✓ EXPIRED
12/5/09
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AS

Rentals: MS

Lease Admin: DL

Mineral Maps:

GIS - AS

STATE LEASE MF106956

CONTROL	BASEFILE	COUNTY
56-030239	000 -	GLASSCOCK /087

SURVEY : HIGHWAYS & PUBLIC TRANSPORTATI
BLOCK :
TOWNSHIP : 00
SECTION/TRACT:
PART :
ACRES : 86.70
DEPTH LIMITS : NO

LESSEE : HENRY PETROLEUM CORP
LEASE DATE : Dec 05 2006
PRIMARY TERM : 3 yrs
BONUS ($) : 13005.00
RENTAL ($) : 0.00
ROYALTY : 0.25000000
VAR ROYALTY :

ATTENTION FILE USERS!
This file has been placed in table of contents order.
RETURN TO VAULT WITH DOCUMENTS IN ORDER!

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F1041330

CONTENTS OF FILE NO. MF 106956

1. Lease 10/30/06	
2. Letter + Bonus 10/30/06	
3. Maps + letter 10/30/06	
4. Affidavit 10/30/06	
5. Lease 10/30/06	
Scanned W 1.29.2015	

The State of Texas

Austin, Texas

PAID-UP
OIL AND GAS LEASE NO. (106956)
GENERAL LAND OFFICE
AUSTIN, TEXAS

THIS AGREEMENT made and entered into by and between the Commissioner of the General Land Office of the State of Texas, whose address is Stephen F. Austin Building, 1700 North Congress, Austin, Texas, 78701, hereinafter called "Lessor", hereunto authorized by the School Land Board, pursuant to the provisions of Chapters 32 and 52 of the Natural Resources Code (hereinafter called N.R.C.), and amendments thereto, and all applicable rules promulgated by the School Land Board and **Henry Petroleum LP**, whose address is **3525 Andrews Highway, Suite 200, Midland, TX 79703** hereinafter called "Lessee".

1. Lessor, in consideration of **Thirteen Thousand Five 00/00 ($ 1,3005.00)** receipt of which is hereby acknowledged, and of the covenants and agreements of Lessee hereinafter contained, does hereby grant, lease, and let unto Lessee the land covered hereby for the purposes and with the exclusive right of exploring, drilling, mining and operating for, producing and owning oil, gas, and all other hydrocarbons, produced from the land covered hereby. The land covered hereby, herein called "said land" is located in the County of **Glasscock** State of Texas, and is described as follows:

> **86.7 acres** of land, more or less, known as, situated in said **Glasscock** County, Texas, more particularly described in Exhibit "A" attached hereto and made a part hereof together with a plat, attached hereto as Exhibit "B", depicting said right-of-way and surrounding area for purposes of illustration only.

For the purpose of determining the amount of any bonus or other payment hereunder, said land shall be deemed to contain **86.7** acres, whether actually containing more or less, and the above recital of acreage shall be deemed to be the true acreage thereof. Lessor accepts the bonus as lump sum consideration for this lease and all rights and options hereunder.

2. PRIMARY TERM: This lease, which is a "paid up" lease requiring no rentals, shall remain in force for a term of **three (3) years paid-up, from December 5th, 2006** hereinafter called "primary term", and as long thereafter as operations, as hereinafter defined, are conducted upon said land with no cessation for more than ninety (90) consecutive days.

3. ROYALTIES: As royalty Lessee covenants and agrees:

(a) To deliver to the credit of Lessor, in the pipe line to which Lessee may connect its well, the equal **1/4** part of all oil produced and saved by Lessee from said land, or from time to time, at the option of Lessee, to pay Lessor the average posted market price of such **1/4** part of such oil at the wells as of the day it is run to the pipe line or storage tanks, Lessor's interest, in either case, to bear none of the cost of treating oil to render it marketable pipe line oil;

(b) To pay Lessor on gas and casing head gas produced from said land (1) when sold by lessee **1/4** of the amount realized by Lessee, computed at the mouth of the well, or (2) when used by Lessee off said land or in the manufacture of gasoline or other products, the market value, at the mouth of the well, of **1/4** of such gas and casing head gas.

(c) If, at the expiration of the primary term or at any time or times thereafter, there is any well on said land or on lands with which said land or any portion thereof has been pooled, capable of producing oil or gas, and all such wells are shut-in, this lease shall, nevertheless, continue in force as though operations were being conducted on said land for so long as said wells are shut-in, and thereafter this lease may be continued in force as if no shut-in had occurred

(d) Lessee covenants and agrees to use reasonable diligence to produce, utilize, or market the minerals capable of being produced from said wells, but in the exercise of such diligence, Lessee shall not be obligated to install or furnish facilities other than well facilities and ordinary lease facilities of flow lines, separator, and lease tank, and shall not be required to settle labor trouble or to market gas upon terms unacceptable to Lessee.

(e) If at any time or times after the expiration of the primary term, all such wells are shut-in for a period of ninety consecutive days, and during such time there are no operations on said land, then at or before the expiration of said ninety day period, lessee shall pay or tender, by check of lessee, as royalty, the sum of **$ 20.00 per acre**. Lessee shall make like payments or tenders at or before the end of each anniversary of the expiration of said ninety day period if upon such anniversary this lease is being continued in force solely by reason of the provisions of this paragraph. Each such payment or tender shall be made to the parties who at the time of payment would be entitled to receive the royalties which would be paid under this lease if the wells were producing. Nothing herein shall impair lessee's right to release as provided in paragraph 5 hereof. In the event of assignment of this lease in whole or in part, liability for payment hereunder shall rest exclusively on the then owner or owners of this lease, severally as to acreage owned by each.

(f) All royalties not taken in kind shall be paid to the Commissioner of the General Land Office at Austin, Texas, in the following manner:

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, the 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. The State shall have first lien upon all oil and gas produced from the area covered by this lease to secure the payment of all unpaid royalty and other sums of money that may become due to the State hereunder.

4. POOLING: (a) Lessee is hereby granted the right, at its option, to pool or unitize any land covered by this lease with any other land covered by this lease, and/or with any other land, lease, or leases, as to any or all minerals or horizons. Units pooled for oil hereunder shall not exceed 160 acres each in area, and units pooled for gas hereunder shall not exceed in area 640 acres each plus a tolerance often percent (10%) thereof, unless oil or gas units of a greater size are allowed under or prescribed by rules of the Railroad Commission of Texas. A unit established hereunder shall be valid and effective for all purposes of this lease even though there may be mineral, royalty, or leasehold interests in lands within

the unit, which are not effectively pooled or unitized. Any operations conducted on any part of such unitized land shall be considered, for all purposes, except the payment of royalty, as operations conducted upon said land under this lease. There shall be allocated to the land covered by this lease within each such unit (or to each separate tract within the unit if this lease covers separate tracts within the unit) the proportion of the total production of unitized minerals from the unit, after deducting any used in lease or unit operations, which the number of surface acres in such land (or in each such separate tract) covered by this lease within the unit bears to the total number of surface acres in the unit, and the production so allocated shall be considered for all purposes, including payment or delivery of royalty, overriding royalty and any other payments out of production, to be the entire production of unitized minerals from the land to which allocated in the same manner as though produced there from under the terms of this lease. The owner of the reversionary estate of any term royalty or mineral estate agrees that the accrual of royalties pursuant to this paragraph or of shut-in royalties from a well on the unit shall satisfy any limitation of term requiring production of oil or gas. The formation of any unit hereunder which includes land not covered by this lease shall not have the effect of exchanging or transferring any interest under this lease (including, without limitation, any shut-in royalty which may become payable under this lease) between parties owning interests in land covered by this lease and parties owning interests in land not covered by this lease. Neither shall it impair the right of Lessee to release as provided in paragraph 5 hereof, except that Lessee may not so release as to lands within a unit while there are operations thereon for unitized minerals unless all pooled leases are released as to lands within the unit. At any time while this lease is in force Lessee may dissolve any unit established hereunder by filing for record in the public office where this lease is recorded a declaration to that effect, if at that time no operations are being conducted thereon for unitized minerals. Subject to the provisions of this paragraph 4, a unit once established hereunder shall remain in force for so long as any lease subject thereto shall remain in force. If this lease now or hereafter covers separate tracts, no pooling or unitization of royalty interests as between any such separate tracts is intended or shall be implied or result merely from the inclusion of such separate tracts within this lease but Lessee shall nevertheless have the right to pool or unitize as provided in this paragraph 4 with consequent allocation of production as herein provided. As used in this paragraph 4, the words "separate tract" mean any tract with royalty ownership differing, now or hereafter, either as to parties or amounts, from that as to any other part of the leased premises.

(b) Neither unit production of oil or gas, nor unit operations, nor payment of shut-in royalties from a unit gas well, shall serve to hold the lease in force as to any area outside the unit, regardless of whether the production, maintenance of a shut-in gas well, or operations are actually located on the State tract or not.

(c) Lessee agrees to file with the General Land Office a copy of any unit designation, which this lease is included within ninety (90) days of such designation.

5. RELEASE: 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 prescribed filing fee. Such relinquishment will not have the effect of releasing Lessee from any liability theretofore accrued in favor of the State.

6. REWORK: If at any time or times during the primary term operations are conducted on said land and if all operations are discontinued, this lease shall thereafter terminate at the end of the primary term or on the ninetieth day after discontinuance of all operations, whichever is the later date, unless on such later date either (1) Lessee is conducting operations or (2) the shut-in well provisions of paragraph 3 or the provisions of paragraph 9 are applicable. Whenever used in this lease the word "operations" shall mean operations for and any of the following: drilling, testing, completing, reworking, recompleting, deepening, plugging back or repairing of a well in search for or in an endeavor to obtain production of oil or gas, or production of oil or gas in paying quantities.

7. MINERAL USE: Lessee shall have the use, free from royalty, of oil and gas produced from said land in all operations hereunder.

8. NOTICE: In the event Lessor considers that Lessee has not complied with all its obligations hereunder, both express and implied, Lessor shall notify Lessee in writing, setting out specifically in what respects Lessee has breached this contract. Lessee shall then have sixty (60) days after receipt of said notice within which to meet or commence to meet all

or any part of the breaches alleged by Lessor. The service of said notice shall be precedent to the bringing of any action by Lessor on said lease for any cause, and no such action shall be brought until the lapse of sixty (60) days after service of such notice on Lessee. Neither the service of said notice nor the doing of any acts by Lessee aimed to meet all or any of the alleged breaches shall be deemed an admission or presumption that Lessee has failed to perform all its obligations hereunder. If this lease is canceled for any cause, it shall nevertheless remain in force and effect as to (1) sufficient acreage around each well as to which there are operations to constitute a drilling or maximum allowable unit under applicable governmental regulations, (but in no event less than forty acres), such acreage to be designated by Lessee as nearly as practicable in the form of a square centered at the well, or in such shape as then existing spacing rules require; and (2) any part of said land included in a pooled unit on which there are operations.

9. FORCE MAJEURE: If, while this lease is in force, at, or after the expiration of the primary term hereof, it is not being continued in force by reason of the shut-in well provisions of paragraph 3 hereof, and Lessee is not conducting operations on said land by reason of (1) any law, order, rule or regulation, (whether or not subsequently determined to be invalid) or (2) any other cause, whether similar or dissimilar, (except financial) beyond the reasonable control of Lessee, the primary term shall be extended until the first anniversary date hereof occurring ninety (90) or more days following the removal of such delaying cause, and this lease may be extended thereafter by operations as if such delay had not occurred.

10. LESSER ESTATE CLAUSE: If this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether lessors interest is herein specified or not), or no interest therein, then the royalties, and other monies accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease bears to the whole and undivided fee simple estate therein.

11. ASSIGNMENTS: This lease may be transferred at any time. All transfers must reference the lease by file number and must be recorded in the county where the land covered hereby 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 prescribed filing fee. 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.

12. WELL INFORMATION: Lessee agrees to forthwith furnish Lessor, upon written request, with copies of all drilling logs, electrical logs, cores and core records and other information pertaining to all wells drilled by lessee either on the leased premises or acreage pooled therewith, when requested to do so. Said information shall remain confidential as required by statute.

13. SURFACE: Notwithstanding anything herein to the contrary, it is agreed that Lessee will not conduct any exploration or drilling on the surface of the leased premises or use the surface in the exercise of any rights herein granted. Any development of said land shall be by means of a directional well located off the leased premises, or by pooling of said land with other land, lease or leases as hereinabove provided.

14. COMPENSATORY ROYALTY: Lessee shall pay a compensatory royalty if this lease is not being held by production on the leased premises, by production from a pooled unit, or by payment of shut-in royalties in accordance with the terms of this lease, and if oil or gas is sold or delivered in paying quantities from a well located within 2,500 feet of the leased premises and completed in a producible reservoir underlying the area leased hereunder or in any case in which drainage is occurring. Such compensatory royalty shall be paid at the royalty rate provided in this lease based on the value of production from the well as provided in the lease on which such well is located. The compensatory royalty shall be paid in the same proportion that the acreage of this lease has to the acreage of the proration unit surrounding the draining well plus the acreage of this lease. The compensatory royalty shall be paid monthly to the Commissioner of the General Land Office on or before the last day of the month after the month in which the oil or gas is sold and delivered from the well

causing the drainage or from the well located within 2500 feet of the leased premises and completed in a producible reservoir under this lease. Notwithstanding anything herein to the contrary, compensatory royalty payable hereunder shall be no less than an amount equal to and shall maintain this lease in effect for so long as such payments are made as provided herein.

15. FORFEITURE: If Lessee shall fail or refuse to make 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, 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 this lease is pooled or assigned and the unit designation or 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. However, nothing herein shall be construed as waiving the automatic termination of this lease by operations of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this lease and all rights there under 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.

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:
ML: DR
DC: CCR
CC:

METES AND BOUNDS DESCRIPTION of
11.38 Acres in State Highway #158
Right-of-Way out of
Section 17, Block 33, T-4-S,
T. & P. RR. Co.,
Glasscock County, Texas

Beginning at a point on the north line of Section 17, Block 33, T-4-S, T. & P. RR. Co. and in the southwest right-of-way of State Highway #158, for the most northwesterly corner of this tract, from which the calculated northwest corner of said Section 17 bears S 76°27'10" W 1432.53 feet;

Thence N 76°27'10" E, with the north line of said Section 17, 281.29 feet to a point on the north line of said Section 17 and in the northeast right-of-way of State Highway #158, for the most northeasterly corner of this tract;

Thence S 78°17'42" E, with the northeast right-of-way of State Highway #158, 3976.00 feet to a point on the east line of said Section 17 and in the northeast right-of-way of State Highway #158, for the most southeasterly corner of this tract;

Thence S 14°23'16" E, with the east line of said Section 17, 133.62 feet to a point on the east line of said Section 17 and in the southwest right-of-way of State Highway #158, for the most southwesterly corner of this tract;

Thence N 78°17'42" W, with the southwest right-of-way of State Highway #158, 4289.18 feet to the point of beginning.

METES AND BOUNDS DESCRIPTION of
75.32 Acres in State Highway #158
Right-of-Way out of
Block 33, T-4-S, & Block 32, T-4-S,
T. & P. RR. Co.,
Glasscock County, Texas

Beginning at Highway Station 264-65, a point on the west line of Section 23, Block 33, T-4-S, T. & P. RR. Co., and on the centerline of State Highway #158, from which the calculated northwest corner of said Section 23 bears N 14°26'00" W 1824.00 feet;

Thence N 14°26'00" W, with the west line of said Section 23, 66.65 feet to a point on the west line of said Section 23 and in the north right-of-way of State Highway #158 for the most northwesterly corner of this tract;

Thence S 78°37'00" E, with the north right-of-way of State Highway #158, 5941.13 feet to the point of curvature of a circular curve to the right;

Thence around said curve, whose central angle is 21°35', a distance of 2180.94 feet to the point of tangency of said curve;

Thence S 57°02'00" E, with the northeast right-of-way of State Highway #158, 55.41 feet pass the north line of Section 25, Block 33, T-4-S, T. & P. RR. Co., 3695.05 feet pass the east line of said Section 25, a total distance of 11888.79 feet to a point in the northeast right-of-way of State Highway #158;

Thence S 56°17'00" E, with the northeast right-of-way of State Highway #158, 7314.02 feet to a point on the east line of Section 41, Block 32, T-4-S, T. & P. RR. Co. and in the northeast right-of-way of State Highway #158 for the most northeasterly corner of this tract;

Thence S 14°26'00" E, with the east line of said Section 41, 179.86 feet to a point on the east line of said Section 41 and in the southwest right-of-way of State Highway #158, for the most southeasterly corner of this tract;

Thence N 56°17'00" W, with the southwest right-of-way of State Highway #158, 7447.99 feet to a point in the southwest right-of-way of State Highway #158;

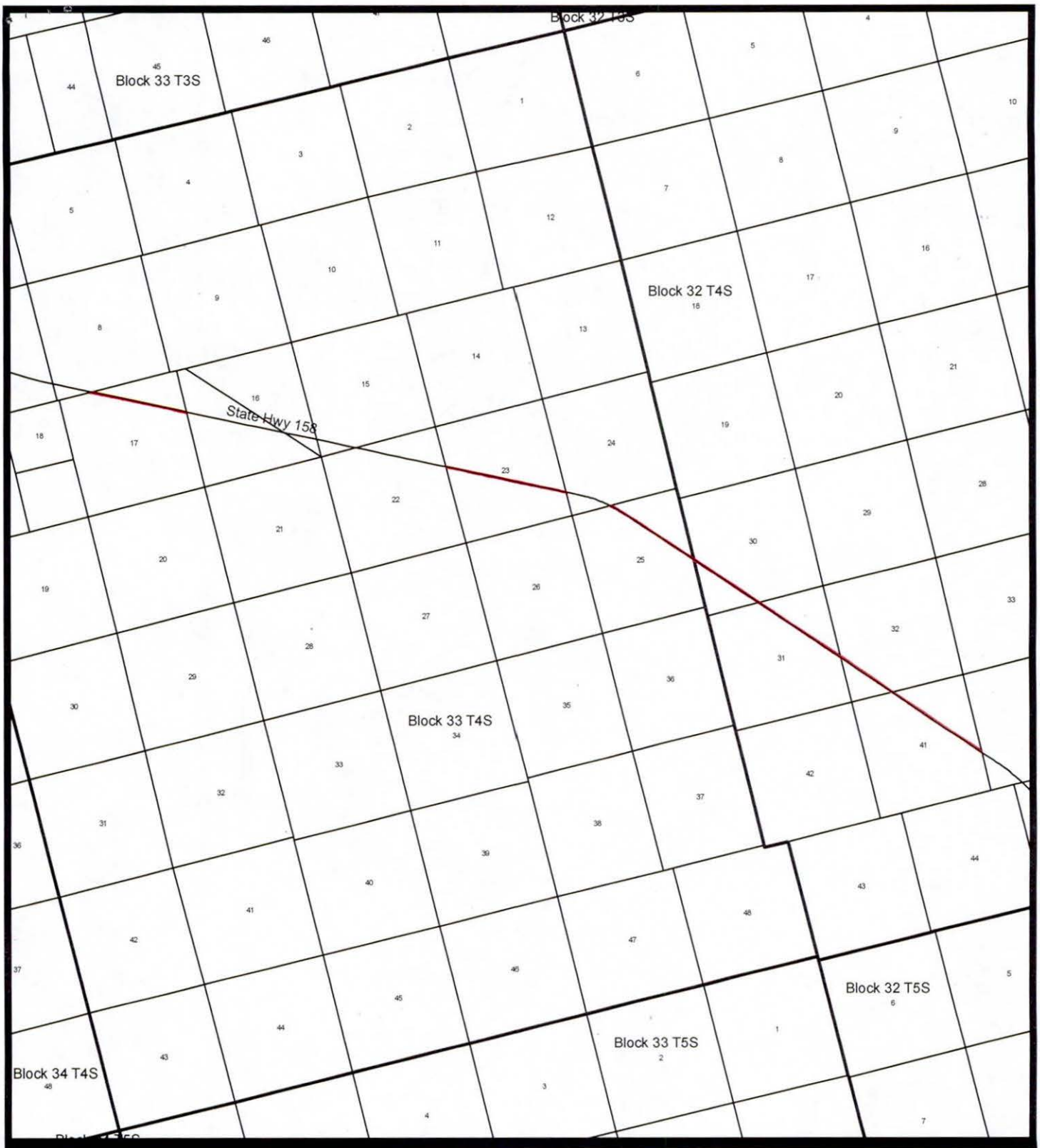
Thence N 57°02'00" W, with the southwest right-of-way of State Highway #158, 8061.06 feet pass the east line of said Section 25, a total distance of 11887.21 feet to the point of curvature of a circular curve to the left;

Thence around said curve, whose central angle in 21°35', a distance of 2135.73 feet to the point of tangency of said curve;

Thence N 78°37'00" W, with the south right-of-way of State Highway #158, 5883.07 feet to a point on the west line of said Section 23 and in the south right-of-way of State Highway #158, for the most southwesterly corner of this tract;

Thence N 14°26'00" W, with the west line of Section 23, 66.65 feet to the point of beginning.

LESS & EXCEPT approximately 6.2 Acres out of Section 24, Block 33, T-4-S, T. & P. RR. Co., Glasscock County.



Map Showing
A portion US Highway 158
86.7 acres
Approximately 5 miles west of Big Spring
Glasscock County
ft\12-06

NAD_1927_Albers
Projection: Albers
False_Easting: 0.000000
False_Northing: 0.000000
Central_Meridian: -100.000000
Standard_Parallel_1: 28.000000
Standard_Parallel_2: 35.000000
Latitude_Of_Origin: 31.000000

GCS_North_American_1927

0 3,000 6,000 Feet

The Texas General Land Office makes no representations or warranties regarding the accuracy or completeness of the information depicted on the map or the data from which it was produced. This map is NOT suitable for navigational purposes and does not purport to depict or establish boundaries between private and public land.

Map Compiled By:
Ferrel Taylor
Information Systems - GIS
December 5, 2006

1.

File No. MF 106956

Lease

Date Filed: 10/20/06

Jerry E. Patterson, Commissioner

By

HENRY
PETROLEUM LP

$13,005.00
195.08 processing

October 17, 2006

No Money
86.7 ac

150.00
1/4
3 year Period
Shut in 20.00 per ac
( )

Texas General Land Office
Lease Administration
1700 North Congress Avenue, Room 600
Austin, Texas 78701

Re: Glass 2 Prospect &
Glass 2 East Prospect
Lease Application
Glasscock County, Texas

Dear Sir or Madam:

This letter is our formal application for an Oil and Gas Lease on certain segments of Highway 158 in Glasscock County, Texas. With this letter, we submit the following:

1. Affidavit by F. Gary Elander dated October 5, 2006 stating the sections of land involved, the total acres involved, the ownership of lands offsetting the highway tracts and that the highest bonus paid was $150.00 per acre. Mr. Elander also mentions that there was no well capable of producing in paying quantities within 2,500 feet of any portion of the Highway tract and that the lease being applied for is not for the purpose of drilling a horizontal well.

2. A land plat showing the acreage applied for high lighted in yellow. This plat also shows our Leases 1, 2 or 3 on either side of the highway.

3. A surveyor's plat of the highway showing the acreage content.

4. Certified copies of Leases 1 and 2 along with a Certified copy of Memorandum of Oil and Gas Lease for Lease 3 with a Xerox copy of the lease itself.

5. Copies of the Metes and Bounds description by the surveyor of the lands we are making application to lease.

6. Our Check No. 097666 dated October 12, 2006 in amount of $13,300.08 covering $13,005.00 as bonus consideration (86.7 acres @ $150.00), a $100.00 processing fee and $195.08 as a one and one-half (1 ½) per cent statutory sales fee.

Please issue an Oil and Gas Lease to Henry Petroleum LP, 3525 Andrews Highway, Suite 200, Midland, Texas 79703 as soon as possible.

Thank you for considering this application. You may call the undersigned at 432-681-7284 if you need to discuss this.

Very truly yours,

Larry R. Snyder

Larry R. Snyder
Consulting Landman

07008293

121

HENRY PETROLEUM LP
3525 ANDREWS HIGHWAY MIDLAND, TEXAS 79703 (432) 694-3000

WELLS FARGO BANK, TEXAS, N.A.
MIDLAND, TEXAS
37-65/1119 720

097666
CHECK NUMBER

DATE		
MO.	DAY	YEAR
10	12	06

PAY*****13,300 DOLLARS AND 08 CENTS

AMOUNT
$*****13,300.08

TO THE ORDER OF

COMMISSIONER OF THE GENERAL
LAND OFFICE
1700 N. CONGRESS, RM 600
AUSTIN, TX 78701

HENRY PETROLEUM LP

James C. Henry
Kim Harris

VOID IF NOT CASHED WITHIN 90 DAYS

[redacted]

90.02.01

2

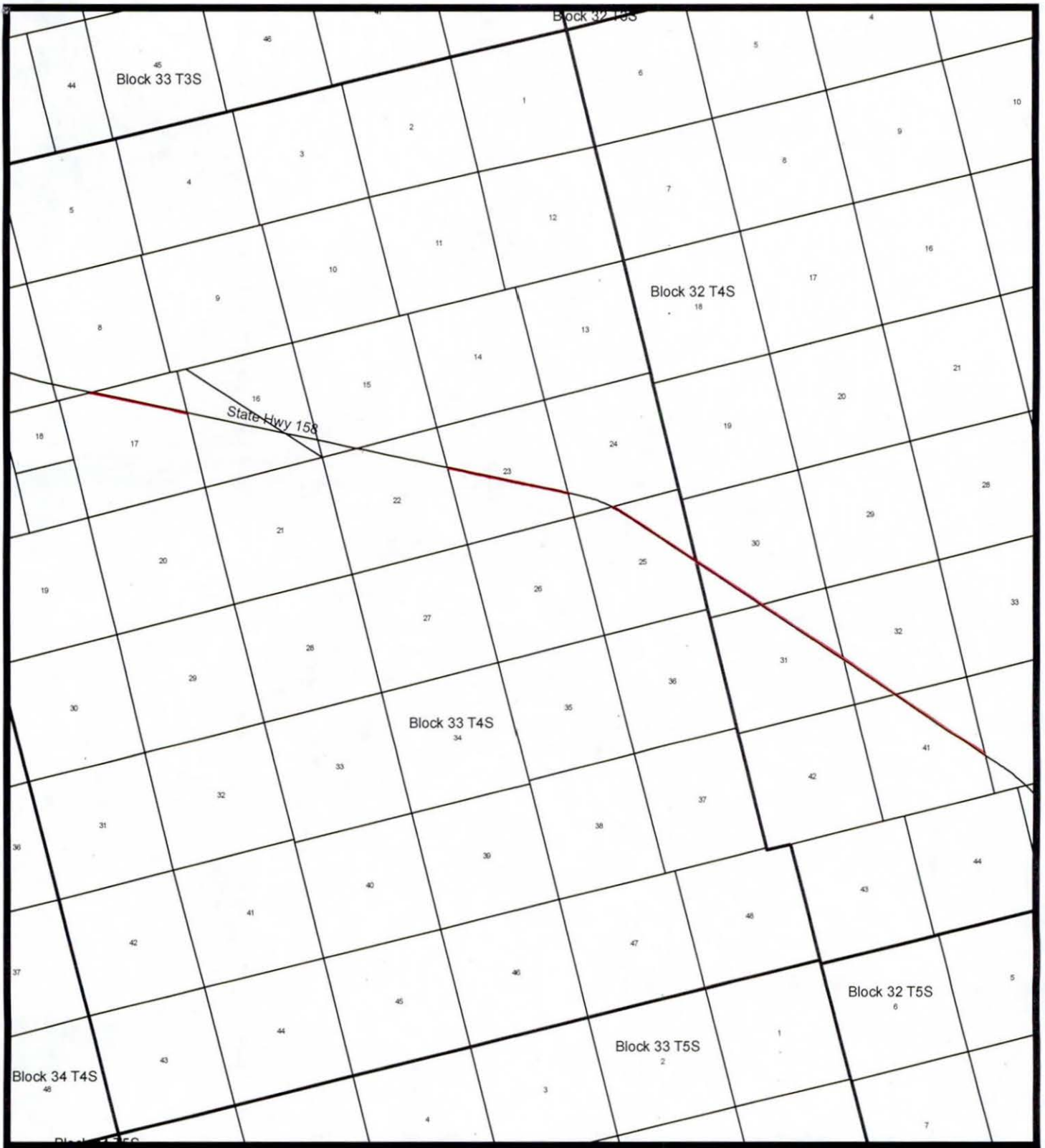
File No. MF106956

Letter + Bonus

Date Filed: 10/20/06

Jerry E. Patterson, Commissioner

By _____



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A portion US Highway 158
86.7 acres
Approximately 5 miles west of Big Spring
Glasscock County
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GCS_North_American_1927
0 3,000 6,000 Feet

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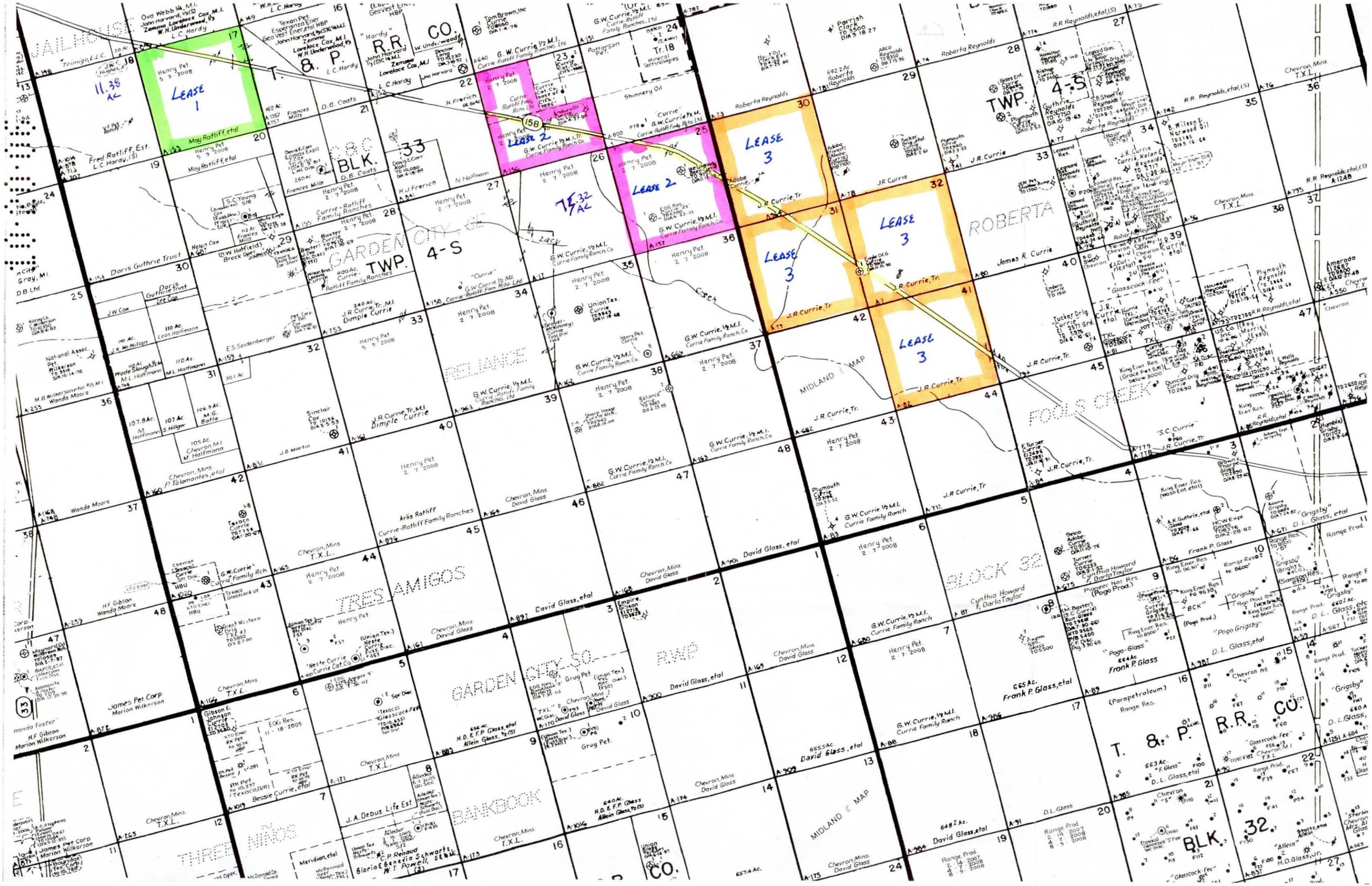
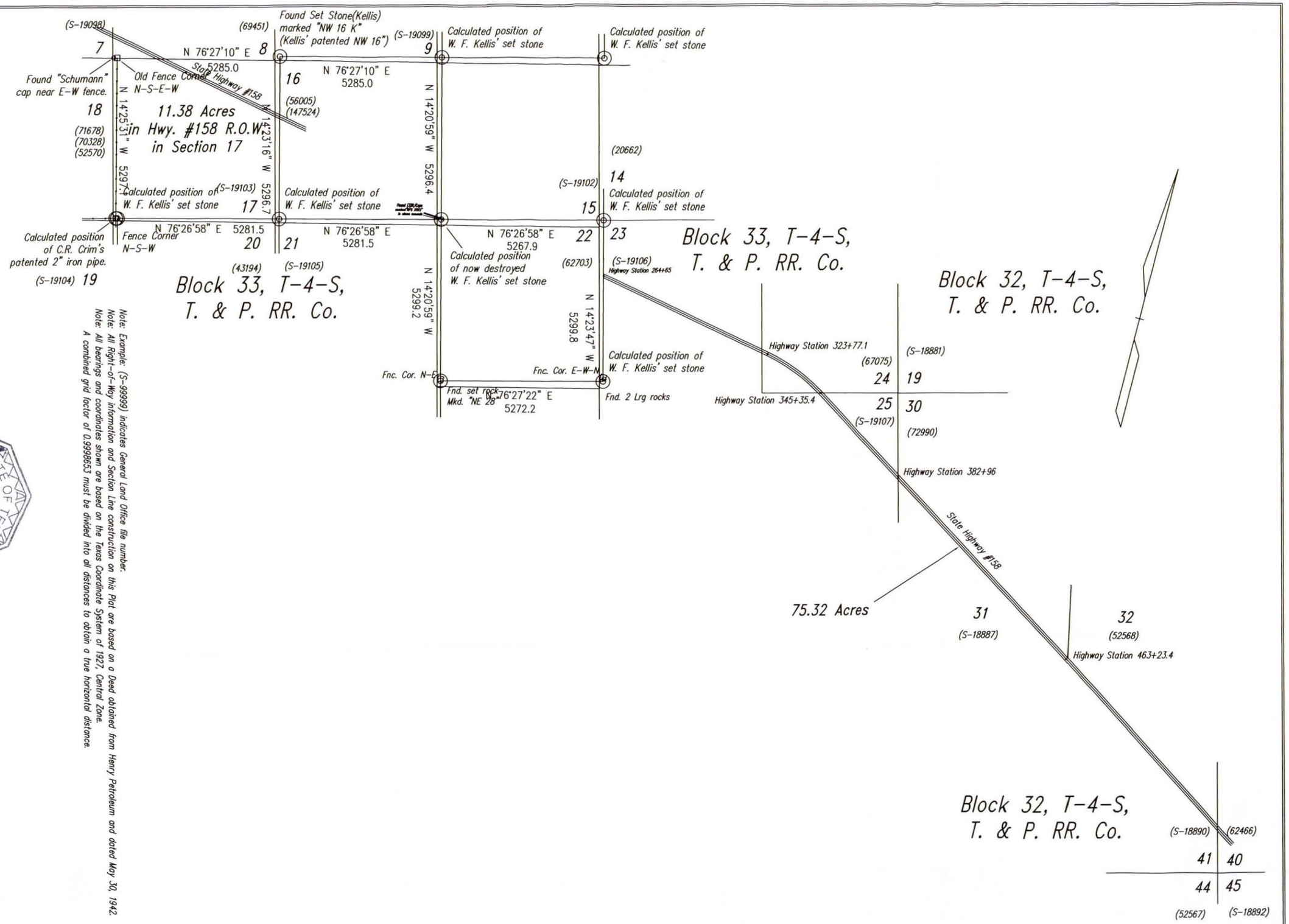
December 5, 2006


LEASE 1
11.38 AC
LEASE 2
LEASE 3
158
ROBERTA
TWP.
4-S
BLK.
33
GARDEN CITY SO.
T. & P.
R.R. CO.
MIDLAND MAP
FOOLS CREEK
BLOCK 32
TRES AMIGOS
THREE NINOS
BANKBOOK
PWP
Roberta Reynolds
J.R. Currie
J.R. Currie, Tr.
G.W. Currie, ½ M.L.
Currie Family Ranch Co.
Henry Pet.
Chevron, Mins. T.X.L.
David Glass, etal
Frank P. Glass
D.L. Glass, etal
Grigsby

10·20·06

P.O. Box 1963 Midland, Texas 79702 (915) 684-6728 Fax 686-1845

PROFESSIONAL LAND SURVEYORS
LUCHINI ERTZ
Well Locations
Pipelines
Boundary Surveys



Note: Example: (S-99999) indicates General Land Office file number.
Note: All Right-of-Way information and Section Line construction on this Plat are based on a Deed obtained from Henry Petroleum and dated May 30, 1942.
Note: All bearings and coordinates shown are based on the Texas Coordinate System of 1927, Central Zone.
A combined grid factor of 0.9998653 must be divided into all distances to obtain a true horizontal distance.

STATE OF TEXAS
STEVEN L. PREWIT
5106
PROFESSIONAL LAND SURVEYOR

July 28, 2006	
061002D	

Plat

HENRY PETROLEUM LP
Acreage in
Right-of-Way of State Highway #158 in
Sections 17, 23 & 25, Block 33, T-4-S, &
Sections 30, 31, 32 & 41, Block 32, T-4-S,
T. & P. RR. Co.,
Glasscock County, Texas

Scale: 1" = 3000'

TELEPHONE (432)684-6728
FAX (432)686-1845

STEVEN L. PREWIT
REGISTERED PROFESSIONAL
LAND SURVEYOR NO. 5106

LUCHINI & MERTZ
Land Surveying Co.
P.O. BOX 1963
MIDLAND, TEXAS 79702

July 28, 2006

METES AND BOUNDS DESCRIPTION of
75.32 Acres in State Highway #158
Right-of-Way out of
Block 33, T-4-S, & Block 32, T-4-S,
T. & P. RR. Co.,
Glasscock County, Texas

Beginning at Highway Station 264-65, a point on the west line of Section 23, Block 33, T-4-S, T. & P. RR. Co., and on the centerline of State Highway #158, from which the calculated northwest corner of said Section 23 bears N 14°26'00" W 1824.00 feet;

Thence N 14°26'00" W, with the west line of said Section 23, 66.65 feet to a point on the west line of said Section 23 and in the north right-of-way of State Highway #158 for the most northwesterly corner of this tract;

Thence S 78°37'00" E, with the north right-of-way of State Highway #158, 5941.13 feet to the point of curvature of a circular curve to the right;

Thence around said curve, whose central angle is 21°35', a distance of 2180.94 feet to the point of tangency of said curve;

Thence S 57°02'00" E, with the northeast right-of-way of State Highway #158, 55.41 feet pass the north line of Section 25, Block 33, T-4-S, T. & P. RR. Co., 3695.05 feet pass the east line of said Section 25, a total distance of 11888.79 feet to a point in the northeast right-of-way of State Highway #158;

Thence S 56°17'00" E, with the northeast right-of-way of State Highway #158, 7314.02 feet to a point on the east line of Section 41, Block 32, T-4-S, T. & P. RR. Co. and in the northeast right-of-way of State Highway #158 for the most northeasterly corner of this tract;

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Well Locations
Pipelines
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& MERTZ
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Thence S 14°26'00" E, with the east line of said Section 41, 179.86 feet to a point on the east line of said Section 41 and in the southwest right-of-way of State Highway #158, for the most southeasterly corner of this tract;

Thence N 56°17'00" W, with the southwest right-of-way of State Highway #158, 7447.99 feet to a point in the southwest right-of-way of State Highway #158;

Thence N 57°02'00" W, with the southwest right-of-way of State Highway #158, 8061.06 feet pass the east line of said Section 25, a total distance of 11887.21 feet to the point of curvature of a circular curve to the left;

Thence around said curve, whose central angle in 21°35', a distance of 2135.73 feet to the point of tangency of said curve;

Thence N 78°37'00" W, with the south right-of-way of State Highway #158, 5883.07 feet to a point on the west line of said Section 23 and in the south right-of-way of State Highway #158, for the most southwesterly corner of this tract;

Thence N 14°26'00" W, with the west line of Section 23, 66.65 feet to the point of beginning.

LESS & EXCEPT approximately 6.2 Acres out of Section 24, Block 33, T-4-S, T. & P. RR. Co., Glasscock County.

Note: All Right-of-Way information and Section Line passing calls in this description are based on a Deed obtained from Henry Petroleum and dated May 30, 1942.

STATE OF TEXAS
REGISTERED
STEVEN L. PREWIT
5106
PROFESSIONAL
LAND SURVEYOR

90·02·01

TELEPHONE (432)684-6728
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STEVEN L. PREWIT
REGISTERED PROFESSIONAL
LAND SURVEYOR NO. 5106

LUCHINI & MERTZ
Land Surveying Co.
P.O. BOX 1963
MIDLAND, TEXAS 79702

July 28, 2006

METES AND BOUNDS DESCRIPTION of
11.38 Acres in State Highway #158
Right-of-Way out of
Section 17, Block 33, T-4-S,
T. & P. RR. Co.,
Glasscock County, Texas

Beginning at a point on the north line of Section 17, Block 33, T-4-S, T. & P. RR. Co. and in the southwest right-of-way of State Highway #158, for the most northwesterly corner of this tract, from which the calculated northwest corner of said Section 17 bears S 76°27'10" W 1432.53 feet;

Thence N 76°27'10" E, with the north line of said Section 17, 281.29 feet to a point on the north line of said Section 17 and in the northeast right-of-way of State Highway #158, for the most northeasterly corner of this tract;

Thence S 78°17'42" E, with the northeast right-of-way of State Highway #158, 3976.00 feet to a point on the east line of said Section 17 and in the northeast right-of-way of State Highway #158, for the most southeasterly corner of this tract;

Thence S 14°23'16" E, with the east line of said Section 17, 133.62 feet to a point on the east line of said Section 17 and in the southwest right-of-way of State Highway #158, for the most southwesterly corner of this tract;

Thence N 78°17'42" W, with the southwest right-of-way of State Highway #158, 4289.18 feet to the point of beginning.

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Well Locations
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Boundary Surveys

STATE OF TEXAS
REGISTERED
STEVEN L. PREWIT
5106
PROFESSIONAL
LAND SURVEYOR

Steven L. Prewit

90·02·01

3.

File No. MF 706956
Maps + letter
Date Filed: 10/20/00
Jerry E. Patterson, Commissioner
By

AFFIDAVIT

STATE OF TEXAS §
§
COUNTY OF GLASSCOCK §

Affiant: **F. Gary Elander**
3525 Andrews Highway, Suite 200
Midland, Texas 79703

Date: **October 2, 2006**

Affiant on oath swears that the following statements are true:

My name is F. Gary Elander. I am a Senior Landman with Henry Petroleum LP which is applying for a lease underlying that portion of Highway 158 in Glasscock County, Texas, which is depicted on the two plats submitted herewith (the "Highway tract"). The Highway tract crosses Sections 17, 23 and 25 in Block 33 and also crosses Sections 30, 31, 32 and 41 in Block 32, all in T-4-S, T&P Ry. Co. Survey, Glasscock County, Texas. The Highway tract consists of 86.7 acres, more or less.

In my position with Henry Petroleum LP, I am familiar with the mineral and leasehold ownership on the acreage adjoining the Highway tract, the basis upon which the adjoining leases were acquired and Henry's exploration plans for this area. Henry Petroleum LP was the original lessee, and will be the Operator, of the leases currently in effect on both sides of the Highway tract. The highest bonus paid for any of these leases was $150/acre. Henry Petroleum LP, through its affiliate Henry Holding LP and certain other working interest partners, currently own the full leasehold estate in all of the acreage adjoining the Highway tract on both sides. There are no unleased mineral interests in the adjoining acreage. Henry Petroleum LP requests that the lease be issued in its favor so that it can assign said lease to Henry Holding LP and its other working interest partners in their respective participation percentages.

I have determined that, as of January 1, 1985, there was no well capable of producing in paying quantities located within 2,500 feet of any portion of the Highway tract. The lease being applied for is not for the purpose of drilling a horizontal well.

This Affidavit is executed by Affiant and made a part of the documents submitted in support of its application for an oil and gas lease covering the Highway tract.

Affiant:

Gary Elander

F. Gary Elander

SUBSCRIBED AND SWORN TO before me this the 5th day of October, 2006.

Victoria L. Courts

Notary Public – State of Texas

S:\LAND\GLASSprospect\Affidavit of Gary Elander re highway tract.DOC

VICTORIA L. COURTS
NOTARY PUBLIC
STATE OF TEXAS
My Comm. Expires 4-6-2009

e No. MF 106956 4.

Affidavit

te Filed: 10/20/06

Jerry E. Patterson, Commissioner

10-30-06

86-62

#8262

Paid Up
OIL AND GAS LEASE

THIS AGREEMENT made this 9th *day of* ***May, 2005*** *between Richard Johnson, attorney in fact for Lester Ratliff, Derwood Ratliff, J. B. Ratliff, III, Roberta Reynolds, Juanita Johnson and Clara Jo Huckaby of P.O. Box 1503, Fort Stockton, Texas 79735, herein called lessor (whether one or more), and Delmon Hodges of P.O. Box 1533, Fort Stockton, Texas 79735, Lessee:*

1. Lessor, in consideration of Ten and no/100ths Dollars ***($10.00) in hand*** *paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling and operating for and producing oil, gas and associated hydrocarbons, injecting gas, waters, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, power stations, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said substances, the following described land in Glasscock County, Texas, to-wit:*

Section 17, N ½ N ½ of Section 20, A 97.2 acre tract lying North of Highway in Section 16, Block 33, T-4-S, T&P Ry. Co. Survey, said 97.2 acres being more particularly described in Volume 57, Page 87 of the Deed Records of Glasscock County, Texas.

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 897.2 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of Three (3) years from this date (called "primary term"), and as long thereafter as oil or gas, either or both, is produced from said land or land with which said land is pooled.

3. The lessee shall deliver to lessor, free of cost, in the tanks or at the transmission pipelines (as distinguished from gathering pipelines) to which wells may be connected, an equal One-Fifth (1/5th) part of all oil, gas and associated hydrocarbons produced and saved from said land or, at the option of the lessor, said part of the market value of all oil and gas produced and saved from said premises, provided that on gas sold at the well in a bona fide transaction between the lessee and a party not controlled by the lessee the term "market value" shall be the price realized from such sale. If at any time, or from time to time, either before or after the expiration of the primary term of this lease, there is any gas well on the leased premises or on lands with which the leased premises are pooled or unitized, which is capable of producing gas in paying quantities, but which is shut-in, before or after production there from, such well shall be considered under all provisions of this lease as a well producing gas in paying quantities and this lease shall remain in force in the manner as though gas there from was actually being sold or used. In such event, lessee covenants and agrees to pay lessor, as royalty, a sum equal to twice the amount of the delay rentals hereinafter provided for per annum for the period commencing on the date such well is actually shut-in, unless this lease is being maintained in force and effect by some other provision hereof, in which event such period shall commence on the date this lease ceases to be maintained in force and effect by some other provision thereof. Payment or tender shall be made to lessor or deposited to the credit of the lessor in the depository bank named in this lease. The first payment shall be due and payable on or

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before 90 days after the date such well is shut-in, or 90 days from the date this lease ceases to be maintained in force by some other provision hereof. Unless gas from such well is produced and sold or used prior thereto, except temporary sales or use for lease operations, subsequent payments shall be due annually thereafter on or before the anniversary date of the period for which such prior payment was made. No additional payments shall be required if there is more than one shut-in gas well on the leased premises, or on any single pooled unit from which acreage covered hereby may be pooled or unitized. The term "gas well" shall include wells capable of producing natural gas, condensate or any gaseous substance and wells classified as gas wells by any governmental authority having jurisdiction. The requirement for the payment of such shut-in gas well royalty is a covenant and not a condition and the failure to make timely payment therefore shall in no event be deemed a basis for the automatic termination of this lease. Notwithstanding any provision herein to the contrary with regard to shut-in gas wells, the existence of a shut-in gas well on the leased premises shall not be a basis for continuing this lease in force and effect for more than two consecutive one year periods beyond the primary term.

4. If actual drilling operations are not commenced on said land or on land pooled therewith on or before one (1) year from this date, this lease shall terminate as to both parties, unless on or before one (1) year from this date lessee shall pay or tender to the lessor a rental of -Eight hundred ninety-seven and 20/100ths-- Dollars ($897.20) which shall cover the privilege of deferring commencement of such operations for a period of twelve (12) months. In like manner and upon like payments or tenders, annually, the commencement of said operations may be further deferred for successive periods of the same number of months, each during the primary term. Payment or tender may be made to the lessor or to PAY LESSOR DIRECT Bank of ---, which bank, or any successor thereof shall continue to be the agent for the lessor and lessor's successors and assigns. If such bank (or any successor bank) shall fail, liquidate, or be succeeded by another bank, or for any reason fail or refuse to accept rental, lessee shall not be held in default until thirty (30) days after lessor shall deliver to lessee a recordable instrument making provision for another method of payment or tender, and any depository charge is a liability of the lessor. The payment or tender of rental may be made by check or draft of lessee mailed or delivered to said bank or lessor, or either lessor if more than one, on or before the rental paying date.

5. Lessee is hereby granted the right to pool or unitize this lease, the land covered by it or any part thereof with any other land, lease, leases, mineral estates, or parts thereof for the production of oil or gas. Units pooled for oil hereunder shall not exceed forty (40) acres plus a tolerance of ten per cent (10%) thereof, and units pooled for gas hereunder shall not exceed six hundred forty (640) acres plus a tolerance of ten per cent (10%) thereof. Lessee shall file written unit designations in the county in which the premises are located. Such units may be designated either before or after the completion of wells. The entire acreage pooled into a unit shall be treated for all purposes, except the payment of royalties on production from the pooled unit, as if it were included in this lease. Notwithstanding any provision in this lease to the contrary neither operations upon nor production from nor the existence of a shut-in gas well on acreage pooled into a unit (regardless of whether such unit be formed under the terms hereof or by governmental authority) shall be deemed operations, production or the existence of a shut-in gas well, sufficient to continue this lease in force as to acreage covered by this lease and not included in such pooled unit even though such operations ,production or shut-in gas well may be located on land included in this lease; similarly, neither operations upon, production from, nor the location of a shut-in gas well on acreage not included in

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such pooled unit shall be sufficient to continue this lease in force as to acreage included in any such unit. In lieu of the royalties herein provided, lessor shall receive on production from a unit so pooled only such portion of the royalty 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 so pooled in the particular unit involved.

6. If, prior to discovery of oil or gas on said land or land pooled therewith lessee should drill and abandon a dry hole or holes, thereon, or if, after discovery of oil or gas, the production thereof should cease from any cause, this lease shall not terminate if lessee commences reworking or additional drilling operations within sixty (60) days thereafter, or (if it be within the primary term) commences or resumes the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of sixty (60) days from date of completion and abandonment of said dry hole or holes or the cessation of production. If a dry hole is completed and abandoned at any time during the last fourteen (14) months of the primary term and prior to discovery of oil or gas on said land no rental payment or operations are necessary in order to keep the lease in force during the remainder of the primary term. If, at the expiration of the primary term, oil or gas is not being produced on said land or land pooled therewith but lessee is then engaged in actual drilling operations or the reworking of any well on said land or land pooled therewith, this lease shall remain in force in accordance with its terms so long as drilling or reworking operations are prosecuted (whether on the same or different wells) with no cessation of more than sixty (60) consecutive days, and if they result in production, so long thereafter as oil or gas is produced from said land or land pooled therewith. In the event a well or wells producing oil or gas in paying quantities should be draining the leased premises, lessee agrees to drill such offset wells as a reasonably prudent operator would drill under the same or similar circumstances.

7. Lessee shall have free use of oil, gas, and water from said land, except water from lessor's wells and tanks, for drilling operations (but not for repressuring, pressure maintenance, cycling, or secondary recovery operations) and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. When requested by lessor, lessee shall bury pipelines below plow depth. No well shall be drilled nearer than 200 feet to any structure on said premises without the written consent of lessor. Lessee shall pay for damages caused by its operations to improvements, livestock, forage, and growing crops on said land.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors, and assigns, but no change or division in ownership of the land, rentals or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of lessee. No such change or division in the ownership of the land, rentals or royalties shall be binding upon lessee for any purpose until such person acquiring any interest has furnished lessee with the instrument or instruments, or certified copies thereof, constituting his chain of title from the original lessor. In the event of an assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. If lessee or assignee of part or parts hereof shall fail or make default in the payment

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of the proportionate part of the rentals due from such lessee or assignee or fail to comply with any other provision of the lease, such default shall not affect this lease in so far as it covers a part of said lands upon which lessee or any assignee thereof shall make payment of said rentals.

9. Lessor hereby warrants and agrees to defend the title to said land as to persons claiming by, through or under lessor but not otherwise, and agrees that lessee at its option may discharge any tax, mortgage, or other lien upon said land, and in the event lessee does so, it shall be subrogated to such lien with the right to enforce same and apply rentals and royalties accruing hereunder toward satisfying same. Without impairment of lessee's rights under the warranty in the event of failure of title, it is agreed that, if lessor owns an interest in said land less than the entire fee simple estate then the royalties and rentals to be paid lessor shall be reduced proportionately. Should any one or more of the parties named above as lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

10. If this lease now or hereafter covers any land in which the ownership of the oil and gas estate differs, either as to persons (including persons designated as "Lessor") or amounts, from that as to any other part of the leased premises, no pooling or unitization of royalty interests as between any such lands is intended or shall be implied or result merely from the inclusion of such lands within this lease, nor shall the execution hereof amount to an offer to any owner of non-executive interest to effect such a pooling by the ratification of this instrument.

11. Lessee, its/his successors and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs and assigns by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee shall be relieved from all subsequent obligations, express or implied, of this agreement as to the acreage so surrendered, and thereafter the rentals payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

12. Surface damages will be negotiated between lessors and lessee if drilling or seismic operations begin on lease premises.

13. Notwithstanding anything herein contained to the contrary this is a paid-up lease and no delay rentals are payable hereunder and the amount of delay rental in Paragraph 4 above is inserted solely for the purpose of determining the amount of shut in royalty which may become payable under the terms of this lease.

14. In the event this lease terminates for any reason, Lessee agrees to prepare and record in Glasscock County, Texas a good and sufficient release of this lease, properly executed by all parties then owning any working interest in this lease, and to send a copy of such release to Lessor.

15. It is agreed that none of Lessee's employees, agents, contractors nor any person coming upon said land with permission of lessee or in connection with the exercise by Lessee of any of the rights granted herein shall have the right to hunt upon land of Lessor, nor shall any of them have any right to take upon the premises any firearm of any character.

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16. At the expiration of the primary term of this lease, unless Lessee is conducting continuous drilling operations, this lease shall terminate as to all lands and depths SAVE AND EXCEPT from the surface of the ground down to 100 feet below the stratigraphic equivalent of the deepest producing zone or formation in and under.

17. Lessee, its successors and assigns shall by its acceptance of this lease, agrees to comply with all applicable laws, rules and regulations and hereby assumes full responsibility for, and agrees to indemnify, defend and hold Lessor harmless from and against any loss, liability, claim, fine, expense (including attorney's fees and expenses) and cause of action caused by or in any way arising out of any violation (or defense of any alleged violation) or any federal, state or local law rule or regulation applicable to any waste material, drilling matter, fluid or any hazardous substance released or caused to be released by Lessee or Lessee's agents, or independent contractors from the land covered by this lease into the atmosphere or into or upon the land covered by this lease or any water course or body of water, including ground water. Additionally, upon receiving any notice regarding any environmental, pollution or contamination problem or violation of any law, rule or regulation, Lessee will forward a copy to Lessor by certified mail within thirty (30) days. In addition to all other remedies of Lessor, Lessor shall have the right to terminate this lease upon thirty (30) days written notice to Lessee in the event Lessee fails to comply with the provisions of this paragraph. This provision and its indemnities shall survive the termination of this lease, and shall inure to the successor, heirs and assigns of Lessor and Lessee.

(If you are a natural person, you may remove or strike any of the following information from this instrument before it is filed for record in the public records; your social security number or your driver's license number.)

IN WITNESS WHEREOF, we sign the day and year first above written.

BY: Richard Johnson

Richard Johnson, attorney in fact for Lester Ratliff, Derwood Ratliff, J. B. Ratliff III, Roberta Reynolds, Juanita Johnson and Clara Jo Huckaby
T.A. No. [redacted]

The State of Texas
County of Pecos

This instrument was acknowledged before me on May 9th, 2005 by Richard Johnson in the capacities therein stated.

BARBARA ZACHARY
MY COMMISSION EXPIRES
JANUARY 11, 2007

Barbara Zachary
Notary Public in and for
Pecos County, Texas
Notary Print Name:
My Commission Expires:

Filed for record on the 19 day of May A.D. 2005 at 11:00 o'clock A. M.
Duly recorded this the 19 day of May A.D. 2005 at 11:45 o'clock A. M.
Instrument No. 8262
By [illegible]
Rebecca Batla, County Clerk
Glasscock County, Texas

CERTIFIED TRUE AND CORRECT COPY CERTIFICATE
STATE OF TEXAS
COUNTY OF GLASSCOCK

The above and foregoing is a full, true and correct photographic copy of the original record now in my lawful custody and possession, as the same is filed/recorded in the OPR Records of my office, found in VOL. 86, PAGE 62

I hereby certified on 25 Sept. 2006

REBECCA BATLA, COUNTY & DISTRICT CLERK
GLASSCOCK COUNTY, TEXAS
BY Rebecca Batla DEPUTY

00.02.01

#8144

PAID-UP
OIL AND GAS LEASE

THIS LEASE AGREEMENT is made as of the 7th day of February, 2005, between the undersigned, No. 2 Chevy Chase, Big Spring, TX 79720 as Lessor (whether one or more) and Henry Petroleum LP, 3525 Andrews Highway, Midland, TX 79703 as Lessee. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

1. **Description.** In consideration of a cash bonus in hand paid and the covenants herein contained, Lessor hereby grants exclusively to Lessee the following described land:

The South 240 acres of Section 21; the S/2 and NW/4 of Section 23; All Sections 25, 26, 27, the North 400 acres of Section 28; All Sections 34, 35, 36, 37 38, 40 and the N/2 Section 44, Block 33, T-4-S; All Section 43, Block 32, T-4-S; All Sections 6 and 7, Block 32, T-5-S

in the County of Glasscock, State of Texas, containing 9,120 acres, more or less (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and nonhydrocarbon substances produced in association therewith. The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above-described land, this lease also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described land, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered.

2. **Term of Lease.** This lease, which is a "paid up" lease requiring no rentals, shall be in force for a primary term of three (3) years from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith, or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. **Royalty Payment.** Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be one-fifth (1/5) of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, provided that Lessee shall have the continuing right to purchase such production at the wellhead market price then prevailing in the same or nearest field for production of similar grade and gravity; (b) For gas (including casinghead gas) and all other substances covered hereby, the royalty shall be one-fifth (1/5) of the proceeds realized by Lessee from the sale thereof, less a proportionate part of the costs incurred by Lessee in delivering, processing or otherwise making such gas or other substances merchantable, provided that Lessee shall have the continuing right to purchase such production at the prevailing wellhead market price paid for production of similar quality in the same or nearest field pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder; and (c) If a well on the leased premises or lands pooled therewith is capable of producing gas (including casinghead gas) but such well is either shut-in or production therefrom is not being sold or purchased by Lessee or royalties on production therefrom are not otherwise being paid to Lessor, and if this lease is not otherwise maintained in effect, such well shall nevertheless be considered as though it were producing gas in paying quantities for the purpose of maintaining this lease, whether during or after the primary term, if Lessee pays shut-in royalty of One Dollar per acre then covered by this lease, such payment to be made to Lessor on or before the next ensuing anniversary date of this lease, or within 90 days after such anniversary date, and thereafter on or before each anniversary date hereof while the well is shut-in or production therefrom is not being sold or purchased by Lessee or royalties on production therefrom are not otherwise being paid to Lessor. For the purpose of calculating shut-in royalties, the number of lease acres described in Paragraph 1 shall be deemed correct, whether actually more or less.

4. **Operations.** If at the end of the primary term or at any time thereafter this lease is not otherwise being maintained in force, it shall nevertheless remain in force as long as Lessee engages in drilling, reworking or any other operations reasonably calculated to obtain or restore production on the leased premises or lands pooled therewith without an interruption of more than 90 consecutive days, and, if such operations result in the production of oil or gas or other substances covered hereby, as long thereafter as there is production in paying quantities.

5. **Pooling.** Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to oil or gas or both, either before or after the commencement of production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The unit formed by such pooling for an oil well shall not exceed 40 acres plus a maximum acreage tolerance of 10%, and for a gas well shall not exceed 640 acres plus a maximum acreage tolerance of 10%, except that larger units may be formed for oil wells or gas wells to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production produced and saved which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority. In making such a revision, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. In the absence of production in paying quantities from a unit, or upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. The restrictions and requirements of this Paragraph 5 shall not apply to compulsory pooling of interests effected by operation of law or by order of any governmental authority having jurisdiction, but all other references to pooling contained in this lease shall include such compulsory pooling as well as pooling effected under this Paragraph 5.

6. **Lesser Interest.** If Lessor owns less than the entire and undivided mineral estate in the above-described land or any portion thereof, the royalties and shut-in royalties herein provided shall be paid to Lessor only in the proportion which Lessor's interest bears to the whole and undivided mineral estate in said land or portion thereof.

7. **Ownership Changes.** The interest of either Lessor or Lessee hereunder may be assigned, devised or otherwise transferred in whole or in part, by area and/or by depth or zone, and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns. No change in Lessor's ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until 45 days after Lessee has been furnished certified copies of the documents effecting such change, or until Lessor has satisfied the notification requirements contained in Lessee's usual form of division order, which Lessor hereby agrees to execute prior to the payment of royalties hereunder. In the event of the death of any person entitled to shut-in royalties hereunder, Lessee may pay such shut-in royalties to the credit of decedent or decedent's estate. If at any time two or more persons are entitled to shut-in royalties hereunder, Lessee may pay such shut-in royalties to such persons jointly, or separately in proportion to the interest which each owns. If Lessee transfers its interest hereunder in whole or in part Lessee shall be relieved of all obligations thereafter arising with respect to the transferred interest, and failure of the transferee to satisfy such obligations with respect to the transferred interest shall not affect the rights of Lessee with respect to the interest not so transferred.

8. **Release of Lease.** Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases all or an undivided interest in less than all of the area covered hereby, Lessee's obligation to pay shut-in royalties shall be proportionately reduced in accordance with the net acreage interest retained hereunder, and for such purpose the number of lease acres described in Paragraph 1 shall be deemed correct, whether actually more or less.

9. **Ancillary Rights.** In exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the leased premises or lands pooled or unitized therewith, in primary and/or enhanced recovery, Lessee shall have the right of ingress and egress along with the right to conduct such operations on the leased premises and adjacent land owned by Lessor as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities to discover, produce, store, treat and/or transport production. Lessee may use in such

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Clerks Office

operations, free of cost, any oil, gas, water and/or other substances produced on the leased premises, except water from Lessor's wells or ponds. The right of ingress and egress granted hereby shall apply to the entire leased premises notwithstanding any release or other termination affecting any portion thereof. When requested by Lessor in writing, Lessee shall bury its pipelines below deep plow depth. Lessee shall pay for damage caused by its operations to buildings and other improvements now on the leased premises, and to timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises during the term of this lease or within a reasonable time thereafter.

10. **Regulation and Delay.** Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction, including restrictions on the drilling and production of wells and the price of oil, gas and other substances covered hereby. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, war, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this lease shall not terminate because of such prevention or delay, and, at Lessee's option, the period of such prevention or delay shall be added to the term hereof.

11. **Breach or Default.** No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default within such period. In the event the matter is litigated and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or canceled in whole or in part unless Lessee is given a reasonable time after said judicial determination to remedy the breach or default but Lessee fails to do so.

12. **Warranty of Title.** Lessor hereby warrants and agrees to defend Lessee's title hereunder, and agrees that Lessee at Lessee's option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the leased premises. If it exercises such option, Lessee shall be subrogated to the rights of the party to whom payment is made and, in addition to its other rights, may reimburse itself out of any royalties or shut-in royalties otherwise payable to Lessor hereunder. In the event Lessee is made aware of any claim inconsistent with Lessor's title, Lessee may suspend the payment of royalties and shut-in royalties hereunder until Lessee has been furnished satisfactory evidence that such claim has been resolved in Lessor's favor.

13. **Continuous Development.**(a) If Lessee is at the expiration of the primary term engaged in actual drilling operations, this lease shall remain in full force and effect as to all lands covered hereby for so long as such operations continue to completion or abandonment and for so long thereafter as continuous development is conducted, being defined as no more than 180 days elapsing between the completion or abandonment of one well and the commencement of actual drilling operations of another well; or (b) If at the expiration of the primary term, Lessee is not conducting actual drilling operations, but Lessee has completed a well on the leased premises prior to the expiration of the primary term which is capable of producing oil and/or gas in paying quantities, this lease shall remain in full force and effect for so long as actual drilling operations on an additional well are commenced within 180 days following the expiration of the primary term, and this lease shall continue in force for so long thereafter as continuous development is conducted, being defined as no more than 180 days elapsing between completion or abandonment of one well and the commencement of actual drilling on the next succeeding well. (c) At such time as Lessee (1) fails to commence said continuous development, or (2) once commenced, fails to continue same, this lease shall terminate as to all land not then included within a proration unit assigned to a well then producing oil or gas in paying quantities, and said proration unit shall be limited in depth from the surface down to and including 100 feet below the base of the deepest formation penetrated by drilling. (d) The term "proration unit" as used herein shall be the number of acres which are allocated to a well under the regulation of the Railroad Commission of Texas, (or other governmental body having jurisdiction over producing tracts) for production of oil or gas under Special Field Rules applicable to the area involved herein so as to enable the well to a full allowable; provided, however, if no Special Field Rules have been adopted by said commission, then such proration unit shall be deemed to be 40 acres as to oil wells and 160 acres as to gas wells.

If this lease terminates as to a portion of the land in accordance with this paragraph, Lessee shall nevertheless continue to have as to all lands originally covered by this lease for rights of ingress, egress and surface use for Lessee's Operations under this lease. The continuous development obligation provided for herein is intended to be in lieu of any additional implied covenants to develop or explore.

IN WITNESS WHEREOF, this lease is executed to be effective as of the date first written above, and upon execution shall be binding on the signatory and the signatory's heirs, devisees, executors, administrators, successors and assigns, whether or not this lease has been executed by all parties hereinabove names as Lessor.

LESSOR (Whether one or more):

Jerry Jon Currie

William Neel Currie

Gerald W. Currie, Trustee U/W/O
Diana Lu Currie Nichols F/B/O Natalie Nichols

John A. Currie, Trustee for Laura Maud Ratliff Huitt
1975 Trust

Broadway Broadrick, Trustee for Diana Lu Currie Nichols
1975 Trust

Broadway Broadrick, Trustee for Jerry Jon Currie
1975 Trust

Broadway Broadrick, Trustee for William Neel Currie
1975 Trust

Laura Maud Ratliff Huitt

ACKNOWLEDGMENTS

STATE OF TEXAS)(

COUNTY OF HOWARD)(

This instrument was acknowledged before me on this 21st day of February, 2005 by Jerry Jon Currie.

Notary Public in and for the State of Texas

JUDY C. THOMPSON
Notary Public, State of Texas
My Commission Expires 2-2-2008

True and correct copy of original filed in the Glasscock County Clerks Office

STATE OF TEXAS)(

COUNTY OF HOWARD)(

This instrument was acknowledged before me on this 21st day of February, 2005 by William Neel Currie.

JUDY C. THOMPSON
Notary Public, State of Texas
My Commission Expires 2-2-2008

Judy C. Thompson
Notary Public in and for the State of Texas

STATE OF TEXAS)(

COUNTY OF HOWARD)(

This instrument was acknowledged before me on this 21st day of February, 2005 by Laura Maud Ratliff Huitt.

JUDY C. THOMPSON
Notary Public, State of Texas
My Commission Expires 2-2-2008

Judy C. Thompson
Notary Public in and for the State of Texas

STATE OF TEXAS)(

COUNTY OF HOWARD)(

This instrument was acknowledged before me on this 21st day of February, 2005 by Broadway Broadrick as Trustee for Jerry Jon Currie 1975 Trust.

JUDY C. THOMPSON
Notary Public, State of Texas
My Commission Expires 2-2-2008

Judy C. Thompson
Notary Public in and for the State of Texas

STATE OF TEXAS)(

COUNTY OF HOWARD)(

This instrument was acknowledged before me on this 21st day of February, 2005 by Broadway Broadrick as Trustee for Diana Lu Currie Nichols 1975 Trust.

JUDY C. THOMPSON
Notary Public, State of Texas
My Commission Expires 2-2-2008

Judy C. Thompson
Notary Public in and for the State of Texas

STATE OF TEXAS)(

COUNTY OF HOWARD)(

This instrument was acknowledged before me on this 23rd day of February, 2005 by Gerald W. Currie, Trustee U/W/O Diana Lu Currie Nichols F/B/O Natalie Nichols.

JANA LONG
Notary Public
STATE OF TEXAS
My Comm. Exp. 11/13/2007

Jana Long
Notary Public in and for the State of Texas

STATE OF TEXAS)(

COUNTY OF HOWARD)(

This instrument was acknowledged before me on this 21st day of February, 2005 by Broadway Broadrick as Trustees for William Neel Currie 1975 Trust.

JUDY C. THOMPSON
Notary Public, State of Texas
My Commission Expires 2-2-2008

Judy C. Thompson
Notary Public in and for the State of Texas

STATE OF TEXAS)(

COUNTY OF HOWARD)(

This instrument was acknowledged before me on this 21st day of February, 2005 by John A. Currie as Trustee for Laura Maud Ratliff Huitt 1975 Trust.

JUDY C. THOMPSON
Notary Public, State of Texas
My Commission Expires 2-2-2008

Judy C. Thompson
Notary Public in and for the State of Texas

THE STATE OF TEXAS
GLASSCOCK COUNTY

True and correct copy
of original filed in the
Glasscock County
Clerks Office

ADDENDUM TO OIL AND GAS LEASE BETWEEN JERRY DON CURRIE ET AL., AS LESSOR, AND HENRY PETROLEUM LP, AS LESSEE DATED FEBRUARY 7, 2005

14. This is a "PAID-UP-LEASE" and no rentals shall be due under paragraph two above.

15. Notwithstanding any provision herein to the contrary, it is agreed that subsequent to the primary term, this lease may not be maintained in force and effect solely by the payment of shut-in royalties for any single period in excess of two years. However, Lessee shall be entitled to invoke the shut-in royalty provision from time to time for periods not to exceed two years each.

16. Notwithstanding anything to the contrary herein, it is expressly understood and agreed as follows:

(A) The lease created hereby covers oil, gas and associated hydrocarbons only, and all references to other minerals are hereby deleted.

(B) No fresh water is to be used for water flooding or secondary recovery without written approval of the Lessor herein.

(C) As a portion of the consideration for all this oil and gas lease, Lessee, by accepting the lease, agrees to the following provisions, which shall be binding on Lessee, it successors and assigns.

(1) DAMAGES: In the event lessee, its successors and assigns, cause a well to be drilled upon the above-described real property, the following amounts should be paid to Lessor, heirs and assigns, for the respective type of damage:

(a)	Drillsite location for such well:	
	Cultivated Land (minimum of 2 acres)	$4,000.00
	Pasture Land (minimum of 2 acres)	$3,000.00
(b)	Tank battery location located off drilling pad for such well	$1,500.00
(c)	Road damages for new road construction	$5.00 per rod
(d)	Flow lines and injection lines	$2.00 per rod
(e)	Electric and telephone lines	$5.00 per rod

Roads shall be topped with caliche and maintained by Lessee during the period used by Lessee.

(2) Lessee shall be liable for all livestock killed, crippled or other loss due to Lessor's oil and gas lease operations. Livestock killed shall be buried or disposed of at Lessee's expense.

(3) All cattleguards shall be built at least 15" above the ground and all cattleguards leaving the lease premises shall contain a gate and shall be kept locked at Lessor and Lessee's request. The cattleguards shall be kept in good operating condition for so long as Lessee continues to use them for access to the premises.

(4) All openings in fences shall be made by using "H" braces constructed of pipe at least 4" in diameter on both sides of opening and shall be secured by using a "dead man".

(5) All debris from Lessee's operations shall be buried or removed from the premises.

D. No shooting with firearms shall be permitted on leased premises.

E. Mud pits shall be kept fenced to keep cattle from entering and shall be filled and leveled within ninety (90) days from completion of the well, weather permitting.

F. If Lessee does not promptly perform any of the acts required of Lessee by Paragraph 16 of the lease, Lessor shall after thirty (30) days notice of Lessee of failure to perform have the right to do such act for Lessee and shall submit to Lessee a statement covering the actual cost of performing the work involved, with payment to be paid to Lessor in Big Spring, Texas within thirty (30) days of receipt of said statement.

Filed for record on the 11 day of April A.D. 2005 at 8:00 o'clock A. M.
Duly recorded this the 11 day of April A.D. 2005 at 8:40 o'clock A. M.
Instrument No. 8144 Rebecca Batla, County Clerk
By Susie Hilley Glasscock County, Texas

CERTIFIED TRUE AND CORRECT COPY CERTIFICATE
STATE OF TEXAS
COUNTY OF GLASSCOCK

The above and foregoing is a full, true and correct photographic copy of the original record now in my lawful custody and possession, as the same is filed/recorded in the Official Public Records of my office, found in VOL. 84, PAGE 813

I hereby certified on Sept. 6, 2006

REBECCA BATLA, COUNTY & DISTRICT CLERK
GLASSCOCK COUNTY, TEXAS

BY Susie Hilley DEPUTY

89- 652
8886

MEMORANDUM OF OIL AND GAS LEASE

THE STATE OF TEXAS	§	
	§	KNOW ALL MEN BY THESE PRESENTS:
COUNTY OF GLASSCOCK	§	

This Memorandum of Oil and Gas Lease is made and entered into this 5th day of December, 2005, among **JAMES R. CURRIE, INDIVIDUALLY AND AS TRUSTEE,** and **JIMMIE R. CURRIE**, wife of James R. Currie, whose address is P. O. Box 357, Garden City, Texas 79739, **CYNTHIA C. HOWARD**, a married woman dealing in her sole and separate property, whose address is 2600 Inwood Court, Midland, Texas 79705, and **DARLA C. TAYLOR**, a married woman dealing in her sole and separate property, whose address is 2 Hanover Drive, Midland, Texas 79705 (collectively, "Lessor"), and **HENRY PETROLEUM LP**, whose address is 3525 Andrews Highway, Suite 200, Midland, Texas 79703 ("Lessee"):

W I T N E S S E T H:

Lessor and Lessee have this day entered into an Oil and Gas Lease covering the following described lands located in Glasscock County, Texas, to wit:

All of Sections 29, 30, 31, 32, 41, 42 and 44, Block 32, Township 4 South, T&P Ry. Co. Survey, and all of Section 5, Block 32, Township 5 South, T&P Ry. Co. Survey, containing 5,120 acres, more or less.

Said Oil and Gas Lease, subject to certain termination provisions, contains a primary term of three (3) years and shall remain in force as long thereafter as oil or gas is produced in paying quantities from the above described lands by Lessee, or drilling or reworking operations are prosecuted thereon under the terms and provisions of said lease.

Lessor and Lessee are executing this Memorandum of Oil and Gas Lease for the purpose of placing the same of record in Glasscock County, Texas, and in order to constitute constructive notice of said Oil and Gas Lease in lieu of the recording of said Oil and Gas Lease in its entirety. A full and complete copy of said Oil and Gas Lease will be maintained in the office of both Lessor and Lessee at the addresses shown above.

IN WITNESS WHEREOF, this Memorandum of Oil and Gas Lease is executed as of the day, month and year first hereinabove written.

LESSOR:

James R. Currie
JAMES R. CURRIE, INDIVIDUALLY AND AS TRUSTEE

Jimmie R. Currie
JIMMIE R. CURRIE

Cynthia C. Howard
CYNTHIA C. HOWARD

Darla C. Taylor
DARLA C. TAYLOR

Mid: 002890\000999\493218.1

True and correct copy of original filed in the Glasscock County Clerks Office

90-02-01

LESSEE:

HENRY PETROLEUM LP
By: Henry & Johnson Operating LLC
Its General Partner

By: _____
Dennis R. Johnson
President

GE
WHF

THE STATE OF CALIFORNIA §
COUNTY OF RIVERSIDE §

This instrument was acknowledged before me on this 6 day of DECEMBER, 2005, by JAMES R. CURRIE, INDIVIDUALLY AND AS TRUSTEE.

KATHERYN C. MILLER
Commission # 1409221
Notary Public - California
Riverside County
My Comm. Expires Apr 25, 2007

_____
NOTARY PUBLIC - State of CALIFORNIA

THE STATE OF CALIFORNIA §
COUNTY OF RIVERSIDE §

This instrument was acknowledged before me on this 6 day of DECEMBER, 2005, by JIMMIE R. CURRIE.

KATHERYN C. MILLER
Commission # 1409221
Notary Public - California
Riverside County
My Comm. Expires Apr 25, 2007

_____
NOTARY PUBLIC - State of CALIFORNIA

THE STATE OF TEXAS §
COUNTY OF MIDLAND §

This instrument was acknowledged before me on this 7th day of December 2005, by CYNTHIA C. HOWARD.

JEAN GLADISH
NOTARY PUBLIC
STATE OF TEXAS
My Comm. Exp. 03/19/2008

_____
NOTARY PUBLIC – State of Texas

THE STATE OF TEXAS §
COUNTY OF MIDLAND §

This instrument was acknowledged before me on this 8th day of December, 2005, by DARLA C. TAYLOR.

PAULA A. RITZ
MY COMMISSION EXPIRES
December 31, 2005

_____
NOTARY PUBLIC – State of Texas

True and correct copy
of original filed in the
Glasscock County
Clerks Office

90.02.01

THE STATE OF TEXAS §
COUNTY OF MIDLAND §

This instrument was acknowledged before me on this 13th day of December, 2005, by Dennis R. Johnson, President of Henry & Johnson Operating LLC, General Partner of HENRY PETROLEUM LP, a Texas limited partnership, on behalf of said limited partnership.

Romae J. Bell
NOTARY PUBLIC, State of Texas

ROMAE J. BELL
NOTARY PUBLIC
STATE OF TEXAS
My Comm. Expires 4-26-2009

Filed for record on the 19 day of December A.D. 2005 at 8:00 o'clock A. M.
Duly recorded this the 19 day of December A.D. 2005 at 8:15 o'clock A. M.
Instrument No. 8886
By Suzie Willis
Rebecca Batla, County Clerk
Glasscock County, Texas

CERTIFIED TRUE AND CORRECT COPY CERTIFICATE
STATE OF TEXAS
COUNTY OF GLASSCOCK

The above and foregoing is a full, true and correct photographic copy of the original record now in my lawful custody and possession, as the same is filed/recorded in the OPR Records of my office, found in VOL. 89, PAGE 652.

I hereby certified on 25 Sept 2006

REBECCA BATLA, COUNTY & DISTRICT CLERK
GLASSCOCK COUNTY, TEXAS
BY Rebecca Batla ~~DEPUTY~~

10.02.01

OIL AND GAS LEASE

THE STATE OF TEXAS §
§ KNOW ALL MEN BY THESE PRESENTS:
COUNTY OF GLASSCOCK §

This Oil and Gas Lease ("this lease") is made and entered into this 5th day of December, 2005, among **JAMES R. CURRIE, INDIVIDUALLY AND AS TRUSTEE, JIMMIE R. CURRIE**, wife of James R. Currie, **CYNTHIA C. HOWARD**, a married woman dealing in her sole and separate property, and **DARLA C. TAYLOR**, a married woman dealing in her sole and separate property (collectively, "Lessor"), and **HENRY PETROLEUM LP**, 3525 Andrews Highway, Suite 200, Midland, Texas 79703 ("Lessee"):

W I T N E S S E T H:

1. Lessor, in consideration of TEN AND NO/100 DOLLARS ($10.00) and other good and valuable consideration in hand paid, the receipt of which is hereby acknowledged, of the royalties herein provided, and of the covenants, agreements and obligations hereinafter contained on the part of Lessee to be kept and/or performed and upon the conditions and with the limitations hereinafter set forth and contained, hereby GRANTS, LEASES and LETS exclusively unto Lessee for the sole and only purpose of investigating, exploring, prospecting, drilling and operating for, developing and producing oil and gas (oil and gas, for all purposes of this lease, being defined to include oil, gas, casinghead gas, and the byproducts thereof, and such other hydrocarbons and sulphur as are necessarily produced with, and incidental, to the production of oil and/or gas from wells on the lands herein leased), laying pipelines, building roads, tanks, power stations and other structures thereon, to produce, save, take care of, treat, store, transport and own said products, all of the following described lands (the "said lands") located in Glasscock County, Texas, to wit:

All of Sections 29, 30, 31, 32, 41, 42 and 44, Block 32, Township 4 South, T&P Ry. Co. Survey, and all of Section 5, Block 32, Township 5 South, T&P Ry. Co. Survey, containing 5,120 acres, more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of three (3) years from this date (herein called "primary term"), and as long thereafter as oil or gas is produced in paying quantities from said lands by Lessee, or drilling or reworking operations are prosecuted thereon under the other provisions hereof, or this lease is otherwise maintained as herein provided.

3. Lessee covenants and agrees to pay to Lessor the following royalties which are hereby reserved and retained by Lessor:

(a) On all oil and on all liquid hydrocarbons extracted from gas under the provisions hereof, one-fourth (1/4) of the market value of that produced and saved from the said lands, such value to be determined by (i) the highest posted price, plus premium, if any, paid to the producer for oil, condensate, distillates or other liquid hydrocarbons, respectively of a like type and gravity for the field where produced and when run, or (ii) the prevailing market price therefor offered or paid to the producer for the field where produced and when run, or (iii) the gross proceeds of the sale thereof, whichever is the greatest.

(b) On all gas produced from said lands, including casinghead gas and residue gas at the tailgate of any plant through which gas produced from said lands may be processed, one-fourth (1/4) of the market value of the gas at the place of use or sale by Lessee, or at Lessor's option, one-fourth (1/4) of the gas, in kind, at the well or at the outlet side of the separator, or at the tailgate of any plant through which gas is processed, as the case may be. Market value is to

90.02.01

be based on the average market price paid for gas of comparable quality for the field (which, for such purpose, means the general area in which the land covered by this lease is located) where produced and when run, or the gross price paid or offered to the producer, whichever is greater; provided, however, that when gas is sold in an arms-length sale transaction with an unaffiliated third-party, market value shall be the price paid to Lessee for such gas.

(c) On condensate and all other products separated, extracted or manufactured from gas produced from said lands by any extraction, absorption, pressuring or other plant belonging wholly or in part to Lessee or any subsidiary company, one-fourth (1/4) of the market value at the plant of all such condensate and other products so separated, extracted or manufactured, or, at Lessor's option, one-fourth (1/4) of such condensate and other products, in kind, shall be delivered to Lessor at the plant.

(d) On condensate and all other products separated, extracted or manufactured from gas produced from said lands by an extraction, absorption, pressuring or other plant belonging to a third party or parties, one-fourth (1/4) of the amount received by Lessee from the sale of condensate and other products separated, extracted or manufactured by said plant and credited to Lessee under the terms of Lessee's contract with such plant.

(e) This lease is intended to cover only oil and gas, but it is contemplated that some sulphur may be produced necessarily with, and incidental to, the production of oil and gas and, in such event, this lease shall also cover such sulphur so produced. On all sulphur so produced under and by virtue of the terms of this lease, Lessor shall have and be entitled to a royalty of one-fourth (1/4) of all such sulphur produced and saved, same to be delivered to Lessor, free of all costs, or, at the option of Lessor, Lessee shall account to Lessor for one-fourth (1/4) of the amount received by Lessee from the sale of such sulphur.

(f) If at any time after the expiration of the primary term of this lease there is no production from said lands but there is a gas well located on said lands which is capable of producing in paying quantities and shut-in for any cause, this lease shall nevertheless continue in force and effect provided that Lessee pays or tenders, as royalty, by a valid check or draft of Lessee, to the parties entitled to receive royalties under this lease on or before ninety (90) days after the date on which (1) the gas well is shut-in, or (2) this lease ceases to be otherwise maintained as provided herein, whichever is the later date, and annually thereafter, a shut-in gas well royalty payment in the amount hereinafter provided, and if such payment is properly and timely made, it will be considered that gas is being produced from said lands in accordance with the terms of this lease; provided, however, this lease may not be continued in force by the making of shut-in gas well royalty payments as herein provided for a period or periods of longer than two (2) consecutive years. The first annual payment following the date on which a well is shut-in shall be a sum of money equal to $10 per net mineral acre for the acreage then held under this lease by the parties making such payment or tender, and for the next succeeding year shall be a sum of money equal to $20 per net mineral acre for the acreage then held under this lease by the party making such payment or tender. This provision as to the payment of shut-in gas royalty is a condition and not a covenant, and the failure to pay any shut-in gas royalty as herein provided shall effect an automatic termination of this lease unless the lease is otherwise maintained as herein provided.

(g) Notwithstanding anything contained herein to the contrary, Lessee agrees that all royalties accruing under this lease (including those paid in kind) shall be without deduction, directly or indirectly, for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting or otherwise making the oil and gas produced hereunder ready for sale or use. In determining the value of all royalties payable hereunder, such values shall be determined without deduction for said costs.

(h) Notwithstanding anything contained in this Paragraph 3 or elsewhere in this lease to the contrary, Lessor may at any time and from time to time, on sixty (60) days prior

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notice in writing to Lessee, require that payment of all or any part of the royalties accruing to Lessor under this lease on oil, gas or any product, be made in kind, effective as of the first day of the calendar month next following the expiration of said sixty (60) day period, or if payment of any such royalties are then being made to Lessor in kind, require that such in kind payments cease and that payment of such royalties thereafter be made as provided in this Paragraph 3, with Lessor having the recurring right at any time and from time to time to either take in kind, cease taking in kind, and resume taking in kind, all or any part of such royalties. In the event Lessor elects to take in kind, Lessee shall make all its leasehold and pipeline facilities available for Lessor's use free of cost to Lessor; provided, however, that any additional expenditures resulting solely from Lessor's taking in kind or separately marketing Lessor's royalty oil or gas (and which would not have been necessary otherwise) shall be borne and paid by Lessor.

(i) After payment of royalties is first begun on production from any well on said lands, Lessor's share of proceeds from the sale of oil production shall be paid no later than sixty (60) days after the end of the month in which such oil is produced and Lessor's share of proceeds from the sale of gas and casinghead gas production shall be paid no later than ninety (90) days after the end of the month in which such gas or casinghead gas is produced. If payment is not made within such time limits, Lessor shall be entitled to payment of interest by Lessee on the delinquent amounts at the rate of ten (10) percent per annum.

(j) As security for the payment of the royalties and all other payments provided for in this lease, Lessee agrees by acceptance hereof that Lessor shall have a first lien and security interest upon the leasehold estate created hereby, the personal property and equipment thereon and all proceeds of production and as-extracted collateral accruing to both Lessor and Lessee hereunder.

4. Lessee shall have the right at Lessee's sole expense to drill a water well on said lands and use water produced therefrom free of costs for the drilling or re-entering (but not completion, recompletion, reworking or operation) of the first oil and/or gas well drilled or re-entered on said lands. Lessee shall not have the right to drill any additional water wells on said lands without the consent of Lessor. Lessee shall consult with Lessor regarding the location of any water wells so drilled and when Lessee ceases using a water well Lessee shall either tender the same to Lessor or properly plug the same, whichever option Lessor elects. Lessor shall have the option and right, but not the obligation, to sell Lessee water for use in connection with the completion, recompletion, reworking and/or operation of the first oil and/or gas well drilled or re-entered on said lands and for the drilling, completion, recompletion, reworking and/or operating of all subsequent oil and/or gas wells drilled or re-entered on said lands at a minimum price of $.42 (forty-two cents) per barrel, but commensurate with the prevailing rate in the area, whichever is greater. Should any of Lessee's operations result in the loss or damage of any existing water well of Lessor, Lessee shall either repair the damage or drill a new water well as soon as reasonably possible to assure a continuing supply of water. Except as specifically provided above, Lessee shall not have the right to use any fresh or potable water or water suitable for irrigation purposes from said lands, including, without limitation, any underground water, surface water or water in Lessor's tanks, without the prior written consent of Lessor. In addition, Lessee shall not have the use of fresh or potable water or water suitable for irrigation from said lands for producing oil and/or gas by waterflooding, pressure maintenance or other recovery operations.

5. This is a paid-up lease and no payments of delay rentals shall be required to maintain this lease in force during the primary term hereof. Lessee may at any time or times execute a release or releases covering any portion or portions of said lands, record the same and deliver to Lessor a copy of the same reflecting the recording data, and thereby surrender this lease as to such portion or portions.

6. After the expiration of the primary term, if oil or gas has been produced from said lands, and if all production thereof should cease from any cause, this lease shall not terminate,

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provided Lessee, until production is again obtained, does not permit more than sixty (60) days to elapse between the cessation of production and the beginning of additional drilling or reworking operations in a bona fide attempt to obtain production, and if such operations result in the discovery of oil or gas, this lease shall not terminate as long as oil or gas is being produced by Lessee from said lands in paying quantities.

7. If a well or wells producing oil or gas in paying quantities is completed on lands not covered by this lease and within three hundred thirty feet (330') of any portion of said lands as to which this lease is then in force and effect, or if any well be draining said lands, Lessee shall commence the drilling of an offset well or wells on land covered by this lease within ninety (90) days of the date of the first production from such well. In lieu of drilling an offset well to any such oil or gas well, Lessee shall have the option of (i) paying Lessor, as royalty, a sum equal to the royalties which would be payable under this lease on the production from such well had the same been produced hereunder commencing with the date of the first production and Lessee's obligation to drill such offset well shall be deferred as long as Lessee may elect to pay such royalty in lieu of drilling an offset well, or (ii) releasing this lease insofar as it covers a tract of land in as near the form of a square as possible and constituting what would be the offset proration unit established in conformity with the field rules or spacing laws prescribed or permitted with respect to such offset well.

8. Notwithstanding any other provision herein contained to the contrary, it is understood and agreed that (a) if on or before one (1) year following the date of this lease a well has not been commenced on said lands, drilled to a depth sufficient to test the Wolfcamp Formation and completed as a well capable of producing oil and/or gas in paying quantities or as a dry hole, this lease and all rights hereunder shall automatically terminate as to all lands covered hereby; and (b) if this lease is in full force and effect at the end of the primary term hereof, then within one hundred twenty (120) days after the later of: (i) the expiration of the primary term, or (ii) the completion of drilling or reworking operations being conducted at the end of the primary term, Lessee shall commence the actual drilling of a well on said lands and shall thereafter continuously develop said lands by drilling additional wells on the lands covered hereby with no more than one hundred twenty (120) days elapsing between the completion of one well and the commencement of the next succeeding well. For the purposes of interpretation of this provision, a well shall be determined to be completed on the day Lessee releases the drilling rig used to drill such well, the day such rig is moved off the location or the day one hundred twenty (120) days after the well is commenced, whichever day occurs first, and a well shall be determined to be commenced when such well is spudded with a drilling rig of a suitable size necessary to reach the objective depth. The drilling of each well properly commenced hereunder shall be completed by Lessee within one hundred twenty (120) days from the date of the commencement of such well.

Upon the sooner to occur of December 5, 2015, or the cessation of such continuous drilling program by Lessee, this lease and all rights hereunder shall automatically terminate as to all lands covered hereby, save and except as to each well then capable of producing oil or gas in paying quantities together with the proration unit allocated thereto (the size of said proration unit being hereby defined as the number of acres prescribed by the Railroad Commission of Texas, or other proper governmental authority, as the minimum number of acres required for the production of the maximum allowable from a well in the particular field and from the particular formation involved) as of the date of such termination, and shall further terminate as to all depths in each such proration unit which are 100 feet or more above and 100 feet or more below the producing formation in each such well capable of producing oil or gas in paying quantities. Within thirty (30) days after a partial termination of this lease as provided above, Lessee shall execute and deliver to Lessor a recordable release of this lease as to all lands covered hereby save and except the lands and depths to be allocated to each producing proration unit in accordance with the terms set forth above.

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Upon the sooner to occur of December 5, 2015, or cessation of said continuous drilling program, any acreage so assigned to a producing proration unit shall be considered as covered by a separate lease containing the same terms and provisions hereof, so that thereafter each separate lease can be kept in force and effect only by actual production from, or operations upon, that particular tract without regard to production or drilling operations upon the other tracts retained by Lessee under the terms hereof. From such point in time forward all references in this lease to "said lands" shall be deemed references to each of such retained tracts the same as if each of such retained tracts were originally covered by a separate lease containing the same terms and provisions hereof.

If at any time after the sooner to occur of December 5, 2015, or the cessation of such continuous drilling program, the applicable field rules for any wells drilled on said lands are changed or the well or wells located thereon are re-classified as oil or gas wells so that less acreage is thereafter allocated to said well or wells for spacing purposes, this lease shall thereupon terminate as to all acreage not thereafter allocated to said well or wells for spacing purposes unless Lessee commences operations on the unproductive acreage within ninety (90) days after written notice from Lessor to release acreage.

9. With respect to actual operations conducted by Lessee on said lands, it is agreed by and between Lessor and Lessee as follows:

(a) Prior to the commencement of any operations on said lands, Lessee shall give Lessor notice of Lessee's intention to commence operations, the approximate date of such commencement and the approximate proposed location of same, and the type of operations to be conducted, such notice to be given within a reasonable time prior to the actual commencement of operations. In locating the wells, pumping units, tank batteries, pipelines, roads and other facilities located on said lands, Lessee agrees to consult with Lessor and follow reasonable requests for such protection as may be necessary or advisable to minimize interference with Lessor's and/or the surface owner's operations on said lands. To the extent practicable, Lessee shall situate all such pipelines, roads and surface facilities at locations approved by Lessor. Nothing contained in this lease shall be construed to give Lessee, its successors and assigns, the right to construct or maintain any lease house or lease camp for housing Lessee's employees on said lands, and Lessee shall have no right to do so.

(b) No well, tank battery or other surface production or marketing facility of Lessee shall be located within one thousand feet (1,000') of the two (2) main residences located on said lands or on Lessor's adjacent lands, or within three hundred feet (300') of any other residence, barn, building, water well, windmill or tank now or hereafter located on said lands or on Lessor's adjacent lands, without the Lessor's prior written consent. The location for each well, tank battery, road and right of way for a pipeline or flow line shall use only so much of the surface as is necessary to conduct operations under this lease in a reasonable and prudent manner. Lessee agrees to maintain any roads on said lands used by Lessee, or its permitees, in good repair and condition as all-weather caliche roads at all times. No new road shall be constructed by Lessee without first consulting with Lessor as to the location of such road, and all new roads shall be constructed and maintained as all-weather caliche roads at Lessee's cost and expense and shall not exceed twenty (20) feet in width. No caliche or gravel from said lands shall be used by Lessee in its operations under this lease without the prior written consent of Lessor. Lessee shall install adequate bridges or culverts wherever any new road constructed by Lessee crosses a natural stream or drainage, and all roads and any pipelines laid by Lessee shall be so constructed and laid as not to interfere with the natural flow of surface waters or with drainage.

(c) At the request of Lessor or the surface owner, all pipelines laid by Lessee on said lands shall be buried to a depth of at least twenty-four inches (24") below the surface and the area occupied by all buried pipelines and electric power lines, after installation, replacement or repair, shall be backfilled and tamped, and otherwise restored as nearly as practical to its

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condition prior to installation, replacement or repair. In the event Lessee shall obtain commercial production of oil and/or gas from said lands pursuant to the terms hereof, Lessee shall have the right to install electric power lines on said lands for the purpose of operating equipment used in producing, operating, processing or transmitting gas or other hydrocarbons produced from said lands. Lessor shall be consulted with as to the location and method of installation of such electric power lines prior to commencement of installation and to the extent practicable Lessee shall situate all such electric power lines at locations approved by Lessor. Lessee shall install an electric motor to operate any pumping unit placed by Lessee on said lands to produce any well and Lessee further agrees that any such pumping unit shall not be operated by an internal combustion engine.

(d) All operations conducted by Lessee on said lands shall be conducted in accordance with all applicable environmental laws and regulations and in such manner as will least interfere with the ranching and agricultural operations on said lands. Lessee shall construct and maintain fences around each site of Lessee's surface facilities (including, but not limited to, producing wells, tank batteries, separators and slush and other pits) sufficient to keep all livestock out of such sites. Lessee shall install and/or maintain gates or substantial cattleguards capable of turning livestock at all openings in fences crossed by Lessee or others in conducting operations under this lease.

(e) Lessee shall keep the surface of said lands neat and clean and shall remove all waste material and debris as soon as may be practical and upon the completion of any drilling or reworking operations, Lessee shall fill and level all pits and ruts, remove all debris and restore the surface of said lands so used by Lessee as nearly as practicable to its condition prior to Lessee's use thereof, except for such permanent production or marketing facilities as Lessee may maintain thereon. All pits dug and used in connection with Lessee's operations on said lands shall be lined with plastic liners. Upon restoration of each such pit, the plastic liners shall be cut off at least three (3) feet below the surface and the pit shall be back-filled and covered with topsoil. Within one hundred twenty (120) days following the abandonment of any wellsite or other facility location on said lands, Lessee shall fill and level all pits and ruts, remove all caliche and debris and restore the surface of the area used as nearly as practicable to its condition prior to Lessee's use thereof, including the placement of top soil thereon of a depth sufficient to grow native grasses where practicable, and at the request of Lessor, Lessee shall re-seed such area with native grasses selected by Lessor.

(f) Lessee shall not permit its agents, employees, servants, contractors, subcontractors, service personnel or others entering upon said lands under the authority of this lease to hunt or fish on any portion of said lands or to take any rifle, shotgun, pistol or other firearms thereon for any purpose whatsoever. The Lessor or the Lessor's representatives may inspect any vehicle entering said lands and may deny access to said lands to anyone found carrying firearms or fishing equipment.

(g) Any salt water produced from wells drilled under this lease shall be disposed of off of said lands or shall be reinjected into a subsurface strata at a depth sufficient to protect all oil and/or gas bearing formations and all sources and supplies of fresh and potable water or water suitable for irrigation purposes.

(h) Lessee shall furnish the Lessor with full and complete information as to all water zones encountered by Lessee in any well drilled on said lands, whether it be a well drilled for oil or gas or a water well. If Lessee desires to abandon any water well drilled by it hereunder, prior to doing so, Lessee shall tender such water well or wells to the Lessor, and if the Lessor should elect to accept the same, Lessee may remove all equipment from said water well and such water well and all casing therein shall be and become the property of the Lessor.

(i) Without the prior written consent of Lessor, Lessee shall not conduct any seismic or geophysical operations within five hundred feet (500') of any residence, barn,

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building, water well, windmill or tank now located or hereafter to be located on said lands, other than foot traffic to lay receiver lines and receiver phones.

(j) Lessee shall at all times indemnify, defend and save and hold harmless Lessor and Lessor's heirs, successors and assigns, from and against any and all claims, liabilities, demands, damages and causes of action in any manner due to or arising out of any and all operations of Lessee, its assigns, employees, agents, affiliates, contractors and subcontractors on said lands.

(k) Should Lessee drill a well on that portion of said lands now or hereafter in cultivation, after drilling operations are completed, Lessee shall, to the extent practicable, locate all surface equipment and other facilities at locations that will least interfere with Lessor's farming operations. Lessee shall not conduct any surface operations of any kind or character on that portion of said lands now or hereafter irrigated with an underground drip irrigation system or with any center-pivot or other mobile irrigation system, without the prior written consent of Lessor.

(l) Lessee shall install gates across all existing cattle guards used or new cattle guards installed for access to said lands and, except as provided below or unless otherwise permitted by Lessor, shall keep all such cattle guard gates closed and locked at all times by use of a locking device acceptable to Lessor. During any period in which Lessee is conducting actual drilling operations on said lands, Lessee shall not be required to keep said gates locked.

(m) Lessee, its agents, employees, contractors and subcontractors or others entering upon said lands under the authority of this lease shall not intentionally remove or destroy any fossils, Indian artifacts, man-made structures or other archeological objects of historical or scientific value which may be situated thereon. Should Lessee or any of its employees, agents, contractors or subcontractors discover any such objects on said lands, it shall leave said objects in place. If at any time Lessor determines that the conduct or activity on said lands by any employee, agent, contractor or subcontractor of Lessee is not in compliance with the terms of this lease after written notice by Lessor to Lessee of such non-compliance, Lessor shall have the right to require that Lessee not utilize said person or persons in the conduct of its operations on said lands.

(n) Lessee shall at all times maintain all surface facilities located on said lands, including without limitation, all pump jacks, tank batteries, heater treaters, separators and equipment, in good repair and condition, and in a properly painted condition through use of a tan paint color or other paint color approved by Lessor. Lessee shall not store any machinery, tubulars, equipment, vehicles or other personal property or equipment on said lands without the prior approval of Lessor.

(o) Lessee, its agents, employees, contractors and subcontractors or others entering upon said lands under the authority of this lease shall drive all vehicles on said lands in a safe manner and at speeds not to exceed twenty (20) miles per hour. In addition, Lessee, its agents, employees, contractors and subcontractors or others entering upon said lands under the authority of this lease shall not use any paved black-top roads located on said lands without the prior written consent of Lessor.

(p) Lessee agrees to use reasonable care in the conduct of all operations on said lands to prevent injury or damage to the livestock, buildings or other property situated on the surface of said lands, or water wells and tanks located thereon, and Lessee agrees to pay the surface owner for any and all damages to the surface owner's livestock, crops, fences, building, wells, tanks and any other fixtures of the surface owner, or of any tenant of the surface owner, situated on said lands, resulting from operations under this lease. In addition to any damages which may become payable by Lessee as above provided, Lessee shall pay the surface owner the following amounts for damages to the surface of said lands:

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(i) Five Thousand and no/100 Dollars ($5,000.00) for each location for a drilling, producing or re-entered well located on lands which are not in cultivation, and if the site is more than two (2) acres, the amount shall be proportionately increased at the rate of Three Thousand Seven Hundred Fifty and no/100 Dollars ($3,750.00) per acre or part thereof. Seven Thousand Five Hundred and no/100 Dollars ($7,500.00) for each location for a drilling, producing or re-entered well located on lands which are in cultivation, and if the site is more than two (2) acres, the amount shall be proportionately increased at the rate of Five Thousand and no/100 Dollars ($5,000,00) per acre or part thereof. Each such location shall not exceed more acreage than is reasonably and necessarily required by Lessee in its operations hereunder.

(ii) Three Thousand and no/100 Dollars ($3,000.00) for the site occupied by each tank battery, pumping station, meter run or other surface production, treating or marketing facility not located on a well location and located on lands which are not in cultivation, and, if the site is more than one (1) acre, the amount shall be proportionately increased at the rate of Five Thousand and no/100 Dollars ($5,000.00) per acre or part thereof. Five Thousand and no/100 Dollars ($5,000.00) for the site occupied by each tank battery, pumping station, meter run or other surface production, treating or marketing facility not located on a well location and located on lands which are in cultivation, and, if the site is more than one (1) acre, the amount shall be proportionately increased at the rate of Seven Thousand Five Hundred and no/100 Dollars ($7,500.00) per acre or part thereof. Each such location shall not exceed more acreage than is reasonably and necessarily required by Lessee in its operations hereunder.

(iii) For each pipeline (other than and excluding temporary surface pipelines) and buried powerline installed by Lessee on said lands, the sum of Ten and no/100 Dollars ($10.00) per rod. To the extent practical, all such pipelines and buried powerlines shall be laid along fence lines or roads.

(iv) For each above-ground electric power line laid upon said lands, the sum of One Hundred Twenty-Five and no/100 Dollars ($125.00) per pole; the location and height of each such line to be approved by Lessor.

(v) For 2D geophysical operations on said lands, the sum of Fifteen Hundred Dollars ($1,500.00) per mile, and for 3D and other geophysical operations on said lands, the sum of Fifteen Dollars ($15.00) per acre.

(vi) For roads constructed or used by Lessee on said lands, the sum of Ten Dollars ($10.00) per rod for new roads built by Lessee and the sum of Eight Dollars ($8.00) per rod for use of existing roads; each such road not to exceed twenty feet (20') in width.

The foregoing amounts shall remain effective for three (3) years from the date hereof and thereafter Lessee shall pay the reasonable going rate in the area with the foregoing amounts to be the minimums.

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So long as this lease continues in force and effect as to any portion of said lands and for the sole purpose of conducting operations on and marketing production from said lands, Lessee shall be deemed to have a continuing non-exclusive easement and rights of ingress and egress on said lands even though this lease has been released or has otherwise terminated with respect to portions of said lands. Such continuing rights shall in all cases be subject to all of the terms and provisions of this lease.

Each payment due hereunder shall be due and payable prior to the time Lessee first utilizes any of the said lands for a purpose requiring such a payment to the payees.

All provisions of this lease whereby Lessee is obligated to perform any obligation hereunder are contractual in nature. It shall never be necessary for the Lessor to allege or prove a cause of action in tort based upon any breach hereof. This lease contract is specifically made performable in the County where said land is located.

10. Lessor shall have access to all drilling information and, at Lessor's sole risk, access to the rig floor for all wells drilled on said lands. Lessee shall furnish Lessor with copies of all reports filed by Lessee with the Railroad Commission of Texas or other governmental authority having jurisdiction relating to the location, drilling, completion and plugging and abandonment of each well drilled by Lessee hereunder, with daily reports of the progress of the drilling and completion of each well, with a copy of each electric log, mud log, sample log, and drillstem or production test made or taken in each well, and with a copy of all ground surveys made on said lands. All such information provided by Lessee to Lessor that is not public information shall be maintained as confidential by Lessor until the earlier of December 5, 2015 or the expiration of this lease.

Lessee shall, to the extent Lessee has the right to do so, furnish Lessor, at Lessee's sole cost and expense, one complete copy of all original geophysical data (including field tapes and associated support data, shot point location maps, survey notes, velocity data and surface elevation of shot points), and any geophysical interpretations thereof (without representation or warranty as to the accuracy thereof), obtained by Lessee with respect to all or any portion of said lands within thirty (30) days after obtaining the same. Lessor may thereafter on or after December 5, 2015, or upon the earlier expiration in its entirety of this lease, use this furnished data and material for any purpose desired by Lessor, including the inducement of another potential lessee to explore for oil and gas on said lands.

11. Except as otherwise provided herein, Lessee shall have the right at any time during or within six (6) months after the expiration of this lease as to any portion of the said lands, to remove all property and fixtures placed by Lessee on any such portion of said lands, including the right to draw and remove all casing, then belonging to Lessee and not taken over by Lessor under some other provision of this lease. If Lessee fails to remove such property and fixtures within said six (6) months, such property and fixtures shall at the election of Lessor, either become owned by Lessor or Lessor may have such property removed at the sole expense of Lessee; provided, however, Lessee shall not be relieved of its liability to plug any well so abandoned. Lessee shall have no right to remove and shall leave in place all cattleguards and gates installed by Lessee on said lands.

12. All rights of Lessor hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, successors, executors, administrators and assigns of Lessor, but no change or division in ownership of said lands or of the rentals and royalties payable to Lessor hereunder shall operate to enlarge the obligations or diminish the rights of Lessee; and no such change or division in ownership shall be binding on Lessee until the person acquiring any interest has furnished Lessee with a copy of the instrument, reflecting the recording data, constituting his chain of title from the original Lessor. In order to assure Lessor that operations hereunder shall be conducted by responsible parties for the mutual benefit of Lessor and Lessee, Lessee agrees that no assignment of all or any part of Lessee's interest in this

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lease shall be made without the prior written consent of Lessor, which consent shall not be unreasonably withheld. Any purported assignment of this lease by Lessee without the prior written consent of Lessor shall be void and of no force and effect. Lessee shall give Lessor prompt written notice of any permitted assignment of this lease as to all or any portion of the said lands and such notice shall be accompanied by a true copy of the instrument effecting such assignment. All rights and obligations of each party hereunder shall extend to and be binding upon the heirs, successors and permitted assigns of each party. All covenants and agreements contained in this lease shall constitute covenants running with the land.

13. Should Lessee be prevented from complying with any express or implied covenants of this lease, from conducting drilling or reworking operations thereon or from producing oil or gas therefrom by reason of force majeure, or by any federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended and Lessee shall not be liable in damages for failure to comply therewith; the time provided for compliance shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations or from producing oil or gas from the said lands, and the time while Lessee is so prevented shall not be counted against Lessee. However, nothing herein shall excuse Lessee from paying, or extending the time for paying, any rental, royalty, shut-in gas royalty or other payment payable in money hereunder, or serve to extend the primary term of this lease beyond four (4) years from the date hereof or permit Lessee to maintain this lease in force and effect by shut-in gas well royalty payment for any period longer than two (2) consecutive years after the end of the primary term.

14. The lease is executed without warranty of title, either express or implied. If Lessor owns an interest in said lands less than the entire oil and gas fee simple estate, then the royalties to be paid Lessor hereunder shall be reduced proportionately.

15. Notwithstanding any other provision herein contained to the contrary, this is not a community lease and this lease shall not be deemed to pool the royalties among the parties who comprise Lessor, and royalties shall be payable on the basis of ownership of the lands where any producing well is located. This lease may not be pooled or unitized except with the express written consent of Lessor.

16. All notices permitted or required to be given hereunder shall be in writing and shall be deemed to have been given if sent by United States mail, postage prepaid, properly addressed, or delivered in person to the party to whom such notice is to be given at the following addresses:

LESSOR:

James R. Currie, Individually
and as Trustee, and Jimmie R. Currie
P. O. Box 357
Garden City, Texas 79739

Cynthia C. Howard
2600 Inwood Ct.
Midland, Texas 79705

Darla C. Taylor
2 Hanover Dr.
Midland, Texas 79705

LESSEE:

HENRY PETROLEUM LP
3525 Andrews Highway, Suite 200
Midland, Texas 79703
Attn: Mr. William R. Fair
Vice President - Land

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With copy in each case to:

Bill Howard
500 W. Illinois, Suite 300
Midland, Texas 79701

17. If Lessee purchases abstracts of title covering all or any portion of said lands, Lessee agrees to give such abstracts to Lessor when Lessee has completed its title examination with respect to said lands. If Lessee drills a well on said lands, Lessee, at its sole cost and expense, shall supplement to the date of this lease Lessor's abstracts covering each section of land where each well is located.

18. If Lessee enters into a gas purchase contract covering gas produced from said lands which contains what is commonly referred to as a "take or pay provision" (such provision meaning that the gas purchaser agrees to take delivery of a specified minimum volume or quantity of gas over a specified term at a specified price or to make minimum periodic payments with producer for gas not taken by the purchaser) and the purchaser under such gas purchase contract makes payments to Lessee by virtue of such purchaser's failure to take delivery of such minimum volume or quantity of gas, then Lessor shall be entitled to one-fourth (1/4) of all such sums paid to Lessee or producer under the "pay" provisions of such gas purchase contract. Said royalty payments shall be due and owing to Lessor within sixty (60) days after receipt of such payments by Lessee. Any royalty payments made to Lessor under the "pay" obligation of any "take or pay" gas contract shall be applied as a credit towards Lessee's royalty obligation. If the gas purchaser makes up such gas within the period called for in the gas contract, and Lessee is required to give such purchaser a credit for gas previously paid for but not taken, then Lessor shall not be entitled to royalty on such make-up gas. If Lessee is not producing gas in paying quantities from said lands but is receiving payments under the "pay" portion of such "take or pay" gas purchase contract provision, such payments shall not relieve Lessee of the duty to make shut-in royalty payments if Lessee desires to continue this lease, but such "take or pay" royalty payments shall be applied as a credit against any shut-in royalty obligation of the Lessee. Lessor shall be a third party beneficiary of any gas purchase contract and/or transportation agreement entered into between Lessee and any purchaser and/or transporter of Lessor's gas, irrespective of any provision of any such contract to the contrary. Lessor shall be entitled to one-fourth (1/4) of the value of any benefits obtained by or granted to Lessee from any gas purchaser and/or transporter from the amendment, modification, extension, alteration, consolidation, transfer, translation or settlement of any such gas purchase contract and/or transportation agreement.

19. Lessor has executed and delivered to Lessee a Memorandum of Oil and Gas Lease of even date herewith. It is agreed that in lieu of recording this lease in its entirety, only the Memorandum of Oil and Gas Lease will be recorded by Lessee unless the prior written consent of Lessor is first obtained by Lessee.

20. If Lessee has entered into and consummated an agreement to acquire and/or has acquired within one (1) year prior to the date of this lease, or if Lessee or its successors or assigns hereafter enter into and consummate an agreement to acquire and/or do acquire within one (1) year after the date of this lease, any oil and gas rights from other mineral owners in said lands or in lands within one (1) mile of the outside boundary of the lands covered by this lease, which lease or agreement provides for a greater lessor bonus payment or lessor royalty fraction than is provided in, or is paid in connection with, this lease, Lessor shall be entitled to the same economic benefits as are provided to any such other mineral owners. Lessee shall submit to Lessor a copy of any such approved lease contract and draft or statement of bonus payment, as applicable, and shall within thirty (30) days thereafter make any required payments to Lessor or execute any required amendments to this lease as are necessary to entitle Lessor to such benefits from and after the date of this lease.

90·02·01

IN WITNESS WHEREOF, this instrument is executed as of the day, month and year first hereinabove written.

LESSOR:

James R. Currie

JAMES R. CURRIE, INDIVIDUALLY AND AS TRUSTEE

Jimmie R. Currie

JIMMIE R. CURRIE

Cynthia C. Howard

CYNTHIA C. HOWARD

Darla C. Taylor

DARLA C. TAYLOR

LESSEE:

HENRY PETROLEUM LP
By: Henry & Johnson Operating LLC
Its General Partner

By: _____
Dennis R. Johnson
President

THE STATE OF CALIFORNIA §
COUNTY OF RIVERSIDE §

This instrument was acknowledged before me on this 6 day of DECEMBER, 2005, by JAMES R. CURRIE, INDIVIDUALLY AND AS TRUSTEE.

KATHERYN C. MILLER
Commission # 1409221
Notary Public - California
Riverside County
My Comm. Expires Apr 25, 2007

Katheryn C. Miller
NOTARY PUBLIC - State of CALIFORNIA

THE STATE OF CALIFORNIA §
COUNTY OF RIVERSIDE §

This instrument was acknowledged before me on this 6 day of DECEMBER, 2005, by JIMMIE R. CURRIE.

KATHERYN C. MILLER
Commission # 1409221
Notary Public - California
Riverside County
My Comm. Expires Apr 25, 2007

Katheryn C. Miller
NOTARY PUBLIC - State of CALIFORNIA

Mid: 002890\000999\491489.3

10.02.01

THE STATE OF TEXAS §
COUNTY OF MIDLAND §

This instrument was acknowledged before me on this 7th day of December, 2005, by CYNTHIA C. HOWARD.

JEAN GLADISH
NOTARY PUBLIC
STATE OF TEXAS
My Comm. Exp. 03/19/2008

Jean Gladish
NOTARY PUBLIC – State of Texas

THE STATE OF TEXAS §
COUNTY OF MIDLAND §

This instrument was acknowledged before me on this 9th day of December, 2005, by DARLA C. TAYLOR.

PAULA A. RITZ
MY COMMISSION EXPIRES
December 31, 2005

Paula A. Ritz
NOTARY PUBLIC – State of Texas

THE STATE OF TEXAS §
COUNTY OF MIDLAND §

This instrument was acknowledged before me on this 13th day of December, 2005, by Dennis R. Johnson, President of Henry & Johnson Operating LLC, General Partner of HENRY PETROLEUM LP, a Texas limited partnership, on behalf of said limited partnership.

ROMAE J. BELL
NOTARY PUBLIC
STATE OF TEXAS
My Comm. Expires 4-26-2009

Romae J. Bell
NOTARY PUBLIC - State of _____

Mid: 002890\000999\491489.3

10:30:06

5.

File No. MF 706956

Lease

Date Filed: 10/20/06

Jerry E. Patterson, Commissioner

By