

OIL AND GAS LEASE

(PAID-UP)

AGREEMENT, Made and entered into this 19th day of September, 1986, by and between N. E. McKnight, A SINGLE PERSON

P. O. Box 3887, Enid, OK 73702

and M M Resources, Inc. Royalty, Party of the first part, hereinafter called lessor (whether one or more), and M M Resources, Inc. Royalty, part of the second part, hereinafter called lessee.

WITNESSETH, That the said lessor, for and in consideration of Ten and more DOLLARS, cash in hand paid, receipt of which is hereby acknowledged and of the covenants and agreements hereinafter contained on the part of lessee to be paid, kept and performed, has granted, demised, leased and let and by these presents does grant, demise, lease and let unto the said lessee, for the sole and only purpose of exploring by geophysical and other methods, mining and operating for oil (including but not limited to distillate and condensate), gas (including casinghead gas and helium and all other constituents), and for laying pipe lines, and building tanks, power stations and structures thereon, to produce, save and take care of said products, all that certain tract of land, together with any reversionary rights therein, situated in the County of Garfield

State of Oklahoma, described as follows, to-wit: Northeast Quarter (NE/4) except a tract owned by the St. Louis-San Francisco Railway Company which may be 4.97 acres more or less.

of Section 21, Township 22N, Range 7 WIM, and containing 155.03 acres, more or less.

It is agreed that this lease shall remain in force for a term of 120 days XXX from date (herein call primary term) and as long thereafter as oil or gas, or either of them, is produced from said land by the lessee.

In consideration of the premises the said lessee covenants and agrees: 1st. To deliver to the credit of lessor free of cost, in the pipe line to which it may connect its wells, the 3/16 part of all oil (including but not limited to condensate and distillate) produced and saved from the leased premises.

2nd. To pay lessor for gas of whatsoever nature or kind (with all of its constituents) produced and sold or used off the leased premises, or used in the manufacture of products therefrom, 3/16 of the gross proceeds received for the gas sold, used off the premises, or in the manufacture of products therefrom, but in no case more than 3/16 of the actual amount received by the lessee, said payments to be made monthly. During any period (whether before or after expiration of the primary term hereof) when gas is not being so sold or used and the well or wells are shut in and there is no current production of oil or operations on said leased premises sufficient to keep this lease in force, lessee shall pay or tender a royalty of One Dollar (\$1.00) per year per net royalty acre retained hereunder, such payment or tender to be made, on or before the anniversary date of this lease next ensuing after the expiration of ninety (90) days from the date such well is shut in and thereafter on the anniversary date of this lease during the period such well is shut in, to the royalty owners. When such payment or tender is made it will be considered that gas is being produced within the meaning of the entire lease. Lessor shall have the privilege at his risk and expense of using gas from any well, producing gas only, on the leased premises for stoves and inside lights in the principal dwelling thereon out of any surplus gas not needed for operations hereunder.

3rd. To pay lessor for gas produced from any oil well and used off the premises, or for the manufacture of casing-head gasoline or dry commercial gas, 3/16 of the gross proceeds, at the mouth of the well, received by lessee for the gas during the time such gas shall be used, said payments to be made monthly.

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

Lessee is hereby granted the right at any time and from time to time to unitize the leased premises or any portion or portions thereof, as to all strata or any stratum or strata, with any other lands as to all strata or any stratum or strata, for the production primarily of oil or primarily of gas with or without distillate. However, no unit for the production primarily of oil shall embrace more than 40 acres, or for the production primarily of gas with or without distillate more than 100 acres; provided that if any governmental regulation shall prescribe a spacing pattern for the development of the field or allocate a producing allowable based on acreage per well, then any such unit may embrace as much additional acreage as may be so prescribed or as may be used in such allocation of allowable. Lessee shall file written unit designations in the county in which the leased premises are located. Operations upon and production from the unit shall be treated as if such operations were upon or such production were from the leased premises whether or not the well or wells are located thereon. The entire acreage within a unit shall be treated for all purposes as if it were covered by and included in this lease except that the royalty on production from the unit shall be as below provided, and except that in calculating the amount of any shut in gas royalties, only the part of the acreage originally leased and then actually embraced by this lease shall be counted. In respect to production from the unit, Lessee shall pay Lessor, in lieu of other royalties thereon, only such proportion of the royalties stipulated herein as the amount of his acreage placed in the unit, or his royalty interest therein on an acreage basis bears to the total acreage in the unit.

If said lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties herein provided shall be paid to the lessor only in the proportion which his interest bears to the whole and undivided fee. Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for its operations thereon, except water from wells of lessor.

When requested by the lessor, lessee shall bury his pipe lines below plow depth. No well shall be drilled nearer than 200 feet to the house or barn now on the premises, without the written consent of the lessor. Lessee shall pay for all damages caused by its operations. Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

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

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

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

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

Lessor hereby warrants and agrees to defend the title to the lands herein described, and agrees that the lessee shall have the right at any time to redeem for lessor by payment any mortgages, taxes or other liens on the above described lands, in the event of default of payment by lessor, and be subrogated to the rights of the holder thereof.

It is agreed that Lessor shall receive a royalty under this lease of 3/16 of all production. The terms of Exhibit "A" attached are incorporated herein and made a part of this lease.

IN TESTIMONY WHEREOF, we sign this the 19th day of Sept, 1986

Handwritten signature of N. E. McKnight and phone number 442-09-4261

Lessor

1400

Return to: M M Resources, Inc., P.O. Box 384, Enid, OK 73702

STATE OF OKLAHOMA, }
County of Garfield

(ACKNOWLEDGMENT FOR INDIVIDUAL)

Before me, the undersigned, a Notary Public, in and for said County and State, on this 19th day of September, 1986, personally appeared N.E. McKnight, a single person

personally known to me to be the identical person... who executed the within and foregoing instrument, and acknowledged to me that he executed the same as his free and voluntary act and deed, for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my official signature and affixed my official seal the day and year first above written.
My commission expires January 20, 1989 Carolyn Davidson Notary Public

STATE OF OKLAHOMA, }
County of

(ACKNOWLEDGMENT FOR INDIVIDUAL)

Before me, the undersigned, a Notary Public, in and for said County and State, on this... day of..., 19... personally appeared

personally known to me to be the identical person... who executed the within and foregoing instrument, and acknowledged to me that executed the same as... free and voluntary act and deed, for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my official signature and affixed my official seal the day and year first above written.
My commission expires... Notary Public

STATE OF OKLAHOMA, }
County of

(ACKNOWLEDGMENT FOR INDIVIDUAL)

Before me, the undersigned, a Notary Public, in and for said County and State, on this... day of..., 19... personally appeared

personally known to me to be the identical person... who executed the within and foregoing instrument, and acknowledged to me that executed the same as... free and voluntary act and deed, for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my official signature and affixed my official seal the day and year first above written.
My commission expires... Notary Public

No. _____

Oil and Gas Lease

FROM _____

TO _____

Date _____, 19____

Section _____, Township _____, Range _____, County, Oklahoma

No. of Acres _____, Term _____

STATE OF OKLAHOMA, }
County of _____

This instrument was filed for record on the _____ day of _____, 19____ at _____ M., and duly recorded in book _____ page _____ of the records of this office.

County Clerk _____
Deputy _____

Record and Mail to: _____

Burbart Printing & Stationery Co., Tulsa, Okla.

STATE OF OKLAHOMA, }
County of

(ACKNOWLEDGMENT FOR CORPORATION)

On this... day of..., A. D., 19..., before me, the undersigned, a Notary Public, in and for the County and State aforesaid, personally appeared

to me known to be the identical person... who subscribed the name of the maker thereof to the foregoing instrument as its... and acknowledged to me that... executed the same as... free and voluntary act and deed and as the free and voluntary act and deed of such corporation, for the uses and purposes therein set forth.

Given under my hand and seal of office the day and year last above written.
My commission expires... Notary Public

EXHIBIT "A"

TO OIL AND GAS LEASE DATED SEPTEMBER 19, 1986,
COVERING:

The Northeast Quarter (NE/4) of Section 21, Township 22N, Range 7 W.I.M. Garfield County, except a tract of land owned by the St. Louis-San Francisco Railway Company.

NOTWITHSTANDING the printed provisions above, this lease is modified as follows:

1. Lessee agrees that after plugging any well drilled on this tract, Lessee will as nearly as possible restore the surface of the land to its original contour and condition. That the Lessee shall stockpile the topsoil and separate it from the other soil; Lessee shall clean the shale from the roadway that may be inside the fence (within sixty (60) days) in the event that a well becomes dry or abandoned. Lessee shall pay additional damages, if any chemical or salt water flows onto Lessor's land outside of location area.
2. Lessee agrees to pay as surface damage a minimum of \$7,000.00 per well drilled, and a minimum surface damage of \$40.00 per rod for the installation of all pipeline. Payable prior to beginning operations.
3. No well shall be used as a saltwater disposal well whatsoever.
4. Lessee shall bury his pipeline below plow depth, which shall be a minimum of 40 inches.
5. Lessee shall have six months after the termination of the lease to remove all of Lessee's property, including casing, and will at the request of Lessors remove such personal property. If within six months after termination of the lease, Lessee has not removed its property, it shall be presumed that Lessee has abandoned his property.
6. If Lessee crosses any terrace, Lessee shall restore such terrace to its original condition and during the continuation of the lease will repair any break in the terrace where it was crossed under the supervision of the Lessor. Lessee shall not lay a line or maintain a drive through a water way without the written consent of Lessor.
7. Lessor, N. E. McKnight, shall have the right to use natural gas from any producing well located on the above described lands, or from lands with which it may be pooled, for domestic purposes and agricultural production purposes on said land. All connections for such taking of gas shall be made at the sole risk and expense of Lessor.
8. Lessor specifically reserves unto himself all fresh water in, on, under and flowing across the leased premises.
9. Prior to Lessee beginning operations upon the leased premises, Lessor shall consent to the location of all equipment, access roads, pipelines, or other structures to be placed upon the leased premises by the Lessee.
10. Upon Lessors request, lessee will maintain fences around the well location, pits, and all equipment for the protection of livestock upon the lands.
11. If a producing well is completed on the land described in this lease and other lands not covered by this lease share in the production by reason of spacing, pooling, or unitization Lessee will pay Lessors the minimum sum of \$300.00 annually as rental for the roadway, well location and tank battery location, if any. This rental is in addition to the crop and location damages paid in connection with the location and drilling of a well.
12. Lessee will take no action nor permit any action which will permanently alter the natural water drainage.
13. The provisions of Paragraph 2 of the lease with regard to the shut-in provisions shall not authorize extension of the lease for more than one (1) year beyond the primary term of the lease without the written consent of Lessor.

14. It is agreed that the right to lay pipelines granted in the oil and gas lease above extends only to pipelines required for drilling and other necessary operations incidental to drilling and maintaining a producing well on the leased premises and carrying production from the leased premises, and does not allow installation of common carrier lines across leased premises except those necessary to market the production from the leased premises.

15. In addition to damages for crop loss, Lessee agrees to pay for damages caused due to explosion or leakage directly caused by Lessee's operations.

16. Lessee agrees to keep the slush pit and surrounding areas free from unnecessary cans, steel, sacks, glass, and other foreign materials. And none of the same shall be buried at the time the slush pit is filled in.

17. Lessee further agrees to install a cattle guard at the point of entry to the lease road at the location agreed upon by the parties hereto and construct a panel type steel gate, which gate shall be locked at all times, one lock being provided by Lessee and one lock being provided by Lessor, in order that either party may enter without the necessity of securing the key to the other party's lock, and furthermore, it is understood and agreed that any fencing required as a result of the contemplated lease road shall be a fence of the type and quality as the existing fence.

18. It is understood and agreed that Lessee will sell said gas at the highest market value available in compliance with all State and Federal Laws and regulations. Purchaser of natural gas will account in regular periodic payments showing the cubic feet of gas sold, taxes deducted and net to Lessor.

19. Lessee agrees that at the expiration of the primary term of this lease, it will cause to be executed a release of said oil and gas lease, insofar as same pertains to all depths above and below the producing formation, should that event take place and said lease is held beyond its primary term by virtue of production.

20. Lessee agrees to comply with all Ordinances of the City of Enid, Oklahoma, regarding oil and gas wells.

These provisions are intended to be a part of the Oil and Gas lease signed by the parties this 19 day of September, 1986.

N. E. McKnight
N. E. McKnight, Lessor

SS# 442-09-4261

Mike Murphy
LESSEE

STATE OF OKLAHOMA
COUNTY OF GARFIELD
RECORDED

OCT 3 1 19 PM '86

OK 1013 PG 254

ROBERT C. GRAF

COUNTY CLERK

BY Robert C. Graf