royalty rate for all Surveyed School Land is fixed at 25% - See Page 1 for special rental conditions)**

<b>MGL. NO.</b>	<b>COUNTY</b>	<b>DIST./DIR. FROM COUNTY SEAT</b>	<b>SEC. / TRACT</b>	<b>BLOCK</b>	<b>TSP</b>	<b>SURVEY</b>	<b>ACRES</b>	<b>PART / COMMENTS</b>	<b>MINIMUM BID</b>
33	REEVES		45	72		PUBLIC SCHOOL LAND	12.80	UNDIVIDED INTEREST OWNED BY UNIVERSITY OF TEXAS (RELINQUISHMENT ACT LAND)	\$6,400.00
34	REEVES		46	72		PUBLIC SCHOOL LAND	12.80	UNDIVIDED INTEREST OWNED BY UNIVERSITY OF TEXAS (RELINQUISHMENT ACT LAND)	\$6,400.00
35	REEVES		4	C-8		PUBLIC SCHOOL LAND	9.53	IH-20 R.O.W. (RELINQUISHMENT ACT LAND)	\$9,532.00
36	REEVES	37N50W	44	57	02S	T. & P. RY. CO.	160.00	NW/4	\$160,000.00
37	ROBERTS	32N23W	6	H		CATTLE INV. CO.	242.00	S PT.	\$72,600.00
38	WARD		152	34		H. & T. C. RY. CO.	14.92	HIGHWAY RIGHT-OF-WAY (RELINQUISHMENT ACT LAND)	\$7,460.00
39	WEBB	N1234E	892			J. POITEVENT	21.00	ALL	\$31,500.00

**RIVERS, CREEKS AND BAYOUS (The royalty rate for all non-tidally influenced rivers, creeks and bayous is fixed at 25%)**

MGL. NO.	COUNTY	AREA	TRACT	ACRES	DESCRIPTION	MINIMUM BID
40	PALO PINTO	BRAZOS RIVER	17	220.00	TRACT 17 IS THAT PORTION OF THE BED OF THE BRAZOS RIVER WITHIN POSSUM KINGDOM LAKE THAT IS BOUND ON ITS UPSTREAM END BY A NORTHWESTERLY EXTENSION OF THE NORTHEAST LINE OF THE JOHN A. FORTUNE SURVEY, A-182, AND IS BOUND ON ITS DOWNSTREAM END BY THE CENTERLINE OF THE POSSUM KINGDOM DAM	\$33,000.00

**BAYS, LAKES, ISLANDS AND BAYOUS**

<b>MGL. NO.</b>	<b>AREA</b>	<b>COUNTY</b>	<b>TRACT</b>	<b>PART</b>	<b>ACRES</b>	<b>COMMENTS</b>	<b>MINIMUM BID</b>
41	COPANO BAY	ARANSAS/REFUGIO	29	ALL	320.00		\$80,000.00
42	COPANO BAY	ARANSAS/REFUGIO	30	ALL	320.00		\$80,000.00
43	COPANO BAY	ARANSAS	31	ALL	320.00		\$80,000.00
44	COPANO BAY	ARANSAS	32	ALL	320.00		\$80,000.00
45	COPANO BAY	ARANSAS	33	ALL	320.00		\$80,000.00
46	COPANO BAY	ARANSAS	34	ALL	320.00		\$80,000.00
47	COPANO BAY	ARANSAS	35	ALL	320.00		\$80,000.00
48	COPANO BAY	ARANSAS/REFUGIO	48	ALL	320.00		\$80,000.00
49	COPANO BAY	ARANSAS/REFUGIO	49	ALL	320.00		\$80,000.00
50	COPANO BAY	ARANSAS/REFUGIO	50	ALL	320.00		\$80,000.00
51	COPANO BAY	REFUGIO	58	ALL	325.00		\$81,250.00
52	COPANO BAY	ARANSAS/REFUGIO	60	ALL	325.00		\$81,250.00
53	COPANO BAY	ARANSAS/REFUGIO	61	ALL	320.00		\$80,000.00
54	COPANO BAY	ARANSAS	78	ALL	320.00		\$80,000.00
55	COPANO BAY	ARANSAS/REFUGIO	83	ALL	320.00		\$80,000.00
56	COPANO BAY	ARANSAS/REFUGIO	84	ALL	320.00		\$80,000.00
57	COPANO BAY	ARANSAS/REFUGIO	85	ALL	320.00		\$80,000.00
58	COPANO BAY	ARANSAS/REFUGIO	86	ALL	320.00		\$80,000.00
59	COPANO BAY	REFUGIO	87	ALL	320.00		\$80,000.00
60	COPANO BAY	ARANSAS/REFUGIO	91	ALL	320.00		\$80,000.00
61	COPANO BAY	ARANSAS/REFUGIO	92	ALL	320.00		\$80,000.00
62	COPANO BAY	ARANSAS/REFUGIO	93	ALL	320.00		\$80,000.00
63	COPANO BAY	ARANSAS	111	ALL	320.00		\$80,000.00
64	COPANO BAY	ARANSAS	112	ALL	320.00		\$80,000.00
65	COPANO BAY	ARANSAS	113	ALL	320.00		\$80,000.00
66	COPANO BAY	ARANSAS	114	ALL	320.00		\$80,000.00
67	COPANO BAY	ARANSAS	116	ALL	350.00		\$87,500.00
68	COPANO BAY	ARANSAS	117	ALL	455.00		\$113,750.00
69	COPANO BAY	ARANSAS	121	ALL	275.00		\$68,750.00

## BAYS, LAKES, ISLANDS AND BAYOUS

MGL. NO.	AREA	COUNTY	TRACT	PART	ACRES	COMMENTS	MINIMUM BID
70	COPANO BAY	ARANSAS	122	ALL	320.00	INCL GRASS ISLAND	\$80,000.00
71	COPANO BAY	ARANSAS	123	ALL	320.00		\$80,000.00
72	DICKINSON BAY	GALVESTON	353	ALL	895.00		\$268,500.00
73	DICKINSON BAY	GALVESTON	354	ALL	480.00		\$144,000.00
74	MATAGORDA BAY	CALHOUN	97	S/2	320.00		\$80,000.00
75	MATAGORDA BAY	CALHOUN	102	S/2	320.00		\$80,000.00
76	MATAGORDA BAY	CALHOUN	103	N/2	320.00		\$80,000.00
77	MATAGORDA BAY	CALHOUN	103	S/2	320.00		\$80,000.00
78	MATAGORDA BAY	CALHOUN	104	N/2	320.00		\$80,000.00
79	MATAGORDA BAY	CALHOUN	122	S/2	320.00		\$80,000.00
80	MOSES LAKE/GALVESTON BAY	GALVESTON	355	ALL	570.00		\$171,000.00
81	SABINE LAKE	JEFFERSON	22	ALL	440.00	CITY OF PORT ARTHUR	\$220,000.00
82	SABINE LAKE	JEFFERSON	23	N/2	320.00	CITY OF PORT ARTHUR	\$160,000.00
83	SABINE LAKE	JEFFERSON	23	S/2 (POU)	160.00	CITY OF PORT ARTHUR	\$80,000.00
84	SABINE LAKE	JEFFERSON	31	N/300	300.00	CITY OF PORT ARTHUR	\$150,000.00
85	SABINE LAKE	JEFFERSON	31	W/445 OF S/770	445.00	CITY OF PORT ARTHUR	\$222,500.00

# GULF OF MEXICO

OFFSHORE AREA	MGL. NO.	TRACT	PART	QUARTER	COMMENTS	COUNTY	ACRES	MINIMUM BID	
HIGH ISLAND	86	19 S	E/2		DEPTH LIMITED TO 9500 FEET	JEFFERSON	320.00	\$32,000.00	
	87	55 L	N/2	NE/4		JEFFERSON	720.00	\$180,000.00	
	88	55 L	S/2	NE/4		JEFFERSON	720.00	\$180,000.00	
	89	55 L	N/2	NW/4		JEFFERSON	720.00	\$180,000.00	
	90	55 L	S/2	NW/4		JEFFERSON	720.00	\$180,000.00	
	91	55 L	N/720		PT OF SE/4	NORTH OF TMLL	JEFFERSON	720.00	\$180,000.00
	92	55 L	S/662.14		PT OF SE/4	NORTH OF TMLL	JEFFERSON	662.14	\$165,535.00
	93	55 L	N/2		SW/4		JEFFERSON	720.00	\$180,000.00
	94	55 L	S/2		SW/4		JEFFERSON	720.00	\$180,000.00
	95	56 L	N/2		NE/4		JEFFERSON	720.00	\$180,000.00
	96	56 L	S/2		NE/4		JEFFERSON	720.00	\$180,000.00
	97	56 L	N/2		NW/4		CHAMBERS/GALVESTON/ JEFFERSON	720.00	\$180,000.00
	98	56 L	S/2		NW/4		CHAMBERS/GALVESTON/ JEFFERSON	720.00	\$180,000.00
	99	56 L	N/2		SE/4		CHAMBERS/JEFFERSON	720.00	\$180,000.00
	100	56 L	S/2		SE/4		CHAMBERS/JEFFERSON	720.00	\$180,000.00
	101	56 L	N/2		SW/4		CHAMBERS/GALVESTON/ JEFFERSON	720.00	\$180,000.00
	102	56 L	S/2		SW/4		CHAMBERS/GALVESTON	720.00	\$180,000.00
	103	98 L	N/2		NW/4		GALVESTON	720.00	\$180,000.00
	104	98 L	N/2		SW/4		GALVESTON	720.00	\$180,000.00
	GALVESTON	105	104 L	N/2	NW/4		GALVESTON	720.00	\$144,000.00
106		104 L	S/2	NW/4		GALVESTON	720.00	\$144,000.00	
107		104 L	N/720		PT OF NE/4	NORTH OF TMLL	GALVESTON	720.00	\$144,000.00
108		104 L	S/553.77		PT OF NE/4	NORTH OF TMLL	GALVESTON	553.77	\$110,754.00
109		104 L	ALL		PT OF SE/4, SW/4	NORTH OF TMLL	GALVESTON	792.57	\$158,514.00
110		164 S	N/2				GALVESTON	320.00	\$80,000.00
111		164 S	S/2				GALVESTON	320.00	\$80,000.00
112		169 S	N/360				GALVESTON	360.00	\$90,000.00
113		169 S	S/320				GALVESTON	320.00	\$80,000.00
114		172 S	N/2				GALVESTON	320.00	\$80,000.00
115		172 S	S/2				GALVESTON	320.00	\$80,000.00
116		173 S	N/2				GALVESTON	320.00	\$80,000.00

# GULF OF MEXICO

OFFSHORE AREA	MGL. NO.	TRACT	PART	QUARTER	COMMENTS	COUNTY	ACRES	MINIMUM BID	
GALVESTON	117	173 S	S/2			GALVESTON	320.00	\$80,000.00	
	118	174 S	N/2			GALVESTON	320.00	\$80,000.00	
	119	174 S	S/2			GALVESTON	320.00	\$80,000.00	
	120	176 S	N/2			GALVESTON	320.00	\$80,000.00	
	121	176 S	S/2			GALVESTON	320.00	\$80,000.00	
	122	181 S	N/2			GALVESTON	320.00	\$80,000.00	
	123	181 S	S/2			GALVESTON	320.00	\$80,000.00	
	124	182 L	N/2		NW/4	GALVESTON	720.00	\$144,000.00	
	125	182 L	S/2		NW/4	GALVESTON	720.00	\$144,000.00	
	BRAZOS	126	479 L	S/2		NW/4	MATAGORDA	720.00	\$108,000.00
127		479 L	N/720		PT OF SW/4	NORTH OF TMLL	MATAGORDA	720.00	\$108,000.00
128		479 L	S/453		PT OF SW/4		MATAGORDA	453.00	\$67,950.00
129		480 L	S/2		NE/4		MATAGORDA	720.00	\$108,000.00
130		480 L	S/2		NW/4		MATAGORDA	720.00	\$108,000.00
131		480 L	N/2		SE/4		MATAGORDA	720.00	\$108,000.00
132		480 L	S/2		SE/4		MATAGORDA	720.00	\$108,000.00
133		480 L	N/2		SW/4		MATAGORDA	720.00	\$108,000.00
134		480 L	S/2		SW/4		MATAGORDA	720.00	\$108,000.00
135		488 L	ALL		PT OF NE/4	NORTH OF TMLL	MATAGORDA	466.96	\$70,044.00
136	488 L	N/720		PT OF NW/4, SW/4	NORTH OF TMLL	MATAGORDA	720.00	\$108,000.00	
MATAGORDA ISLAND	137	481 L	S/2		NE/4	MATAGORDA	720.00	\$108,000.00	
	138	481 L	N/2		NW/4	MATAGORDA	720.00	\$108,000.00	
	139	481 L	S/2		NW/4	MATAGORDA	720.00	\$108,000.00	
	140	481 L	N/2		SW/4	MATAGORDA	720.00	\$108,000.00	

**SULPHUR TRACT**

<b>MGL. NO.</b>	<b>COUNTY</b>	<b>DIST./DIR. FROM COUNTY SEAT</b>	<b>SEC. / TRACT</b>	<b>BLOCK</b>	<b>TSP</b>	<b>SURVEY</b>	<b>ACRES</b>	<b>PART / COMMENTS</b>	<b>MINIMUM BID</b>
141	CULBERSON	61N43E	3	111		PUBLIC SCHOOL LAND	555.00	SAVE AND EXCEPT THE DOT MINING CLAIM (MF-70) - SULPHUR TRACT	\$111,000.00

# TEXAS PARKS AND WILDLIFE DEPARTMENT

MGL. NO.	COUNTY	SEC. / TRACT	SURVEY	PART	ACRES	COMMENTS	MINIMUM BID
142	HARDEMAN		COPPER BREAKS STATE PARK	ALL	483.45	BEING A TRACT OF 1933.8 SURFACE ACRES AND 483.45 NET MINERAL ACRES, MORE OR LESS, OWNED BY THE TEXAS PARKS AND WILDLIFE DEPARTMENT AND FURTHER DESCRIBED IN 2 DEEDS AS FOLLOWS: FIRST DEED RECORDED IN VOL. 196, PAGE 599, DEED RECORDS, HARDEMAN COUNTY, TEXAS, WHICH COVERS ALL OF SECTIONS 472, 474, AND 475, BLOCK A, H. & T.C. RY. CO. SURVEY, CONTAINING APPROXIMATELY 1920 ACRES. SECOND DEED RECORDED IN VOL. 199, PAGE 114, DEED RECORDS HARDEMAN COUNTY, TEXAS, CONTAINING 13.8 ACRES APPROXIMATELY, OF SECTION 437, BLOCK A, H. & T.C. RY. CO. SURVEY. (NO SURFACE USE IS ALLOWED)	\$86,054.10

**TEXAS DEPT. OF AGING AND DISABILITY SERVICES**

<b>MGL. NO.</b>	<b>COUNTY</b>	<b>SEC. / TRACT</b>	<b>SURVEY</b>	<b>ACRES</b>	<b>PART / COMMENTS</b>	<b>MINIMUM BID</b>
143	TARRANT		DEPARTMENT OF AGING AND DISABILITIES SERVICES	2.70	BEING A TRACT OF LAND CONTAINING 2.70 ACRES AND FURTHER DESCRIBED AS LOT 44, BLOCK 1, SANDY RIDGE ESTATES, AN ADDITION TO THE CITY OF FORT WORTH, TARRANT COUNTY, TEXAS, ACCORDING TO THE PLAT RECORDED IN VOLUME 388-189, PAGE 64, PLAT RECORDS, TARRANT COUNTY, TEXAS. (NO SURFACE USE IS ALLOWED)	\$13,500.00
144	HOWARD		DEPARTMENT OF AGING AND DISABILITIES SERVICES	353.70	BEING A TRACT OF LAND DESCRIBED AS THE SE/4 OF NW/4, S/2 OF NE/4 SAVE/EXCEPT A 5 ACRE TRACT, N. 78.7 ACRES OF THE SE/4, S. 80 ACRES OF THE SE/4 AND THE E/2 OF SW/4 CONTAIN 353.70 ACRES, MORE OR LESS. (NO SURFACE USE IS ALLOWED)	\$70,740.00

## RESOURCE MANAGEMENT CODES

**Note:** The General Land Office updated the Resource Management Codes in 2001 with the assistance of the state and federal natural resource agencies. The codes that have been assigned to state tracts are meant to assist potential bidders by providing the best available information on natural resource concerns that may be associated with leasing the tracts. The Resource Management Codes, however, should not be relied upon as the sole source of information on potential natural resource concerns associated with leasing state tracts. Prospective bidders are encouraged and advised to contact all governmental authorities with jurisdiction over a tract in order to ascertain its status and suitability for the bidder's intended use. No representation or warranty is made with regard to the Resource Management Code information set forth or referenced in the Notice for Bids.

Resource Management Codes are based on the recommendations from the U.S. Fish and Wildlife Service, National Marine Fisheries Service, Texas Parks and Wildlife Department, Texas Historical Commission, and U.S. Army Corps of Engineers (Corps). The codes are provided for information and are not part of the General Land Office mineral lease contract. The codes may assist state land lessees during the Corps permitting process by informing a prospective operator of restrictions that may be included in the Corps permit. Resource Management Codes do not grant authorization to perform work. All proposed work should be coordinated with and may require a permit from the Corps, Galveston District, before undertaking any activity. If Resource Management Codes are included by the applicant on Corps permit drawings, they should be titled "Recommended Resource Codes." Before beginning work on a state tract, lessees may be required to conduct a survey for sensitive habitats and resources. In most cases, tract development can proceed when an applicant demonstrates that the development plan is not inconsistent with the concerns listed in the codes. When impacts to sensitive habitats or resources are unavoidable, development may be allowed, subject to negotiation for mitigation. If a tract offered for lease is not included in the following list, the tract is assigned Resource Management Code MA - "No Special Recommendations." Potential bidders who have questions about codes are encouraged to contact the commenting agencies regarding any concerns, restrictions, updates, or additional information relating to tracts on which they intend to bid. Assistance is available from the commenting agencies or from the General Land Office Resource Management Program/Resource Conservation Division.

### ACCESS

#### General Recommendations

Fill materials such as sand, gravel, rock, or similar materials for roadway construction may not be placed below mean high water or in state-owned wetlands. The placement of fill material should avoid covering valuable habitat and altering circulation patterns. Lessees should utilize existing channels, canals, and other deep-water areas to the greatest extent possible to minimize initial and maintenance dredging requirements. Where construction of a new channel is unavoidable, siting to avoid sensitive habitats such as bird rookeries, oyster reefs, and areas of submerged aquatic vegetation is encouraged. In addition, canals and channels should not cut through barrier beaches, barrier islands, or other Gulf shoreline protection features. Construction and maintenance of access channels may result in loss of wetland habitat, can significantly alter salinity and water circulation patterns, and can modify the distribution and abundance of living marine resources. All construction access methods should be coordinated with the commenting agency.

#### Definitions and Explanations

- CA -** Use existing channels only. New dredging may not be authorized on this tract; however, maintenance dredging of pre-existing channels may be authorized if sensitive habitats are not impacted.
- CC -** Use one channel for production of tract. If no channel is present on the tract, the dredging of a single channel may be authorized to provide access for development. To minimize destruction of valuable habitat on this tract, access should be limited to a single channel that leads to a central drilling location and avoids submerged grasses and

other sensitive habitats.

- CF -** Vehicular access methods must be designed to avoid or minimize impacts on areas containing emergent marsh, submerged grassbeds or sand, mud, or algal flats. Sensitive habitats within this tract are easily damaged. Best Management Practices must be used to avoid or minimize impacts to these sensitive habitats. Methods of access and operational plans may be required.

### DREDGING AND DREDGED MATERIAL DISPOSAL

#### General Recommendations

Propwashing is not an acceptable dredging method or means of entering or traversing on, across, or through tracts. In general, discharge of dredged material is not allowed on state-owned submerged lands. Construction techniques such as silt curtains or other barriers that minimize turbidity and migration of dredged materials into sensitive areas are encouraged. In some situations, dredged material is a resource that may be disposed of in an environmentally sound manner. Beneficial use of dredged material includes, but is not limited to, beach and coastal-wetland nourishment, seagrass restoration, shoreline protection, and mangrove and saltmarsh wetland creation. If dredged material cannot be used beneficially, it should be placed in existing placement areas or on upland sites where levees can be used to contain the material. Discharge of dredged material in sensitive areas has the potential to cause adverse water quality impacts resulting in reduced oxygen availability for aquatic species, reduced light for seagrasses, and other detrimental environmental effects. Dredged material placement should be coordinated with the commenting agency. The following mitigation sequence may be applied during the evaluation of potential adverse impacts of a project: (1) avoidance of adverse impacts; (2) minimization of adverse impacts; and (3) compensation for unavoidable adverse impacts.

#### Definitions and Explanations

- DA -** No dredging on this tract. Water depths on this tract may be sufficient for access without dredging. Dredging may destroy or degrade sensitive estuarine habitats and reduce the productivity of the bay.
- DB -** No dredging in water less than 4 feet deep as measured from mean low water. Protects shallow water areas of 4 feet or less which contain sensitive habitat.
- DC -** No dredging in water less than 6 feet deep as measured from mean low water. protects sensitive estuarine habitats, usually in clearer water where light penetration may reach 6 feet.
- DD -** No dredging to a depth exceeding 6 feet as measured from mean low water. This tract is generally shallow and the creation of excessively deep pockets of water could alter current patterns, cause stagnation pools, and create traps for fish when tide levels drop.

### MISCELLANEOUS

#### General Recommendations

Miscellaneous codes include general concerns that are not activity-specific and that apply to broad areas and habitats along the coast. Concerns that the Resource Management Codes take into account include, but are not limited to, the following:

archeological sites	navigational safety
bay bottoms (of high productivity)	nursery habitat
bird rookeries	oyster, artificial, historic, serpulid, or constructed reefs
endangered or threatened species	sand, mud, or algal flats
hydrology	submerged aquatic vegetation
marshes	

In addition, routes and methods of pipeline installation must be included on applications for Corps permits and General Land Office application plat maps for all state-owned submerged lands. This information allows the commenting agencies to review pipeline routes and installation methods, and to provide guidance and recommendations about impacts to sensitive habitats. Other construction activities, including construction of drilling locations, must be located at safe distances from sensitive habitats. Specific setback distances depend on the sensitive habitats present in the area. Construction activities should be coordinated with the commenting agency.

#### Definitions and Explanations

- MA -** No special recommendations. The agency submitting this code has no specific concerns for this

tract.

- ME -** Avoid marshes and other sensitive resource areas. Sensitive marine habitats exist within this tract, but oil and gas exploration and production activities, construction and operation activities, access routes, rights-of-way, and other activities may be permissible if sensitive areas are left undisturbed.
- MG -** Avoid submerged aquatic vegetation. Seagrass has been documented on this tract, but oil and gas exploration and production activities, construction and operation activities, access routes, rights-of-way, and other activities may be permissible if sensitive areas are left undisturbed. A survey may be required to locate any existing submerged aquatic vegetation.
- MK -** State Archeological Landmarks and/or other cultural resources protected by state law are known to be or may be located on this tract and should not be disturbed. Prospective developers must obtain information about archeological survey requirements and avoidance of valuable historical artifacts on this tract from the Texas Historical Commission. Archeological survey, site avoidance, or other actions may be required. Known archeological sites or those discovered during surveys may require additional conditions for exploration and production activities.
- ML -** This tract contains private oyster leases. Private oyster leases are present on this tract. Names and addresses of individuals holding private oyster leases and oyster lease rules are available from the Texas Parks and Wildlife Department.
- MO -** Work on this tract is subject to Endangered Species Act review. Consult with the commenting agency for information.
- MP -** Work in this tract is subject to special recommendations, restrictions or special use permits from federal or state agencies. Federal or state agencies may have specific requirements for this tract and should be consulted.
- MR -** Special methods may be necessary to reduce turbidity resulting from construction activities. Reduce impacts of sedimentation on seagrass, marshes, oyster reefs, or other sensitive estuarine habitats in this tract.

### OIL AND GAS DEVELOPMENT

#### General Recommendations

All oil and gas activities should be sited to avoid sensitive resources. The Texas Commission on Environmental Quality and the Texas Railroad Commission regulate the discharge of effluents into state waters. Oil and gas activities on state-owned submerged lands may be subject to requirements of the Oil Spill Prevention and Response Act (Natural Resources Chapter 40), which designates the General Land Office as the lead state agency for the prevention of and response to oil spills into Texas coastal waters. All oil and gas exploration and development activities should be coordinated with the commenting agency.

#### Definitions and Explanations

- OA -** No surface drilling locations on this tract. Directional drilling from adjacent areas may be necessary. Important marine habitat exists within this tract, and drilling activity and dredging of access channels may significantly damage the marine ecosystem. Directional drilling from off-tract locations may be required for mineral development of this tract.
- OH -** Drill only from water deeper than 6 feet as measured from mean low water, or from land above mean high water. This tract has both deep (greater than 6 feet) and shallow water areas and/or adjacent uplands. To protect sensitive habitats in the shallow water, confine drilling activities to the deep-water areas or adjacent uplands.
- OM -** Avoid dredging, dredged material disposal, geophysical surveying, drilling, and pipeline and platform construction on the top or slopes of reefs, banks, hard bottoms, artificial reefs, historic reefs, serpulid reefs, or constructed reefs on this tract. These activities may be prohibited or restricted within 500 feet of reefs to avoid damage caused by accidental discharges of hazardous substances or oil, by sedimentation, or by physical impacts of reef material and to protect fish and other valuable marine organisms attracted to the area. A reef survey may be required

### RIGHTS-OF-WAY

#### General Recommendations

Use of existing rights-of-way is encouraged to lessen adverse impacts to sensitive areas on state-owned submerged lands. Pipeline construction under navigation channels is subject to special routing and burial requirements. The Corps does not permit permanent structures within the right-of-way of a federal navigation channel or dredged material placement area. Development may be accomplished by directional drilling from parts of state tracts that are outside the federal right-of-way. All work on tracts where navigation concerns have been identified should be coordinated with the Corps, Galveston District.

#### Definitions and Explanations

- RW -** Navigational concerns such as navigational channels, dredged material, placement areas, safety fairways, and anchorage areas exist within this tract. To ensure compliance with federal regulations regarding navigation channels, anchorage areas, safety fairways, and other navigational concerns, contact the Corps, Galveston District.

### TIME LIMITATIONS

#### General Recommendations

Activities on some tracts may be limited to specific time periods to avoid disturbance to colonial nesting waterbirds and endangered or threatened species such as the whooping crane. Lessees conducting activities in these areas must consult with the U.S. Fish and Wildlife Service and/or the National Marine Fisheries Service to ensure that their activities do not adversely impact colonial nesting waterbirds or endangered or threatened species.

#### Definitions and Explanations

- TA -** No drilling within the two miles seaward of the Gulf shoreline in the area of Padre Island National Seashore. Drilling activity between two miles and three miles of this shoreline is also prohibited between March 15 and September 15. Drilling activity within two miles of the Gulf shoreline in the area of Padre Island National Seashore is restricted to protect both the aesthetic and recreational values of the public beaches. Drilling is allowed within the area from two miles to three miles from shore during the tourist off-season (September 16 to March 14) but drilling activity in this strip must commence before January 15 to insure adequate completion time before the March 14 deadline. Access to minerals in the two-mile zone along the Gulf beach may be achieved by directional drilling from upland sites on Padre Island if authorized by the National Seashore, or from state tracts beyond the two-mile limit.
- TB -** Tract contains whooping crane critical habitat. No construction, dredging, or drilling between October 15 and April 15. No permanent structures higher than 15 feet above mean water. All oil and gas exploration activity on this tract is restricted during the period from October 15 to April 15 to protect whooping cranes, which winter in the Aransas National Wildlife Refuge area. All permanent structures on this tract must be 15 feet or less in height.
- TC -** Bird rookeries are located on or near this tract. No drilling, dredging, seismic exploration, construction activity, or watercraft landing within 1000 feet of a rookery during nesting season between February 15 and September 1. Bird nesting islands must be left undisturbed. Any development operations are prohibited within 1000 feet of the rookery areas during the peak nesting season from February 15 to September 1.
- TD -** Nesting sea turtles are located on or near this tract. No geophysical surveying within three miles of the Gulf shoreline and along the beachfront during sea turtle nesting between March 15 and September 15. No drilling, dredging, or other construction within 1000 feet of a sea turtle nesting beach between March 15 and September 15. Sea turtles have been documented using the beachfront in or adjacent to this tract for nesting. Oil and gas exploration activity on this tract is restricted from March 15 to September 15 to protect nesting sea turtles.
- TF -** Tract contains habitat for wintering piping plovers. Oil and gas activities, dredging, construction projects, and surveying may be restricted between July 15 and May 15. Oil and gas activities on this tract may be restricted during the period from July 15 to May 15 if the U.S. Fish and Wildlife Service determines it is necessary to protect piping plovers which winter

along the Gulf coast.

**RESOURCE MANAGEMENT CODES - JULY 19, 2011 OIL AND GAS LEASE SALE**

<b>MGL NO</b>	<b>USFWS</b>	<b>NMFS</b>	<b>TPWD</b>	<b>COE</b>	<b>THC</b>	<b>MGL NO</b>	<b>USFWS</b>	<b>NMFS</b>	<b>TPWD</b>	<b>COE</b>	<b>THC</b>
41	DA, OM		DA, OM	MA	MK	84	DB, OM	DB, OM	DB, OM	RW	MA
42	DA, OM		DA, OM	MA	MA	85	DB, OM	DB, OM	DB, OM	RW	MA
43			DA, OM	MA	MA	86	MA	MA	MA	MA	MK
44	DA	DB, OM	DA, OM	MA	MA	105	MA	MA	MA	RW	MA
45	DA, OM	DB, OM	DA, OM	MA	MA	106	MA	MA	MA	RW	MA
46	DA, OM	DB, OM	DA, OM	MA	MA	107	MA	MA	MA	RW	MA
47	DA, OM	DB, OM	DA, OM	MA	MA	108	MA	MA	MA	RW	MA
48			DA	MA	MA	109	MA	MA	MA	RW	MA
49	OM		DA, OM	MA	MA	112	MA	MA	MA	MA	MK
50	DA, OM		DA, OM	MA	MK	113	MA	MA	MA	MA	MK
51	DA, OM		DA, OM	MA	MA	120	MA	MA	MA	MA	MK
52			DA	MA	MA	121	MA	MA	MA	MA	MK
53	OM		DA, OM	MA	MA	124	MA	MA	MA	RW	MK
54			DA	MA	MA	125	MA	MA	MA	RW	MK
55	DA, OM		DA, OM	MA	MA						
56	DA, OM		DA, OM	MA	MA						
57	DA, OM		DA, OM	MA	MA						
58	DA, OM		DA, OM	MA	MA						
59	DA, OM	DB, OM	DA, OM	MA	MK						
60	DA, OM	DB, ME	DA, OM	MA	MK						
61	DA, OM	DB, OM, ME	DA, OM	MA	MA						
62	DA, OM		DA, OM	MA	MA						
63			DA	MA	MA						
64			DA	MA	MA						
65			DA	MA	MA						
66			DA	MA	MA						
67	DA, OH, OM	DB, OM, ME	DA, OH, OM, MG	MA	MA						
68	DA, OH, OM	DB, ME	DA, OH, OM	MA	MA						
69	DA, OH	DB, OM, ME	DA, ME, OH	MA	MA						
70	DA, ME, OH	DB, OM, ME	DA, ME, OH	MA	MA						
71	DA, ME, OH	DB, OM, ME	DA, ME, OH	MA	MA						
72	ME, OH, OM, TC	ME, OH	ME, OH, OM, TC	MA	MK						
73	, ME OH, OM, TC	ME, OH	ME, MP, OH, OM, TC	MA	MK						
78				MA	MK						
79				MA	MK						
80	DA, OM, TC	DA, OM	DA, OM, TC	MA	MA						
81			MA	RW	MA						
82	DB, OM	DB, OM	DB, OM	RW	MA						
83	DB, OM	DB, OM	DB, OM	RW	MA						