

OIL AND GAS LEASE

(PAID UP)



AGREEMENT, Made and entered into this 20th day of January, 2011, by and between Chad E. McKnight, Trustee under the Thompson McKnight Living Trust, dated February 23, 2000, 10204 Glendover Avenue, Oklahoma City, OK 73162, party of the first part, hereinafter called lessor (whether one or more), and Bo-Mc Resources Corporation, P O. Box 1765, Enid, OK 73702, party 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 purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and all gas of whatsoever nature or kind, including all associated hydrocarbons produced in a liquid or gaseous form, also including sulphur produced in association with oil or gas, hereinafter sometimes collectively referred to as "oil and gas," 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 oil and gas and other products manufactured therefrom situated in the County of Grant, State of Oklahoma, to-wit:

Lot Two (2) and Lot Seven (7) of the Northwest Quarter (NW/4), aka the South Half of the Northwest Quarter (S/2 NW/4), including all accretion and riparian rights appurtenant thereto

of Section 18, Township 26 North, Range 8 West, and containing 69.50 acres, more or less.

It is agreed that this lease shall remain in force for a term of **three (3) years** from date (herein called primary term) and as long thereafter as oil or gas, or either of them, is produced from said land by the lessee.

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

1st. To deliver to the credit of lessor free of cost, in the pipe line to which it may connect its wells, the **three-sixteenths (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, **three-sixteenths (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 event more than **three-sixteenths (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 of 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.

If lessee shall, on or before any shut-in payment date, make a bona fide attempt to pay or deposit a shut-in payment to a royalty owner entitled thereto under this lease according to lessee's records at the time of such payment, and in such payment or deposit shall be erroneous in any regard, lessee shall be obligated to pay to such royalty owner the shut-in payment properly payable for the period involved, but this lease shall be maintained in the same manner as if such erroneous payment or deposit had been properly made, provided that lessee shall correct such erroneous payment within thirty (30) days following receipt by lessee of written notice from such royalty owner of the error accompanied by any documents and other evidence necessary to enable lessee to make proper payment.

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, **three-sixteenths (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 160 acres, or for the production primarily of gas with or without distillate more than 640 acres; provided that if any governmental regulation shall prescribe a spacing pattern for the development of the field or allocate a producing allowable based on acreage per well, then any such unit may embrace as much additional acreage as may be so prescribed or as may be used in such allocation of allowable. Lessee shall file written unit designations in the county in which the leased premises are located. Operations upon and production from the unit shall be treated as if such operations were upon or such production were from the leased premises whether or not the well or wells are located thereon. The entire acreage within a unit shall be treated for all purposes as if it were covered by and included in this lease except that the royalty on production from the unit shall be as below provided, and except that in calculating the amount of any shut in gas royalties, only the part of the acreage originally leased and then actually embraced by this lease shall be counted. In respect to production from the unit, Lessee shall pay Lessor in lieu of other royalties thereon, only such proportion of the royalties stipulated herein as the amount of his acreage placed in the unit, or his royalty interest therein on an acreage basis bears to the total acreage in the unit.

If said lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein whether stated hereinabove as whole or partial interest, 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 and oil produced on said land for its operations thereon.

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 said premises, without the written consent of the lessor.

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

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

If the estate of either 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.

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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 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.

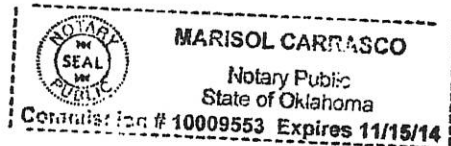
Lessor hereby warrants and agrees to defend the title to the lands herein described, and agrees that the lessee shall have the right at any time to redeem for lessor by payment, any mortgages taxes or other liens on the above described lands, in the event of default of payment by lessor, and be subrogated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

In the event this lease is not continued beyond the primary term by the provisions herein contained, Lessee has the option, but not the obligation, to renew this lease for an additional term of Two (2) years from the expiration of the Three (3) year term of this lease, and as long thereafter as oil and gas or either of them is produced from said land by Lessee. Said renewal to be under the same terms and conditions as contained in this lease. Lessee may exercise this option to renew by tendering to Lessor(s) the same lease bonus consideration provided for in this lease, on or before the expiration date of the first primary term of this lease.

See Exhibit "A" attached for additional provisions.

IN TESTIMONY WHEREOF, we sign this the 20th day of January, 2011


Chad E. McKnight, Trustee under the Thompson
McKnight Living Trust dated February 23, 2000



STATE OF OKLAHOMA }
COUNTY OF Oklahoma } ss.

(Individual Acknowledgment)

Before me, the undersigned, a Notary Public, in and for said County and State, on this 20th day of January, 2011, personally appeared Chad E. McKnight, Trustee under the Thompson McKnight Living Trust dated February 23, 2000, to me known to be the identical person(s) 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 hereunto set my official signature and affixed my notary seal the day and year last above written.

My commission expires 11/15/14

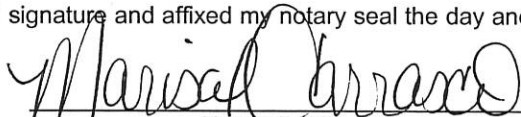

Notary Public

EXHIBIT "A"

Attached to and made a part of that certain Oil and Gas Lease, dated the 20th day of January, 2011, by and between **Chad E. McKnight, Trustee under the Thompson McKnight Living Trust, dated February 23, 2000** as Lessor and **Bo-Mc Resources Corporation**, as Lessee.

The following provisions are part of this Oil and gas Lease and if there be conflict between these provisions and any of the foregoing provisions, then the following provisions shall apply and take precedence:

DEPTH CLAUSE: In the event this lease is extended by commercial production beyond its primary term, then on such date this lease shall terminate as to all rights one hundred feet and more below the stratigraphic equivalent of the deepest penetrated formation in the well or wells located on the leased premises, or land unitized therewith. If Lessee is in the process of drilling or completing a well at the end of the primary term of this lease, this clause shall become effective upon conclusion of such operations.

PUGH CLAUSE: Notwithstanding anything to the contrary in this lease, all portions of this lease not included in a unit created by the Oklahoma Corporation Commission and not producing or upon which drilling operations have not commenced, shall be released at the expiration of the primary term of this lease. Should the unit as established by the Corporation Commission be changed after the expiration of the primary term, all portions of this lease not included in the newly prescribed Corporation Commission unit will be released.

USE OF SURFACE:

- a) Lessee shall be liable and agrees to pay for all damages caused by its operations to the leased premises, including without limitation, damage to all personal property, improvements, livestock, crops, grasses and trees on the leased premises. Lessee agrees to pay \$10,000.00 for the first well location and access road as damages for all surface areas physically contacted by Lessee's operations on the leased premises, payable to the surface owner prior to spudding the first well, and \$45.00 per rod for any pipeline or electrical crossing damages. In the event Lessee uses existing roads of surface owner, Lessee shall maintain such roads. Upon Lessor's request, Lessee shall fence the well site to exclude livestock.
- b) All pipelines shall be buried and maintained below three feet of depth so farming and ranching operations, including irrigation, terracing and subsoil tillage, may be safely performed.
- c) In the event of production, Lessee shall restrict the production site to as small a dimension as is reasonably practical for prudent operations.
- d) Lessee shall consult with surface owner upon the placement of any tanks, pipelines, and lease roads and cattle guards necessitated by its operations on the property, and shall utilize its best efforts to minimize interference with surface owner's farming and ranching operations.
- e) Cattle guards a minimum of 20 feet wide and of adequate strength with steel gates will be constructed at all places where lease roads enter the property or go through existing fences. After completion, Lessee shall use its best efforts to keep gates padlocked at all times, except when opened for passage of traffic. Said cattle guards and gates shall become the property of surface owner upon expiration of the lease. Existing fences shall be H-Braced before cutting to install gates, utilizing posts with minimum 8 inch tops.
- f) Lessee shall maintain production site in a clean and uncluttered condition.
- g) It is agreed that no salt water, waste drilling fluids, waste material or other deleterious substances will be injected in any well that may be drilled on the property covered by this lease without surface owner's prior written consent.
- h) No earthen reserve pits shall be utilized in the re-entry, drilling, completion or operation of any well that may be drilled on the property covered by this lease or any of Lessor's property in said section. This does not include a 20 mill liner haul off pit.
- i) No well shall be located closer than 200 feet to existing dwellings, barns, and outbuildings on the leased premises.
- j) Lessee may not use fresh water obtained from or under the leased premises without the express written consent of the surface owner. Said water to be purchased by Lessee at a price of \$2,000.00.
- k) Upon written notice from Lessor, Lessee shall have one hundred and twenty (120) days to proceed with plugging any well drilled on the leased premises within six (6) months after abandonment, and shall return the well site and road site to its original condition as nearly as practical, including the removal of concrete pads and large rocks, the replacement of soil, and re-establishing native grass.

ROYALTY: Lessee hereby agrees to deliver or cause to be delivered to Lessor, without cost into pipelines, a royalty of three-sixteenths (3/16ths) part of the oil or gas produced from the leased premises and a three-sixteenths (3/16ths) part of all casinghead or drip gas or gasoline or other hydrocarbon substances produced from any well or wells on said premises.

NO DEDUCTIONS: It is agreed between the Lessor and Lessee that, notwithstanding any language herein to the contrary, all oil, gas or other proceeds accruing to the Lessor under this lease or by state law shall be without deduction, for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and marketing the oil, gas and other products produced hereunder.

SEPARATION OF LIQUIDS: Lessee agrees that before any gas produced from the land hereby leased, containing liquid hydrocarbons, recoverable in commercial quantities by separator on the lease, is sold, used or processed in a plant, it will be run through an adequate oil and gas separator of conventional type or other equipment at least as efficient.

BEST PRICE AVAILABLE: In selling any gas produced from the leased premises, or any lands with which the leased premises may be unitized, the Lessee shall exercise good faith and use due diligence and prudence to market such gas at the best price and upon the most favorable terms that may be obtainable by Lessee at the time or times such gas is contracted for sale, but in no event less than the price obtained by the operator of the well, through arms length negotiations with a bonafide purchaser.

WASTE: Lessee agrees to use diligence to prevent the underground or above ground waste of oil or gas and to avoid the physical waste of gas produced from the leased premises.

CESSATION, DRILLING AND REWORKING: In the event production in paying quantities of oil or gas on the leased premises or upon lands pooled therewith, after once obtained, shall cease for any cause within ninety (90) days before the expiration of the primary term of this lease or at any time or times thereafter, this lease shall not terminate if the Lessee commences additional drilling or reworking operations within ninety (90) days after such cessation, and this lease shall remain in full force and effect so long as such operations continue in a good faith and workmanlike manner without interruptions totaling more than ninety (90) days during any one such operation; and if such drilling or reworking operations result in the production of oil or gas in paying quantities, this lease shall remain in full force and effect so long as oil or gas is produced in paying quantities or payment of shut-in gas well royalties are made as hereinbefore provided in the lease.

SHUT-IN ROYALTY: Notwithstanding anything to the contrary herein, it is understood and agreed that this lease may not be maintained in force for any one continuous period of time longer than two (2) consecutive years after the expiration of the primary term hereof solely by the provisions of the shut-in royalty clause.


INDEMNIFICATION: Lessee agrees to indemnify Lessor against all claims, suits, costs, losses, and expenses that may in any manner result from or arise out of the operations conducted by lessee pursuant to this instrument.

FULL PAYMENT: Lessee shall be responsible for the full and proper payment of all amounts due to Lessor during the portion of the term of this lease in which Lessee is the Lessee hereof and to the extent of said leasehold interest of Lessee. Any assignee of this lease shall be responsible for the full and proper payment of all payments due Lessor during the portion of the term of this lease which said assignee is a lessee thereof and to the extent of said leasehold interest of said assignee.

WARRANTY: Notwithstanding the printed provisions of the lease, Lessor specially warrants title to the land covered by this lease only as to claims which arise, by, through and under Lessor and not otherwise.

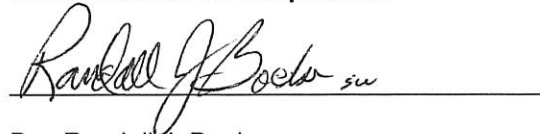
The forgoing provisions are intended to be an integral part of this Lease and by acceptance of this Lease, Lessee accepts and agrees to these provisions.

LESSOR:


Chad E. McKnight, Trustee under the
Thompson McKnight Living Trust, dated
February 23, 2000

LESSEE:

Bo-Mc Resources Corporation



By: Randall J. Boehs

Title: President