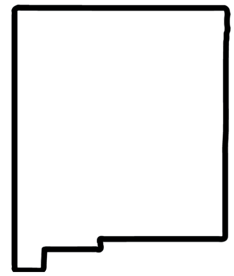
Oil and Gas Comparison

	Texas Trust Lands	New Mexico Trust Lands
		
# Of Active Oil & Gas Leases	5,400	6,000*
Maximum Royalty Rate	Negotiated, vast majority minimum 25%	20%
Royalty Clause Type	Gross proceeds	Net proceeds*
Oil Valuation Requirement	• Gross proceeds • Cost differential adjustments to price allowed • Highest market price clause • Highest posted price + premium clause	• Value at the lease • Cost differential adjustments to price allowed • No requirement to pay on highest market price • No requirement to pay on highest posted price + premium
Natural Gas Valuation Requirement	• Gross proceeds • Transportation deductions not allowed • Treating deductions (removal of impurities) not allowed • Processing deductions (NGL extraction) allowed but capped • Field fuel deduction not allowed • Plant fuel deduction allowed, capped at 3.5% • Highest price in the field clause • Deductions for midstream non-arm's length sales not allowed	• Net proceeds • Transportation deductions allowed • Treating deductions (removal of impurities) allowed • Cost to place product in market condition allowed • Processing deductions (NGL • extraction) allowed - no cap • Field fuel deduction, 100% allowed • Plant fuel deduction, 100% allowed • Highest price in the field clause only for non-compliance • Deductions for midstream non-arm's length services (costs must be reasonable not limited to actual costs)

Green represents more industry friendly
Red represents less industry friendly

* Over the last 3 years NM has added more daily oil production than any other state, including Texas. Reuters 5/18/23

* $2.6 billion has been deducted from royalties since 2015. This translates to $405 million in lost revenue for schools, universities, and hospitals.

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		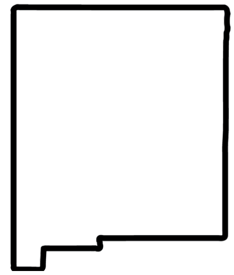
Non-Sales Use of Natural Gas	• Gas used on lease, royalty bearing • Flared and vented gas, royalty bearing	• Gas used on lease, non-royalty bearing • Flared and vented gas, royalty bearing
Payment and Due Dates	• Oil royalty due on the 5th day of the second month succeeding the month of production. • Gas royalty due on the 15th day of the second month succeeding the month of production	• Oil and gas royalty due on the 25th day of the second month succeeding the month of production
Lease Term	• Term is 3 years and held so long as producing in paying quantities • Texas can lease individual producing formations to different lessees • 2 years after the primary term, the lease terminates 100 ft. true vertical depth below the deepest producing formation for vertical wells and 300 ft. true vertical depth below the deepest depth reached by the horizontal lateral between the first and last takepoint • 30 day lease extension of lease if good faith drilling will occur costs of $3,000. Application must be filed in 30 day increments and cannot total more than 390 days from expiration of primary term	• Term is 5 years and held so long as producing in paying quantities • Lessee has the right to drill and produce from all formations (which is particularly advantageous in the Permian Basin) • Several forms of lease extensions may be granted, for $500, if a lease stops producing

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