

**OIL AND GAS LEASE
(PAID-UP)**

AGREEMENT, Made and entered into this 25 day of August, 2012, by and between Meriam C. Shari Cannon Revocable Living Trust, Dated July 1, 1997, Meriam C. Shari Cannon Trustee, hereinafter called Lessor and James D. and Jennie L. Sisney Joint Living Trust dated February 7, 1997, James D. Sisney and Jennie L. Sisney, Co-Trustees, party of the second part, hereinafter called Lessee.

WITNESSETH. That the said Lessor, for and in consideration of Ten and Other DOLLARS (\$10.00), cash in hand paid, receipt of which is hereby acknowledged and of the covenants and agreements hereinafter contained on the part of Lessee to be paid, kept and performed, has granted, demised, leased and let and by these presents does grant, demise, lease and give the exclusive right unto the said Lessee, for the sole and only purpose of exploring by geophysical and other methods, mining and operating for oil (including but not limited to distillate and condensate), gas (including casing-head gas and helium and all other constituents), water, and for laying pipe lines, and building tanks, power stations and structures thereon, to produce, save and take care of said products, all that certain tract of land, together with any reversionary rights therein, situated in the County of Kay, State of Oklahoma, described as follows, to-wit:

All of Sections 13 and 24,

Township 28 North, Range 3 East and containing 1,280 acres, more or less.

It is agreed that this lease shall remain in force for a term of **four (4) years** from date (herein called primary term) and as long thereafter as oil or gas, or either of them, is produced from said land by the Lessee.

In consideration of the premises the said Lessee covenants and agrees:

- 1st** To deliver to the credit of Lessor free of cost, in the pipeline to which it may connect its wells, the **3/16ths** part of all oil (including but not limited to condensate and distillate) produced and saved from the leased premises.
- 2nd** To pay Lessor for gas of whatsoever nature or kind (with all of its constituents) produced and sold or used off the leased premises, or used in the manufacture of products therefrom **3/16ths** of the net proceeds received for the gas sold after all deductions necessary to make the gas marketable, used off the premises, or in the manufacture of products therefrom, but in no event more than **3/16ths** of the actual amount received by the Lessee, said payments to be made monthly. During any period (whether before or after expiration of the primary term hereof) when gas is not being so sold or used and the well or wells are shut in and there is no current production of oil or operations on said leased premises sufficient to keep this lease in force, Lessee shall pay or tender a royalty of One Dollar (\$1.00) per year per net royalty acre retained hereunder, such payment or tender to be made on or before the anniversary date of this lease next ensuing after the expiration of ninety (90) days from the date such well is shut in and thereafter on the anniversary date of this lease during the period such well is shut in, to the royalty owners. When such payment or tender is made it will be considered that gas is being produced within the meaning of the entire lease.
- 3rd** To pay Lessor for gas produced from any oil well and used off the premises, or for the manufacture of casing-head gasoline or dry commercial gas, **3/16ths** of the gross proceeds, at the mouth of the well, received by Lessee for the gas during the time such gas shall be used, said payment to be made monthly.

If the Lessee shall commence to drill a well or commence reworking operations on an existing well within the term of this lease or any extension thereof, or on acreage pooled therewith, the Lessee shall have the right to drill such well to completion or complete reworking operations with reasonable diligence and dispatch, and if oil or gas, or either of them, be found in paying quantities, this lease shall continue and be in force with like effect as if such well had been completed within the term of years first mentioned.

Lessee is hereby granted the right at any time and from time to time to unitize the leased premises or any portion or portions thereof, as to all strata or any stratum or strata, with any other lands as to all strata or any stratum or strata, for the production primarily of oil or primarily of gas with or without distillate. However, no unit for the

production primarily of oil shall embrace more than 40 acres, or for the production primarily of gas with or without distillate more than 640 acres, provided that if any governmental regulation shall prescribe a spacing pattern for the development of the field or allocate a producing allowable based on acreage per well, then any such unit may embrace as much additional acreage as may be so prescribed or as may be used in such allocation of allowable. Lessee shall file written unit designations in the county in which the leased premises are located. Operations upon and production from the unit shall be treated as if such operations were upon or such production were from the leased premises whether or not the well or wells are located thereon. The entire acreage within a unit shall be treated for all purposes as if it were covered by and included in this lease except that the royalty on production from the unit shall be as below provided, and except that in calculating the amount of any shut in gas royalties, only the part of the acreage originally leased and then actually embraced by this lease shall be counted. In respect to production from the unit, Lessee shall pay Lessor, in lieu of other royalties thereon, only such proportion of the royalties stipulated herein as the amount of his acreage placed in the unit, or his royalty interest therein on an acreage basis bears to the total acreage in the unit.

If said Lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties herein provided shall be paid to the Lessor only in the proportion which his interest bears to the whole and undivided fee.

Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for its operations thereon.

Lessee shall bury his pipelines below plow depth.

No well shall be drilled nearer than 200 feet to the house or barn now on said premises, without the written consent of the Lessor.

Lessee shall pay for all damages caused by its operations to growing crops on said land.

Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

If the estate of either part hereto is assigned, and the privilege of assigning in whole in part is expressly allowed, the covenants hereof shall extend to their heirs executors, administrator, successors or assigns. However, no change or division in ownership of the land or royalties shall enlarge the obligations or diminish the rights of Lessee. No change in the ownership of the land or royalties shall be binding on the Lessee until after the Lessee has been furnished with a written transfer or assignment or a true copy thereof. In case Lessee assigns this lease, in whole or in part, Lessee shall be relieved of all obligations with respect to the assigned portion or portions arising subsequent to the date of assignment.

As further consideration for the mutual covenants and conditions contained herein, Lessor agrees that Lessee shall have no liability for any injuries, damages, nuisances, pollution and environmental problems which were caused or may result from prior oil and gas operations or other activities previous to the date hereof, and to fully effectuate same, Lessor hereby releases Lessee from any and all claims that Lessor might otherwise have as a result of any prior activities or operations on or relating to the lease premises, Lessor agrees that they will indemnify Lessee from any and all claims, liability and/or losses associated therewith, and Lessor covenants that they will not file any suit, administrative action or complaint against Lessee relating thereto.

All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules and Regulations, and this lease shall not be terminated, in whole or in part, nor lessee held liable in damages, for failure to comply therewith, if compliance is prevented by, or such failure is the result of any such Law, Order, Rule or Regulation.

This lease shall be effective as to Lessor on execution hereof as to his or her interest and shall be binding on those signing, notwithstanding some of the Lessors above named may not join in the execution, hereof the word "Lessor" as used in this lease means the party or parties who execute this lease as Lessor, although not named above.

Lessee and/or its assigns have Lessor's permission to conduct a seismic survey across Lessor's lands as listed herein for the purpose of potential oil and gas exploration. Lessee's operations will be conducted in accordance with good standard industry practices. Lessor hereby warrants title.

Lessee may at any time and from time to time surrender this lease as to any part or parts of the leased premises by delivering or mailing a release thereof to Lessor, or by placing a release of record in the proper County.

SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF

IN TESTIMONY WHEREOF, we sign this 25 day of August, 2012.

LESSOR:

Meriam C. Shari Cannon Revocable Living Trust dated July 1, 1997, Meriam C. Shari Cannon Trustee

Meriam C. Shari Cannon TRUSTEE
Meriam C. Shari Cannon, Trustee

Acknowledgment

STATE OF OKLAHOMA)
) SS.
COUNTY OF Kay)

BE IT REMEMBERED, That on this 25th day of August, 2012, before me, a Notary Public in and for said County and State, personally Meriam C. Shari Cannon Revocable Living Trust dated July 1, 1997, Meriam C. Shari Cannon Trustee to me known to be the identical person(s) who executed the within and foregoing instrument acknowledged to me that he/she/they executed the same as there/her/ his free and voluntary act and deed for the purposes herein set forth.

IN WITNESS WHEREOF, I have hereunto set my official signature and affixed by notarial seal, the day and year first above written.

My commission expires: Dec 20, 2014

Bryanna Grose
Notary Public

Commission Number: 10010520

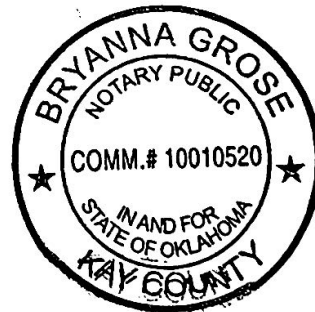


EXHIBIT "A"

to the Oil and Gas Lease

Dated the 25th day of August, 2012,

covering the following described tract of property situated in Kay County, Oklahoma, to-wit:

All of Sections 13 and 24 in Township 28 North, Range 3 East
referred to herein as "Leased Premises".

1. **SURFACE DAMAGES.** Lessee will make reasonable surface damage settlement with surface owner (Lessor) for surface used in Lessee's operations in an amount as is generally customary in the area.
2. **DRILLSITE DAMAGES.** Any drillsite on the Leased Premises will be limited five (5) acres. All liquids shall be hauled off. All "solids" may be left in the pit if a liner is used and left in the pit, in which event the liner shall be buried and maintained at a depth of five (5) feet or more. If a liner is not used, all solids and liquids shall be removed. Drillsite damages will be an amount that is generally customary in the area and will be negotiated between Lessor and Lessee prior to the commencement of drilling activity.
3. **ROADWAY:** Lessee shall have the right to use and improve existing roads for ingress and regress to and from the leased premises and, unless such existing roads are not reasonably adequate for such access, shall not construct any additional roads for ingress and regress to and from the leased premises without the prior approval of the Lessor as to the location thereof. The location of a roadway to the wellsite shall be consented to by Lessor. Lessor and Lessee agree to be reasonable in selecting the location of the roadway so as to minimally interfere with Lessor's use of the premises. No roadway shall be constructed on the Leased Premises for the purpose of access to a location outside the geographical boundaries of the Leased Premises.
8. **OPERATIONS:** All operations under this Lease shall be conducted by Lessee at its sole expense and risk, in a proper and workmanlike manner, and in accordance with all applicable laws and regulations, whether federal, state, county or local. Lessee agrees to conduct drilling operations in a prudent manner in order to prevent the leakage and migration of all fluids used in drilling operations, cuttings, etc. Lessee further agrees that all such fluids will be hauled off the Leased Premises. Lessee shall defend, indemnify, and hold Lessor, its agents and employees, harmless from and against any and all claims, suits, damages, liability, losses, costs, charges and expenses, including, but not limited to, attorney fees and court costs, for injury or death to any person, and/or for loss, damage, destruction, theft of or injury to any property of any person, including any and all environmental problems (both surface and subsurface), directly or indirectly arising from or growing out of or by reason of the performance or nonperformance of Lessee's operations under this Lease.
9. **PRODUCTION EXPENSES:** It is agreed between the Lessor and Lessee that, notwithstanding any language herein to the contrary, all oil, gas or other proceeds accruing to the Lessor under this Lease or by state law shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting and marketing the oil, gas and other products produced hereunder to transform the product into marketable form.
10. **USE OF WATER:** Lessee shall not use surface water on the premises without the approval of the Lessor. Lessor will be paid for all surface water used which is approved by the Lessor. In the event a water well is drilled, said well, along with the casing pipe in said well, becomes the property of the Lessor upon completion of drilling and completion operations.
11. **TANK BATTERIES:** Each storage tank on the Leased Premises shall be protected by an earthen embankment of such size, height and width as to adequately contain all substances which could be placed in such tank and prevent any of such substances from escaping to other portions of the Leased Premises.
12. **FENCE:** A drillsite shall be fenced until completion of the well, with the permanent drillsite to thereafter be fenced in a customary and reasonable manner so as to prevent livestock from entering the site. Without first obtaining the approval of the Lessor, Lessee agrees not to cut or go over any fence, Lessee agrees promptly after

making such cut to install a metal gate in such opening. If the cut in the fence is an inside fence, Lessee agrees to install a metal gate or cattle guard, whichever shall be designated by the Lessor, in such opening.

13. **REDUCTION OF SITE:** Within sixty (60) days after completion of a well, Lessee shall reduce the drillsite to the area needed for production purposes. Lessee shall restore the premises not included in the permanent production site to the condition they were in prior to commencement of drilling activity. Topsoil removed shall be saved and replaced on the property. All equipment, except equipment needed for production purposes, shall be removed from the site within thirty (30) days after completion of drilling activity.

Lawrence G. Cannon Revocable Living Trust

Dated 07/01/1997

X: Lawrence G. Cannon TTEE
(Lawrence G. Cannon) Trustee

Meriam C. Shari Cannon Revocable Living Trust

Dated 07/01/1997

X: Meriam C. Shari Cannon TTEE
(Meriam C. Shari Cannon) Trustee

Joe Berry Cannon Revocable Trust

Dated 03/17/2004

X: Joe Berry Cannon Trustee
(Joe Berry Cannon) Trustee

Beverly Ray Cannon Revocable Trust

Dated 03/17/2004

X: Joe Berry Cannon Trustee
(Joe Berry Cannon) Trustee

X: Beverly Ray Cannon Trustee
(Beverly Ray Cannon) Trustee

James D. and Jennie L. Sisney Joint Living Trust dated 02/07/1997

X: James D. Sisney
(James D. Sisney) Trustee

X: Jennie L. Sisney Trustee
(Jennie L. Sisney) Trustee

Signed before me Lawrence G. Cannon, Meriam C. Shari Cannon, Joe Berry Cannon, Joe Berry Cannon, Beverly Ray Cannon, James D. Sisney, Jennie L. Sisney, this 25th day of August 2012.

Bryanna Grose, notary public
Commission expires Dec 24, 2014

