

SINGLE PROPERTY LEASE PACKAGE

Updated 4/29/2008 – CATS LEASE FORM

- _____ Intro Letter
- _____ Instruction Sheet
- _____ Landowner Information Sheet
- _____ Lease Memo
- _____ Lease Memo COPY
- _____ Original Voucher
- _____ Original Voucher COPY
- _____ W9 – Owner 1
- _____ W9 – Owner 2
(ONLY IF THERE IS AN OWNER 2)
- _____ Original Lease
- _____ Original Lease COPY
- _____ Paloma Brochure
- _____ Return Envelope
- _____ Original 9x12 Mailing Envelope

Owner Names

Owner: «Combined_Owner»

Deed Name: «DeedName»

Owner 1: «Owner_1»

Owner 2: «Owner_2»

Owner Address

«Owner_Address»

«Owner_CityState» «Owner_Zip»

Property

«GisLink»

«Final_Lessor_Property_Address»

Subdivision: «Legal_1»

Block: «Block»

Lot: «Lot»

Gross Acres: «TextAcres»

Net Acres: «NetAcres»

Legal: «FullLegal»

BE SURE ALL DOCUMENTS MATCH THE NAMES ABOVE

_____ Ready to Send

Bonus Rate: \$«PropertyDetailBonusPerAcre»

Royalty: «Royalty»%

Minimum Bonus:

\$«PropertyDetailMinimumBonus»

Contact: «combinedname»

Voucher Signer: «combinedname»

_____ Approved to Send



PALOMA BARNETT, LLC
1200 Summit Ave., Ste 880
Fort Worth, Texas 76102
817.332.4900
FAX: 817.332.4904

May 15, 2008

Dear «Combined_Owner»,

We would like the opportunity to discuss with you the property you own at «Final_Lessor_Property_Address» in Tarrant County. We are acquiring leasehold in the area for the purpose of natural gas drilling, and would like to extend the following offer to you:

Bonus Consideration: \$«PropertyDetailBonusPerAcre» per acre

Royalty Interest: «Royalty»%

Term: Three (3) year lease, with a Two (2) year option

Enclosed is a package, containing an Oil & Gas Lease, a Lease Memo, W9(s), and a Payment Voucher for your bonus consideration for your property. Please follow the enclosed instructions and send back the requested information.

If there are any questions or concerns, please contact «combinedname» for Paloma at 817-332-4900.

Thank you.

Sincerely,

«combinedname»
Paloma Barnett, LLC

INSTRUCTIONS FOR LEASE DOCUMENTATION

- 1) PLEASE SIGN WHERE INDICATED.
- 2) LEASE DOCUMENT AND LEASE MEMO MUST BE SIGNED AND NOTARIZED
- 3) COMPLETE A W9 FOR EACH OWNER OF THE PROPERTY
- 4) SIGN THE ORIGINAL VOUCHER
- 5) COMPLETE THE LESSOR INFORMATION SHEET
- 6) RETURN THE **ORIGINAL** SIGNED LEASE DOCUMENT, **ORIGINAL** LEASE MEMO, W-9(s), **ORIGINAL** SIGNED VOUCHER AND LESSOR INFORMATION SHEET IN THE ENCLOSED RETURN ENVELOPE.
- 7) KEEP THE LEASE COPY, LEASE MEMO COPY AND COPY OF THE VOUCHER DRAFT.
- 8) IF THE PROPERTY IS OWNED BY A CORPORATE ENTITY, BE SURE TO INCLUDE A CORPORATE RESOLUTION AUTHORIZING THE OFFICER TO ENTER INTO A LEASE.

THE ORIGINAL SIGNED VOUCHER WILL BE CONVERTED INTO A CHECK AND MAILED TO YOU WITHIN THE TERMS OF THE VOUCHER.

**IF YOU HAVE ANY QUESTIONS OR NEED ASSISTANCE,
PLEASE CALL 817-332-4900.**

IF YOU ARE IN NEED OF A NOTARY PUBLIC READ THE FOLLOWING:

- **Most banks offer Notary Services.**
- **Our office provides Notary Services.**
- **We can arrange a Notary to set up a meeting with you for Notary Services.**



PALOMA BARNETT, LLC
1200 Summit Ave., Ste 880
Fort Worth, Texas 76102
817.332.4900
FAX: 817.332.4904

Payment Pickup Instructions

Lease Signing Date

Your check for bonus payment for this lease will be ready in 10 business days and you can pick it up at the original signing location on

From:

At least one of the owners will need to be present and you must bring proper identification and a copy of your payment voucher.

If you fail to pick up your check at that time, we will call you to make other arrangements. **However, if you miss your pickup date, this will extend the payment terms of the voucher until arrangements can be made for delivery.**

IF YOU ARE UNABLE TO ATTEND, PLEASE CALL OUR OFFICE AT 817-332-4900 TO MAKE OTHER ARRANGEMENTS. BE SURE TO MENTION THE REFERENCE NUMBER BELOW ALONG WITH YOUR NAME AND PROPERTY ADDRESS.

«GisLink»

Landowner Information Sheet

Name: _____

Spouse: _____

Mailing Address: _____

City, State Zip: _____

Phone Number: _____ Cell Phone: _____

Fax: _____ Email: _____

_____ **I have other properties in Tarrant County and would like to discuss leasing them with Paloma Resources.**

COPY

STATEMENT OF FACT

STATE OF TEXAS §
COUNTY OF TARRANT §

I, «Combined_Owner» am/are the owner(s) of the minerals for the real property located at «Final_Lessor_Property_Address», further described as Lot «Lot» of Block «Block» in the «PropertyDetailSubdivisionName», an addition to the City of «PropertyCity». I/we do hereby represent and warrant that I/we have not signed a mineral lease with any other company as of May 15, 2008.

Furthermore, should a previously executed and/or recorded mineral lease(s) be discovered for the above referenced property, within ten (10) days after written notice from Paloma Barnett, LLC, I/we will provide and file for public record release(s) from the other lessee(s). Should I/we not be able to provide a release for a previously executed and recorded mineral lease(s), that we will be liable to Paloma Barnett, LLC for the return the all of the bonus payment made by Paloma Barnett, LLC and said bonus payment shall be paid to Paloma Barnett, LLC within five (5) days after written notice from Paloma Barnett, LLC.

By: _____
«Owner_1»

By: _____
«Owner_2»

This instrument was acknowledged before me on the ____ day of _____2008 by
«Owner_1» «Owner_2»

Notary Public, State of TEXAS
Notary's Printed Name:

Commission Expires: _____

PALOMA BARNETT, LLC

Payment Voucher

Date: May 15, 2008

Prospect: «BigMergePROSPECTPROSPECT»

Tract No.: «Abstract»-«Account»

Geo-Reference: «GisLink»

Subdivision: «PropertyDetailSubdivisionName» Block: «Block» Lot: «Lot»

On approval of the Oil, Gas and Mineral lease described hereon, and upon approval of title to same by Drawee not later than TWENTY (20) business days after arrival of this voucher at the Paloma Offices. In the event the Lessor named in this voucher fails to appear to pick up the check at the designated time and place, this voucher will extend until payment is delivered.

PAY TO THE ORDER OF: «Combined_Owner»

**** «FinalDollars» ****

«AmountWords»

This voucher is drawn to pay for the Oil, Gas and Mineral Lease bonus dated May 15, 2008 and covering «NetAcres» net acres, more or less, being Block «Block», Lot «Lot» in the «PropertyDetailSubdivisionName» situated in the «Survey», «Abstract», in Tarrant County, Texas.

The drawer, must return this voucher with authorized signature(s) and SSN/EIN to drawee, and do hereby constitute and appoint the drawee to hold this voucher for the time above specified subject alone to acceptance of payment hereof by payee, within said time, and without any right of drawer, or said grantors, to recall or demand return of this voucher prior to the expiration of the above specified time, and there shall be no liability whatsoever on the drawee for refusal to return the same prior to such expiration. In the event this voucher is not paid in said time no liability for payment or otherwise shall be attached to any of the parties hereto.

DRAWEE

FOR DRAWEE

TO: Paloma Barnett, LLC
1200 Summit Ave., Ste 880
Fort Worth, TX 76102
817-332-4900
817-332-4904 Fax

«combinedname», Agent

DRAWER ENDORSEMENTS:

«Owner_1»

«Owner_2»

TIN/SSN: _____

TIN/SSN: _____

ADDRESS FOR PAYMENT TO BE SENT: _____

CITY, STATE, ZIP: _____

PALOMA BARNETT, LLC

Payment Voucher

COPY

Date: May 15, 2008
Prospect: «BigMergePROSPECTPROSPECT»
Tract No.: «Abstract»-«Account»
Geo-Reference: «GisLink»
Subdivision: «PropertyDetailSubdivisionName» Block: «Block» Lot: «Lot»

On approval of the Oil, Gas and Mineral lease described hereon, and upon approval of title to same by Drawee not later than TWENTY (20) business days after arrival of this voucher at the Paloma Offices. In the event the Lessor named in this voucher fails to appear to pick up the check at the designated time and place, this voucher will extend until payment is delivered.

PAY TO THE ORDER OF: «Combined_Owner»

**** «FinalDollars» ****

«AmountWords»

This voucher is drawn to pay for the Oil, Gas and Mineral Lease bonus dated May 15, 2008 and covering «NetAcres» net acres, more or less, being Block «Block», Lot «Lot» in the «PropertyDetailSubdivisionName» situated in the «Survey», «Abstract», in Tarrant County, Texas.

The drawer, must return this voucher with authorized signature(s) and SSN/EIN to drawee, and do hereby constitute and appoint the drawee to hold this voucher for the time above specified subject alone to acceptance of payment hereof by payee, within said time, and without any right of drawer, or said grantors, to recall or demand return of this voucher prior to the expiration of the above specified time, and there shall be no liability whatsoever on the drawee for refusal to return the same prior to such expiration. In the event this voucher is not paid in said time no liability for payment or otherwise shall be attached to any of the parties hereto.

DRAWEE

FOR DRAWEE

TO: Paloma Barnett, LLC
1200 Summit Ave., Ste 880
Fort Worth, TX 76102
817-332-4900
817-332-4904 Fax

«combinedname», Agent

DRAWER ENDORSEMENTS:

«Owner_1»

«Owner_2»

TIN/SSN: _____

TIN/SSN: _____

ADDRESS FOR PAYMENT TO BE SENT: _____

CITY, STATE, ZIP: _____

Request for Taxpayer Identification Number and Certification

**Give form to the
 requester. Do not
 send to the IRS.**

Print or type See Specific Instructions on page 2.	Name (as shown on your income tax return) «Owner_1»	
	Business name, if different from above	
	Check appropriate box: <input type="checkbox"/> Individual/ Sole proprietor <input type="checkbox"/> Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Other ▶ _____	
	<input type="checkbox"/> Exempt from backup withholding	
	Address (number, street, and apt. or suite no.) «Owner_Address»	
City, state, and ZIP code «Owner_CityState» «Owner_Zip»		
Requester's name and address (optional) Paloma Barnett, LLC 1021 Main, Suite 2600 Houston, TX 77002		
List account number(s) here (optional)		

Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on Line 1 to avoid backup withholding. For individuals, this is your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the Part I instructions on page 3. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN* on page 3.

Social security number
+

or

Employer identification number
+

Note. If the account is in more than one name, see the chart on page 4 for guidelines on whose number to enter.

Part II Certification

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and
3. I am a U.S. person (including a U.S. resident alien).

Certification instructions. You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the Certification, but you must provide your correct TIN. (See the instructions on page 4.)

Sign Here	Signature of U.S. person ▶	Date ▶
------------------	----------------------------	--------

Purpose of Form

A person who is required to file an information return with the IRS, must obtain your correct taxpayer identification number (TIN) to report, for example, income paid to you, real estate transactions, mortgage interest you paid, acquisition or abandonment of secured property, cancellation of debt, or contributions you made to an IRA.

U.S. person. Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN to the person requesting it (the requester) and, when applicable, to:

1. Certify that the TIN you are giving is correct (or you are waiting for a number to be issued),
2. Certify that you are not subject to backup withholding, or
3. Claim exemption from backup withholding if you are a U.S. exempt payee.

In 3 above, if applicable, you are also certifying that as a U.S. person, your allocable share of any partnership income from a U.S. trade or business is not subject to the withholding tax on foreign partners' share of effectively connected income.

Note. If a requester gives you a form other than Form W-9 to request your TIN, you must use the requester's form if it is substantially similar to this Form W-9.

For federal tax purposes, you are considered a person if you are:

- An individual who is a citizen or resident of the United States,
- A partnership, corporation, company, or association created or organized in the United States or under the laws of the United States, or
- Any estate (other than a foreign estate) or trust. See Regulations sections 301.7701-6(a) and 7(a) for additional information.

Special rules for partnerships. Partnerships that conduct a trade or business in the United States are generally required to pay a withholding tax on any foreign partners' share of income from such business. Further, in certain cases where a Form W-9 has not been received, a partnership is required to presume that a partner is a foreign person, and pay the withholding tax. Therefore, if you are a U.S. person that is a partner in a partnership conducting a trade or business in the United States, provide Form W-9 to the partnership to establish your U.S. status and avoid withholding on your share of partnership income.

The person who gives Form W-9 to the partnership for purposes of establishing its U.S. status and avoiding withholding on its allocable share of net income from the partnership conducting a trade or business in the United States is in the following cases:

- The U.S. owner of a disregarded entity and not the entity,

Request for Taxpayer Identification Number and Certification

**Give form to the
 requester. Do not
 send to the IRS.**

Print or type See Specific Instructions on page 2.	Name (as shown on your income tax return) «Owner_2»	
	Business name, if different from above	
	Check appropriate box: <input type="checkbox"/> Individual/ Sole proprietor <input type="checkbox"/> Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Other ▶ _____	
	<input type="checkbox"/> Exempt from backup withholding	
	Address (number, street, and apt. or suite no.) «Owner_Address»	
City, state, and ZIP code «Owner_CityState» «Owner_Zip»		
Requester's name and address (optional) Paloma Barnett, LLC 1021 Main, Suite 2600 Houston, TX 77002		
List account number(s) here (optional)		

Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on Line 1 to avoid backup withholding. For individuals, this is your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the Part I instructions on page 3. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN* on page 3.

Social security number
_ _ + _ _ _ _ _ _ _ _

or

Employer identification number
_ _ + _ _ _ _ _ _ _ _

Note. If the account is in more than one name, see the chart on page 4 for guidelines on whose number to enter.

Part II Certification

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and
3. I am a U.S. person (including a U.S. resident alien).

Certification instructions. You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the Certification, but you must provide your correct TIN. (See the instructions on page 4.)

Sign Here	Signature of U.S. person ▶	Date ▶
------------------	----------------------------	--------

Purpose of Form

A person who is required to file an information return with the IRS, must obtain your correct taxpayer identification number (TIN) to report, for example, income paid to you, real estate transactions, mortgage interest you paid, acquisition or abandonment of secured property, cancellation of debt, or contributions you made to an IRA.

U.S. person. Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN to the person requesting it (the requester) and, when applicable, to:

1. Certify that the TIN you are giving is correct (or you are waiting for a number to be issued),
2. Certify that you are not subject to backup withholding, or
3. Claim exemption from backup withholding if you are a U.S. exempt payee.

In 3 above, if applicable, you are also certifying that as a U.S. person, your allocable share of any partnership income from a U.S. trade or business is not subject to the withholding tax on foreign partners' share of effectively connected income.

Note. If a requester gives you a form other than Form W-9 to request your TIN, you must use the requester's form if it is substantially similar to this Form W-9.

For federal tax purposes, you are considered a person if you are:

- An individual who is a citizen or resident of the United States,
- A partnership, corporation, company, or association created or organized in the United States or under the laws of the United States, or
- Any estate (other than a foreign estate) or trust. See Regulations sections 301.7701-6(a) and 7(a) for additional information.

Special rules for partnerships. Partnerships that conduct a trade or business in the United States are generally required to pay a withholding tax on any foreign partners' share of income from such business. Further, in certain cases where a Form W-9 has not been received, a partnership is required to presume that a partner is a foreign person, and pay the withholding tax. Therefore, if you are a U.S. person that is a partner in a partnership conducting a trade or business in the United States, provide Form W-9 to the partnership to establish your U.S. status and avoid withholding on your share of partnership income.

The person who gives Form W-9 to the partnership for purposes of establishing its U.S. status and avoiding withholding on its allocable share of net income from the partnership conducting a trade or business in the United States is in the following cases:

- The U.S. owner of a disregarded entity and not the entity,

STATE OF TEXAS
COUNTY OF TARRANT

§
§
§

KNOW BY ALL MEN THESE PRESENTS:

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

NO SURFACE USE OIL AND GAS LEASE

This **NO SURFACE USE OIL AND GAS LEASE** ("Lease") is made as of the **15th** day of **May, 2008**, (the "**Effective Date**") by and between "**DeedName**", ("**Lessor**") whether one or more, whose address is, "**Owner_Address**", "**Owner_CityState**" "**Owner_Zip**", and **PALOMA BARNETT, LLC**, ("**Lessee**," whether one or more), whose address is **1021 Main Street, Suite 2600, Houston, Texas 77002**. Lessor and Lessee are sometimes collectively referred to in this Lease as the "Parties."

1. Property. Lessor, in consideration of a cash bonus in hand paid by Lessee, the royalties herein provided, and the covenants, agreements and obligations of Lessee herein contained, and subject to the conditions and limitations hereinafter set forth, hereby leases and lets, exclusively unto Lessee, for the purpose of exploring, drilling for, producing, and marketing oil and gas, the subsurface "Mineral Estate," as defined below, the land in Tarrant County, Texas, described as follows, to wit:

«FullLegal»

(and referred to herein as "Said Land," the "Property," or the "Leased Premises"). The Property shall include all strips and gores, streets, easements, highways and alleyways adjacent thereto. Lessor agrees to execute at Lessee's request any additional or supplemental instruments reasonably necessary for a more complete or accurate description of the Property. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres specified above shall be deemed correct, whether actually more or less.

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

3. Option Clause. Notwithstanding anything to the contrary herein, Lessee is hereby granted the exclusive option, to be exercised prior to the date which this Lease would expire in accordance with its terms and provisions, of extending this Lease for an additional period of two (2) years as to all, but not a portion, of the Property. The only action required by Lessee to exercise this option is payment made to Lessor prior to expiration of the Primary Term of this Lease of an additional consideration of the sum of Twenty Seven Thousand and No/100 Dollars (\$27,000.00) per net mineral acre, which payment shall cover the entire two (2) year extended Primary Term. Should this option be exercised as herein provided, it shall be considered for all purposes as though this Lease originally provided for a primary term of five (5) years.

4. Minerals Covered. For purposes of this Lease, the "Mineral Estate" means oil, gas and other liquid and gaseous hydrocarbons and their constituent elements produced through a well bore. "Oil" includes all condensate, distillate and other liquid and gaseous hydrocarbons produced through a well bore. "Gas" includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. Expressly excluded from the Mineral Estate and this Lease are lignite, coal, sulfur and other like minerals. Lessee shall have no rights to water in, on, or under lands of Lessor.

5. Royalties. 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 royalties shall be twenty six and 5/10 percent (26.5%) of the market value of such production, computed 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 field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity; and (b) for Gas (including casinghead gas) and all other substances covered hereby, the royalties shall be twenty six and 5/10 percent (26.5%) of the proceeds realized by Lessee from the sale thereof, computed at the point and on the date of sale, 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 field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder.

Lessee shall pay to Lessor the following royalties, which shall, except for Lessor's share of production severance taxes, be free of all costs of any kind, including, but not limited to, costs of gathering, production, transportation, treating, compression, dehydration, processing, marketing, trucking or other expense, directly or indirectly incurred by Lessee, whether as a direct charge or a reduced price or otherwise. In this regard, Lessee agrees to bear one hundred percent (100%) of all costs and expenses incurred in rendering oil or gas produced on or from the leased premises marketable and delivering the same into the purchaser's or transporter's trucks or pipeline. Additionally, said royalties shall never bear, either directly or indirectly, under any circumstances, the costs or expenses (including depreciation) to construct, repair, renovate or operate any pipeline, plant, or other facilities or equipment used in connection with the treating, separation, extraction, gathering, processing, refining, compression, transporting, manufacturing or marketing of oil or gas produced from the leased premises or lands pooled therewith.

Royalties on Oil, Gas and other substances produced and saved hereunder which are processed in a processing plant in which Lessee, or an affiliate of Lessee, has a direct or indirect interest, shall be calculated based upon the highest of the proceeds received or the market value of the products so processed on the date of production. Similarly, on Oil, Gas and other substance produced and saved hereunder which are sold to Lessee, or an affiliate of Lessee, royalties shall be paid based upon the higher of the market value of the products so sold on the date of production and the proceeds received by Lessee for said products. Notwithstanding anything to the contrary herein, in no event shall any of Lessor's royalties bear any part of the direct or indirect costs of production or any post-production costs, including, but not limited to, costs of lifting, gathering dehydration, compression, separation, delivery, transportation, manufacture, processing, treating or marketing, or for construction, operation or depreciation of any plant or other facility or equipment for processing or treating Oil, Gas, or other substances produced from the Property or lands pooled therewith or production tests conducted. In no event shall

Lessor receive a price less than Lessee in sales to non-affiliates. It is the intent of the parties that the provisions of this section are to be fully effective and enforceable and are not to be construed as "surplusage" under the principles set forth in *Heritage Resources v. NationsBank*, 939 S.W.2d 118 (Tex. 1997).

As used herein, "affiliate" shall mean (i) a corporation, joint venture, partnership or other entity that owns more than ten percent (10%) of the outstanding voting interest of Lessee, or in which Lessee owns more than ten percent (10%) of the outstanding voting interest; or (ii) a corporation, joint venture, partnership or other entity in which, together with Lessee, more than ten percent (10%) of the outstanding voting interest of both the Lessee and the other corporation, joint venture partnership or other entity is owned or controlled by the same person or group of persons.

Lessee shall disburse or cause to be disbursed to Lessor its royalties on production from a particular well not later than one hundred twenty (120) days after the end of the month following first delivery of Oil, Gas, or other substances produced from the well into the pipeline. Thereafter, Lessee shall disburse or cause to be disbursed to Lessor by the last day of each month its royalties on production for which Lessee received payment in the preceding month, but in no event shall royalties be paid more than sixty (60) days after the last day of the month of production. If not paid when due, Lessor's royalties shall bear interest at the maximum lawful rate from due date until paid, which amount Lessee agrees to pay. Acceptance by Lessor of royalties that are past due shall not act as a waiver or estoppel of its right to receive interest due thereon unless Lessor expressly so provides in writing signed by Lessor.

The receipt by Lessee, an affiliate, or Lessee's operator, from a purchaser or a pipeline company of proceeds of production for distribution to Lessor shall not result in Lessee, or Lessee's operator, acquiring legal or equitable title to those proceeds, but Lessee, or Lessee's operator, will at all times hold the proceeds in trust for the benefit of Lessor. Notwithstanding the insolvency, bankruptcy, or other business failure of a purchaser of production from the Property, or pipeline company transporting production from the Property, Lessee shall remain liable for payment to Lessor for, and agrees to pay Lessor all royalties due Lessor, together with interest if not timely paid. Lessor retains the right to terminate the Lease for failure to pay royalties, after a period of written notice and opportunity to cure, which shall not exceed sixty (60) days.

Oil, Gas, or other substances produced from the Property or pooled unit that the Property is included therewith shall not be commingled with Oil, Gas, or other substances produced from any other lands prior to the point where the Oil, Gas, or other substances produced from this Lease passes through the meter which will measure the Oil, Gas, or other substances for calculating the payment made by the purchaser of Oil, Gas, or other substances production.

6. Shut-in Royalties. If at the end of the Primary Term or any time thereafter one or more wells on the Property or lands pooled therewith are capable of producing Oil, Gas, or other substances covered hereby in paying quantities, but such well or wells are either shut-in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this Lease. If for a period of ninety (90) consecutive days such well or wells are shut-in or production therefrom is not being sold by Lessee, then Lessee shall pay shut-in royalties of seventy-five dollars (\$75.00) per acre then covered by this Lease on or before the end of said 90-day period and thereafter on or before each monthly anniversary of the end of said 90-day period while the well or wells are shut-in or production therefrom is not being sold by Lessee; provided, however, that if this Lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the Property or lands pooled therewith, no shut-in royalties shall be due until the end of the 90-day period next following cessation of such operations or production. Notwithstanding anything to the contrary herein, it is expressly understood and agreed that after the expiration of the Primary Term, Lessee shall not have the right to continue this Lease in force by payment of shut-in royalties for more than one single period of up to two (2) consecutive years.

7. Payments. All payments under this Lease shall be paid or tendered to Lessor at the address in Section 1, or at such address or to Lessor's credit at such depository institution in lawful U. S. currency as Lessor may provide written notice of from time to time. All payments or tenders may be made by check or electronic transfer.

8. Continuous Drilling Obligations. If Lessee drills a well which is incapable of producing in paying quantities (a "Dry Hole") on the Property or lands pooled therewith, or if all production (whether or not in paying quantities) permanently ceases from any cause, including a revision of unit boundaries pursuant to the provisions of Section 9 or the action of any governmental authority, then in the event this Lease is not otherwise being maintained in force it shall nevertheless remain in force if Lessee commences reworking an existing well or begins drilling an additional well or otherwise obtaining or restoring production on the Property or lands pooled therewith within one hundred twenty (120) days after completion of operations on such Dry Hole, or within one hundred twenty (120) days after such cessation of all production. If at the end of the Primary Term, or at any time thereafter, this Lease is not otherwise being maintained in force but Lessee is then engaged in drilling, reworking or any other operations reasonably calculated to obtain or restore production therefrom, this Lease shall remain in force so long as any one or more of such operations are prosecuted with no cessation of more than one hundred twenty (120) consecutive days, and if any such operations results in the production of Oil, Gas, or other substances covered hereby, as long thereafter as there is production in paying quantities from the Property or lands pooled therewith. After completion of a well capable of producing in paying quantities hereunder, Lessee shall drill such additional wells on the Property or lands pooled therewith as a reasonably prudent operator would drill under the same or similar circumstances (a) to obtain production from the Property as to formations then capable of producing in paying quantities on the Property or lands pooled therewith, or (b) to protect the Property from uncompensated drainage by any well or wells located on other lands not pooled therewith. An offsetting well producing from a bottom hole location closer than 330 feet of the Property shall be presumed to be draining the Property. There shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein.

9. Pooling. Lessee shall have the right but not the obligation to pool all or any part of the Property or interests therein with any other lands or interests owned or leased by Lessee and its affiliates, and as to any or all substances covered by this lease, 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 Property, whether or not similar pooling authority exists with respect to such other lands or interests; provided, however, that the entire Property covered by this Lease shall be included in any unit created pursuant to the pooling authority granted herein. The unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed eighty (80) acres plus a maximum acreage tolerance of ten percent (10%) and for a gas well or a horizontal completion shall not exceed six hundred forty (640) acres plus a maximum acreage tolerance of ten percent (10%). For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 100,000 cubic feet per barrel, and "gas well" means a well with an initial gas-oil ratio of 100,000 cubic feet or more per barrel, based on 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment, and "horizontal completion" means a well in which the horizontal component of the gross interval in the reservoir exceeds the vertical component thereof. In exercising its pooling rights hereunder, within one hundred twenty (120) days of first production, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling which may be retroactive to first production. Upon written request, Lessee shall send Lessor a

copy of any such declaration. In the event Lessor's acreage is included in a well, all of Lessor's acreage shall be included. Production, drilling or reworking operations anywhere on a unit which includes the Property shall be treated as if it were production, drilling or reworking operations on the Property, except that the production on which Lessor's royalties are calculated shall be that proportion of the total unit production which the mineral acres covered by this Lease and included in the unit bears to the total number of mineral acres included 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. Upon written request, Lessee shall send Lessor a copy of any such declaration. If the Property 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. Upon written request, Lessee shall send Lessor a copy of any such declaration. Pooling hereunder shall not constitute a cross-conveyance of interests.

10. Assignment. The interest of either Lessor or Lessee hereunder may be assigned 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; provided, however, if Lessee is to assign any part of this Lease it shall give written notice and a copy of any assignment to the Lessor within sixty (60) days of assignment with the exception that Lessee shall not be required to give written notice and a copy of any assignment made to Chesapeake Exploration and/or any of its subsidiaries or affiliates. 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 thirty (30) days after Lessee has been furnished the original or certified or duly authenticated copies of the documents establishing such change of ownership to the reasonable satisfaction of Lessee or until Lessor has satisfied the notification requirements contained in Lessee's usual form of division order. Every transferee shall succeed to all rights and shall be subject to all obligations, liability, and penalties owed to the Lessor by the original Lessee or any prior transferee of the Lease, including, and not limited to, any liabilities to the Lessor for unpaid royalties.

11. Release and Vertical Pugh Clause. Lessee may, at any time and from time to time, deliver to Lessor a file of record written release of this Lease as to a full or undivided interest in all 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 or tender shut-in royalties shall be proportionately reduced in accordance with the net acreage interest retained hereunder. In any event, upon termination of this Lease, Lessee, its successors or assigns shall deliver to Lessor a recorded release within sixty (60) days as to such portion or portions of this Lease which have terminated under the terms of this Lease. Subject to the terms of paragraph 2, upon the expiration of the Primary Term of this Lease, upon the expiration of any extension or renewal of the Primary Term, or after cessation of operations as provided herein, whichever occurs last, this Lease shall terminate as to all rights lying one hundred feet (100') below the stratigraphic equivalent of the base of the deepest formation producing or capable of producing in any well drilled on the Property or on lands pooled therewith, whichever is the deepest; provided, however, if Lessee is then engaged in operations on the Property or on lands pooled therewith, this Lease shall remain in full force and effect as to all depths so long as no more than ninety (90) days elapse between operations.

12. No Surface Use. Notwithstanding anything to the contrary in this Lease, Lessee shall not enter upon the surface of, cross over, place any structure or building upon, or conduct any operations (including but not limited to geophysical/seismic operations) on the surface of the Property. Lessee shall only develop the Property by pooling, as provided herein, or by directional or horizontal drilling commenced from a surface location on other lands. Notwithstanding anything to the contrary in the Lease, Lessee shall have no right to drill horizontally, vertically, or at an angle under the Leased Premises at any depth that is less than three hundred (300) feet below the surface. Lessee shall make all reasonable efforts not to use residential or neighborhood streets or thoroughfares in developing the Leased Premises, any lands pooled therewith or otherwise. The terms and provisions of this paragraph shall be controlling over any contrary provisions located elsewhere in this Lease.

13. Noise. Noise levels associated with Lessee's operations related to the drilling, completion and reworking of wells shall be kept to a reasonable minimum, taking into consideration reasonably available equipment and technology in the oil and gas industry, the level and nature of development and surface use elsewhere in the vicinity of Lessee's drill sites and the fact Lessee's operations are being conducted in or near an urban residential area. If Lessee utilizes any non-electric-powered equipment in its operations, Lessee shall take reasonable steps to muffle the sound therefrom by installing a noise suppression muffler, like equipment or barrier.

14. Regulatory Requirements and Force Majeure. 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 environmental regulations, setback requirements, restrictions on the drilling and production of wells, and the price of Oil, Gas, and other substances covered hereby. To the extent any such laws, rules, regulations or orders are less restrictive than the terms of this Lease, this Lease shall control. The breach of this paragraph will be considered a material breach of the Lease. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, 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. Lessee shall not be liable for breach of any express or implied covenants of this Lease when drilling, production or other operations are so prevented, delayed or interrupted. Lessee shall take all reasonable actions to remove or end any cause of force majeure as soon as reasonably possible. Lessee understands that "Force Majeure" shall not include lack of planning or action on the part of Lessee to file a timely application for zoning changes or permits. The City of Arlington clearly indicates a minimum of 13 weeks for such requests, therefore failure to apply at least 18 weeks in advance for either zoning changes or permits (36 weeks if there is a sequential dependency) prior to the end of the primary term may result in expiration of the primary term without production. In no event shall this Lease be perpetuated by an event of force majeure for a period of more than one (1) consecutive year or three (3) years of cumulative time. No obligation of Lessee to pay money that has accrued and was due before the Force Majeure event occurred under this lease will be excused or delayed by reason of such Force Majeure event.

15. Environmental Compliance. Lessee shall use the highest degree of care and all reasonable safeguards to prevent contamination or pollution of any environmental medium, including soil, surface waters, groundwater, sediments, and surface or subsurface strata, ambient air or any other environmental medium in, on, or under, the Property or lands pooled therewith, by any waste, pollutant, or contaminant. Lessee shall not bring or permit to remain on the Property or lands pooled therewith any asbestos containing materials, explosives, toxic materials, or substances regulated as hazardous wastes, hazardous materials, hazardous substances (as the term "Hazardous Substance" is defined in the Comprehensive Environmental Response Compensation and Liability Act (CERCLA), 42 U.S. C. Sections 9601, et seq.) or toxic substances under any federal, state or local law or regulation ("Hazardous Materials"), except ordinary products commonly used in connection with oil and gas exploration and development operations and lawfully stored in the proper manner and quantities. LESSEE'S VIOLATION OF THE FOREGOING PROHIBITION SHALL CONSTITUTE A MATERIAL BREACH AND DEFAULT HEREUNDER AND LESSEE SHALL INDEMNIFY, HOLD HARMLESS AND DEFEND LESSOR, ITS AGENTS, EMPLOYEES, TENANTS, GUESTS, INVITEES AND THEIR RESPECTIVE SUCCESSORS AND ASSIGNS FROM AND AGAINST ANY CLAIMS, DAMAGES, JUDGMENTS, PENALTIES, LIABILITIES, AND COSTS (INCLUDING REASONABLE ATTORNEYS' FEES AND COURT COSTS) CAUSED BY OR ARISING OUT OF (1) A VIOLATION OF THE FOREGOING PROHIBITION OR (2) THE PRESENCE, RELEASE OR DISPOSAL OF ANY HAZARDOUS MATERIALS ON, UNDER OR ABOUT THE PROPERTY OR LANDS POOLED THEREWITH DURING THE TERM OF THIS LEASE. LESSEE SHALL CLEAN UP, REMOVE, REMEDY, AND REPAIR ANY SOIL OR GROUND WATER CONTAMINATION AND DAMAGE CAUSED BY THE PRESENCE OR RELEASE OF ANY HAZARDOUS MATERIALS IN, ON, UNDER OR ABOUT THE PROPERTY OR LANDS POOLED THEREWITH DURING THE TERM OF THIS LEASE IN CONFORMANCE WITH THE REQUIREMENTS OF APPLICABLE LAW. THIS INDEMNIFICATION AND ASSUMPTION SHALL APPLY, BUT IS NOT LIMITED TO, LIABILITY FOR RESPONSE ACTIONS UNDERTAKEN PURSUANT TO CERCLA OR ANY OTHER ENVIRONMENTAL LAW OR REGULATION. LESSEE SHALL IMMEDIATELY GIVE LESSOR WRITTEN NOTICE OF ANY BREACH OR SUSPECTED BREACH OF THIS PARAGRAPH, UPON LEARNING OF THE PRESENCE OF ANY HAZARDOUS MATERIALS, OR UPON RECEIVING A NOTICE PERTAINING TO HAZARDOUS MATERIALS WHICH MAY AFFECT THE PROPERTY OR LANDS POOLED THEREWITH. THE OBLIGATIONS OF LESSEE HEREUNDER SHALL SURVIVE THE EXPIRATION OR EARLIER TERMINATION, FOR ANY REASON, OF THIS LEASE.

16. Indemnity. LESSEE AGREES TO INDEMNIFY AND HOLD HARMLESS LESSOR, AND LESSOR'S REPRESENTATIVES, SUCCESSORS, AND ASSIGNS AGAINST ALL EXPENSES, CLAIMS, DEMANDS, LIABILITIES, AND CAUSES OF ACTION OF ANY NATURE FOR INJURY TO OR DEATH OF PERSONS AND LOSS OR DAMAGE TO PROPERTY, INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEY'S FEES, EXPERT FEES, AND COURT COSTS, CAUSED BY LESSEE'S OPERATIONS ON THE PROPERTY OR LANDS POOLED THEREWITH OR LESSEE'S MARKETING OF PRODUCTION FROM THE LAND OR ANY VIOLATION OF ANY ENVIRONMENTAL REQUIREMENTS BY LESSEE. AS USED IN THIS PARAGRAPH, THE TERM "LESSEE" INCLUDES LESSEE, ITS AGENTS, EMPLOYEES, SERVANTS, CONTRACTORS, AND ANY OTHER PERSON ACTING UNDER ITS DIRECTION AND CONTROL, AND ITS INDEPENDENT CONTRACTORS.

17. Notices. All notices required or contemplated by this Lease shall be directed to the party being notified at the address identified in Section 1, unless notice of another address has been provided in writing. All such notices shall be made by registered or certified mail, return receipt requested, unless another means of delivery is expressly stated.

18. No Warranty of Title. This Lease is given and granted without warranty of title, express or implied, in law or in equity. Lessor makes no warranty of any kind with respect to title to the surface or mineral estate in the Property or any portion of or interest therein. All warranties by Lessor that might arise by common law or by statute, including but not limited to Section 5.023 of the Texas Property Code (or its successor), are excluded. By acceptance of this Lease, Lessee acknowledges that it has been given full opportunity to investigate and has conducted sufficient investigation to satisfy itself as to the title to the Property. Lessee shall be held liable for any and assumes all risk of title failures, including all monies received from Lessee.

19. Venue and Legal Fees. Venue for any dispute arising under this Lease shall lie in Tarrant County, Texas, where all obligations under this Lease are performable. At any time that any obligation of the Lessee to make a payment shall not be complied with in accordance with the terms of the Lease, it is agreed and understood that Lessee will pay to Lessor interest thereon at the highest lawful rate allowed to be charged to Lessee by Lessor under the then existing statutes of the State of Texas. In addition, in the event of the breach of any provision of the Lease, Lessee shall pay to Lessor all costs and expenses reasonably incurred including reasonable attorneys' fees and expenses, expert fees and expenses, and costs of court incurred by Lessor for the enforcement of the provisions of this Lease. It is agreed and understood that time is of the essence in the performing of each responsibility under the terms of this Lease.

20. Records. Lessee shall keep complete and accurate records of all its operations relating to or affecting the Property and lands with which the Property is pooled, and the results thereof, including but not limited to: all geophysical, geological, and geochemical data and interpretations or analyses thereof; all land surveys, title opinions and title curative material; all drilling, coring, logging, testing and completion records; all production records showing the total gross production, the quantities saved, sold and used, the disposition thereof, and the sales prices or values thereof; all production sales contracts; and such other records and as may be proper for the settlement of accounts between Lessor and Lessee or to determine the respective rights and obligations of said parties hereunder, including records of all Hazardous Substance investigations, site reports, clean-up records, etc. During the Primary Term of this Lease and for as long as Oil and Gas is produced therefrom, and for a period of one (1) year thereafter, upon written request, Lessee shall make all of such records and data available to Lessor or Lessor's designee for examination and copying in Lessee's offices at all reasonable times, as well as all other records, reports, notes, charts, graphs, maps, contracts, documents, papers, and other material in the possession of or under the control of the Lessee and pertaining to the Property. If Lessee, at any time decides to retain such records of kind outside of Lessee's above noted address, it shall be the holder of said Lease to provide written instruction to Lessor within sixty business (60) days of transfer/relocation and at that point in time, Lessee to provide a reasonable solution for record review to Lessor. Lessor agrees to keep all such information provided to Lessor confidential.

21. Division Orders. It is agreed that neither the Lease nor any of its terms or provisions shall be altered, amended, extended, or ratified by any division order or transfer order executed by Lessor, Lessor's successors, agents, or assigns. If Lessee shall require the execution of a division order for payment of royalties payable under the Lease, then the only form of division order permitted for Lessee's use shall be such form promulgated by the State of Texas and set forth in Section 91.402(d) of the Texas Natural Resources Code, as amended from time to time. Any amendment, alteration, extension or ratification of this lease, or of any term or provision of this lease, shall be made only by an instrument clearly denominating its purpose and effect, describing the specific terms or provisions affected and the proposed change or modification hereof, and executed by the party against whom any such amendment, alteration, extension or ratification is sought to be enforced. Any purported amendment, alteration, extension or ratification not so drafted shall be of no force or effect.

22. Subordination Agreement Fees. Notwithstanding anything contained herein to the contrary, neither Lessee nor Lessee's assigns shall ever require subordination, partial release of lien, release of lien, consent or other documentation from any lender or tenant of Lessor that has a lien on said land as a condition to Lessor receiving the agreed signing bonus or any

subsequent royalty payment. Lessor, (at absolutely no cost to Lessor) will cooperate with any reasonable effort of Lessee to obtain same from Lessor's lender on behalf of Lessor. None of the above shall prevent Lessor in receiving the agreed signing bonus or any payments of royalties due Lessor from Lessee.

23. Estoppel Requests. The parties shall, from time-to-time, within 20 days after written request by the other party, deliver an estoppel certificate stating that the Lease is in full effect (or has been terminated), the unexpired term of the Lease, the status of any alleged defaults by the other party, the land(s) with which the Property is pooled, the status of drilling and/or production, and such other factual matters pertaining to the Lease as may reasonably be requested by the parties.

24. Miscellaneous. This Lease is entered into in the State of Texas and shall be construed, interpreted and enforced in accordance with the laws of the State of Texas without reference to choice-of-law rules. Should any of the provisions herein be determined to be invalid by a court of competent jurisdiction, it is agreed that this shall not affect the enforceability of any other provision herein and that the parties shall attempt in good faith to renegotiate that provision so determined to be invalid to effectuate the purpose of and to conform to the law regarding such provision. The section titles appearing in this Lease are for convenience only and shall not by themselves determine the construction of this Lease. This Lease may be executed in one or more counterparts and by facsimile execution, each of which shall be deemed an original, but all of which shall constitute one and the same instrument. Singular and plural terms, as well as terms stated in the masculine feminine or neuter gender, shall be read to include the other(s) as the context requires to effectuate the full purposes of this Lease.

25. Proportionate Reduction. If Lessor owns less than the full mineral estate in all or any part of the Leased Premises, the royalties and shut-in royalties payable hereunder for any well on any part of the Leased Premises or land pooled therewith shall be reduced to the proportion that Lessor's interest in such part of the Leased Premises bears to the full mineral estate in such part of the Leased Premises.

26. Notice of 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 and Lessee fails to do so.

A MEMORANDUM OF LEASE and not the actual Lease instrument with its addendum, if any, shall be filed of record in Tarrant County, Texas, in order to give constructive notice of Lessee's leasehold interest in the property.

IN WITNESS WHEREOF, this Lease is executed to be effective as of the date first written above, but upon execution shall be binding on each signatory and the signatory's heirs, devisees, executors, administrators, successors and assigns.

LESSOR

«Owner_1»

«Owner_2»

STATE OF TEXAS (INDIVIDUAL ACKNOWLEDGEMENT)

COUNTY OF TARRANT

This instrument was acknowledged before me on the _____ day of _____, 2008, by «Owner_1» «Owner_2»

Notary Public, State of Texas
Notary's Name Printed:
Notary's Commission Expires:

STATE OF TEXAS (CORPORATE ACKNOWLEDGEMENT)

COUNTY OF TARRANT

This instrument was acknowledged before me on the _____ day of _____, 2008, by

_____, the _____ (Office) of _____

on behalf of said corporation.

Notary Public, State of Texas
Notary's Name Printed:
Notary's Commission Expires:

STATE OF TEXAS
COUNTY OF TARRANT

§
§
§

KNOW BY ALL MEN THESE PRESENTS:

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

NO SURFACE USE OIL AND GAS LEASE

COPY

This **NO SURFACE USE OIL AND GAS LEASE** ("Lease") is made as of the **15th** day of **May, 2008**, (the "**Effective Date**") by and between "**DeedName**", ("**Lessor**") whether one or more, whose address is, "**Owner_Address**", "**Owner_CityState**" "**Owner_Zip**", and **PALOMA BARNETT, LLC**, ("**Lessee**," whether one or more), whose address is **1021 Main Street, Suite 2600, Houston, Texas 77002**. Lessor and Lessee are sometimes collectively referred to in this Lease as the "Parties."

1. Property. Lessor, in consideration of a cash bonus in hand paid by Lessee, the royalties herein provided, and the covenants, agreements and obligations of Lessee herein contained, and subject to the conditions and limitations hereinafter set forth, hereby leases and lets, exclusively unto Lessee, for the purpose of exploring, drilling for, producing, and marketing oil and gas, the subsurface "Mineral Estate," as defined below, the land in Tarrant County, Texas, described as follows, to wit:

«FullLegal»

(and referred to herein as "Said Land," the "Property," or the "Leased Premises"). The Property shall include all strips and gores, streets, easements, highways and alleyways adjacent thereto. Lessor agrees to execute at Lessee's request any additional or supplemental instruments reasonably necessary for a more complete or accurate description of the Property. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres specified above shall be deemed correct, whether actually more or less.

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

3. Option Clause. Notwithstanding anything to the contrary herein, Lessee is hereby granted the exclusive option, to be exercised prior to the date which this Lease would expire in accordance with its terms and provisions, of extending this Lease for an additional period of two (2) years as to all, but not a portion, of the Property. The only action required by Lessee to exercise this option is payment made to Lessor prior to expiration of the Primary Term of this Lease of an additional consideration of the sum of Twenty Seven Thousand and No/100 Dollars (\$27,000.00) per net mineral acre, which payment shall cover the entire two (2) year extended Primary Term. Should this option be exercised as herein provided, it shall be considered for all purposes as though this Lease originally provided for a primary term of five (5) years.

4. Minerals Covered. For purposes of this Lease, the "Mineral Estate" means oil, gas and other liquid and gaseous hydrocarbons and their constituent elements produced through a well bore. "Oil" includes all condensate, distillate and other liquid and gaseous hydrocarbons produced through a well bore. "Gas" includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. Expressly excluded from the Mineral Estate and this Lease are lignite, coal, sulfur and other like minerals. Lessee shall have no rights to water in, on, or under lands of Lessor.

5. Royalties. 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 royalties shall be twenty six and 5/10 percent (26.5%) of the market value of such production, computed 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 field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity; and (b) for Gas (including casinghead gas) and all other substances covered hereby, the royalties shall be twenty six and 5/10 percent (26.5%) of the proceeds realized by Lessee from the sale thereof, computed at the point and on the date of sale, 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 field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder.

Lessee shall pay to Lessor the following royalties, which shall, except for Lessor's share of production severance taxes, be free of all costs of any kind, including, but not limited to, costs of gathering, production, transportation, treating, compression, dehydration, processing, marketing, trucking or other expense, directly or indirectly incurred by Lessee, whether as a direct charge or a reduced price or otherwise. In this regard, Lessee agrees to bear one hundred percent (100%) of all costs and expenses incurred in rendering oil or gas produced on or from the leased premises marketable and delivering the same into the purchaser's or transporter's trucks or pipeline. Additionally, said royalties shall never bear, either directly or indirectly, under any circumstances, the costs or expenses (including depreciation) to construct, repair, renovate or operate any pipeline, plant, or other facilities or equipment used in connection with the treating, separation, extraction, gathering, processing, refining, compression, transporting, manufacturing or marketing of oil or gas produced from the leased premises or lands pooled therewith.

Royalties on Oil, Gas and other substances produced and saved hereunder which are processed in a processing plant in which Lessee, or an affiliate of Lessee, has a direct or indirect interest, shall be calculated based upon the highest of the proceeds received or the market value of the products so processed on the date of production. Similarly, on Oil, Gas and other substance produced and saved hereunder which are sold to Lessee, or an affiliate of Lessee, royalties shall be paid based upon the higher of the market value of the products so sold on the date of production and the proceeds received by Lessee for said products. Notwithstanding anything to the contrary herein, in no event shall any of Lessor's royalties bear any part of the direct or indirect costs of production or any post-production costs, including, but not limited to, costs of lifting, gathering dehydration, compression, separation, delivery, transportation, manufacture, processing, treating or marketing, or

for construction, operation or depreciation of any plant or other facility or equipment for processing or treating Oil, Gas, or other substances produced from the Property or lands pooled therewith or production tests conducted. In no event shall Lessor receive a price less than Lessee in sales to non-affiliates. It is the intent of the parties that the provisions of this section are to be fully effective and enforceable and are not to be construed as "surplusage" under the principles set forth in *Heritage Resources v. NationsBank*, 939 S.W.2d 118 (Tex. 1997).

As used herein, "affiliate" shall mean (i) a corporation, joint venture, partnership or other entity that owns more than ten percent (10%) of the outstanding voting interest of Lessee, or in which Lessee owns more than ten percent (10%) of the outstanding voting interest; or (ii) a corporation, joint venture, partnership or other entity in which, together with Lessee, more than ten percent (10%) of the outstanding voting interest of both the Lessee and the other corporation, joint venture partnership or other entity is owned or controlled by the same person or group of persons.

Lessee shall disburse or cause to be disbursed to Lessor its royalties on production from a particular well not later than one hundred twenty (120) days after the end of the month following first delivery of Oil, Gas, or other substances produced from the well into the pipeline. Thereafter, Lessee shall disburse or cause to be disbursed to Lessor by the last day of each month its royalties on production for which Lessee received payment in the preceding month, but in no event shall royalties be paid more than sixty (60) days after the last day of the month of production. If not paid when due, Lessor's royalties shall bear interest at the maximum lawful rate from due date until paid, which amount Lessee agrees to pay. Acceptance by Lessor of royalties that are past due shall not act as a waiver or estoppel of its right to receive interest due thereon unless Lessor expressly so provides in writing signed by Lessor.

The receipt by Lessee, an affiliate, or Lessee's operator, from a purchaser or a pipeline company of proceeds of production for distribution to Lessor shall not result in Lessee, or Lessee's operator, acquiring legal or equitable title to those proceeds, but Lessee, or Lessee's operator, will at all times hold the proceeds in trust for the benefit of Lessor. Notwithstanding the insolvency, bankruptcy, or other business failure of a purchaser of production from the Property, or pipeline company transporting production from the Property, Lessee shall remain liable for payment to Lessor for, and agrees to pay Lessor all royalties due Lessor, together with interest if not timely paid. Lessor retains the right to terminate the Lease for failure to pay royalties, after a period of written notice and opportunity to cure, which shall not exceed sixty (60) days.

Oil, Gas, or other substances produced from the Property or pooled unit that the Property is included therewith shall not be commingled with Oil, Gas, or other substances produced from any other lands prior to the point where the Oil, Gas, or other substances produced from this Lease passes through the meter which will measure the Oil, Gas, or other substances for calculating the payment made by the purchaser of Oil, Gas, or other substances production.

6. Shut-in Royalties. If at the end of the Primary Term or any time thereafter one or more wells on the Property or lands pooled therewith are capable of producing Oil, Gas, or other substances covered hereby in paying quantities, but such well or wells are either shut-in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this Lease. If for a period of ninety (90) consecutive days such well or wells are shut-in or production therefrom is not being sold by Lessee, then Lessee shall pay shut-in royalties of seventy-five dollars (\$75.00) per acre then covered by this Lease on or before the end of said 90-day period and thereafter on or before each monthly anniversary of the end of said 90-day period while the well or wells are shut-in or production therefrom is not being sold by Lessee; provided, however, that if this Lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the Property or lands pooled therewith, no shut-in royalties shall be due until the end of the 90-day period next following cessation of such operations or production. Notwithstanding anything to the contrary herein, it is expressly understood and agreed that after the expiration of the Primary Term, Lessee shall not have the right to continue this Lease in force by payment of shut-in royalties for more than one single period of up to two (2) consecutive years.

7. Payments. All payments under this Lease shall be paid or tendered to Lessor at the address in Section 1, or at such address or to Lessor's credit at such depository institution in lawful U. S. currency as Lessor may provide written notice of from time to time. All payments or tenders may be made by check or electronic transfer.

8. Continuous Drilling Obligations. If Lessee drills a well which is incapable of producing in paying quantities (a "Dry Hole") on the Property or lands pooled therewith, or if all production (whether or not in paying quantities) permanently ceases from any cause, including a revision of unit boundaries pursuant to the provisions of Section 9 or the action of any governmental authority, then in the event this Lease is not otherwise being maintained in force it shall nevertheless remain in force if Lessee commences reworking an existing well or begins drilling an additional well or otherwise obtaining or restoring production on the Property or lands pooled therewith within one hundred twenty (120) days after completion of operations on such Dry Hole, or within one hundred twenty (120) days after such cessation of all production. If at the end of the Primary Term, or at any time thereafter, this Lease is not otherwise being maintained in force but Lessee is then engaged in drilling, reworking or any other operations reasonably calculated to obtain or restore production therefrom, this Lease shall remain in force so long as any one or more of such operations are prosecuted with no cessation of more than one hundred twenty (120) consecutive days, and if any such operations results in the production of Oil, Gas, or other substances covered hereby, as long thereafter as there is production in paying quantities from the Property or lands pooled therewith. After completion of a well capable of producing in paying quantities hereunder, Lessee shall drill such additional wells on the Property or lands pooled therewith as a reasonably prudent operator would drill under the same or similar circumstances (a) to obtain production from the Property as to formations then capable of producing in paying quantities on the Property or lands pooled therewith, or (b) to protect the Property from uncompensated drainage by any well or wells located on other lands not pooled therewith. An offsetting well producing from a bottom hole location closer than 330 feet of the Property shall be presumed to be draining the Property. There shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein.

9. Pooling. Lessee shall have the right but not the obligation to pool all or any part of the Property or interests therein with any other lands or interests owned or leased by Lessee and its affiliates, and as to any or all substances covered by this lease, 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 Property, whether or not similar pooling authority exists with respect to such other lands or interests; provided, however, that the entire Property covered by this Lease shall be included in any unit created pursuant to the pooling authority granted herein. The unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed eighty (80) acres plus a maximum acreage tolerance of ten percent (10%) and for a gas well or a horizontal completion shall not exceed six hundred forty (640) acres plus a maximum acreage tolerance of ten percent (10%). For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 100,000 cubic feet per barrel, and "gas well" means a well with an initial gas-oil ratio of 100,000 cubic feet or more per barrel, based on 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment, and "horizontal completion" means a well in which the horizontal component of the gross interval in the reservoir exceeds the vertical component thereof. In exercising its pooling rights hereunder, within one

hundred twenty (120) days of first production, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling which may be retroactive to first production. Upon written request, Lessee shall send Lessor a copy of any such declaration. In the event Lessor's acreage is included in a well, all of Lessor's acreage shall be included. Production, drilling or reworking operations anywhere on a unit which includes the Property shall be treated as if it were production, drilling or reworking operations on the Property, except that the production on which Lessor's royalties are calculated shall be that proportion of the total unit production which the mineral acres covered by this Lease and included in the unit bears to the total number of mineral acres included 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. Upon written request, Lessee shall send Lessor a copy of any such declaration. If the Property 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. Upon written request, Lessee shall send Lessor a copy of any such declaration. Pooling hereunder shall not constitute a cross-conveyance of interests.

10. Assignment. The interest of either Lessor or Lessee hereunder may be assigned 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; provided, however, if Lessee is to assign any part of this Lease it shall give written notice and a copy of any assignment to the Lessor within sixty (60) days of assignment with the exception that Lessee shall not be required to give written notice and a copy of any assignment made to Chesapeake Exploration and/or any of its subsidiaries or affiliates. 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 thirty (30) days after Lessee has been furnished the original or certified or duly authenticated copies of the documents establishing such change of ownership to the reasonable satisfaction of Lessee or until Lessor has satisfied the notification requirements contained in Lessee's usual form of division order. Every transferee shall succeed to all rights and shall be subject to all obligations, liability, and penalties owed to the Lessor by the original Lessee or any prior transferee of the Lease, including, and not limited to, any liabilities to the Lessor for unpaid royalties.

11. Release and Vertical Pugh Clause. Lessee may, at any time and from time to time, deliver to Lessor a file of record written release of this Lease as to a full or undivided interest in all 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 or tender shut-in royalties shall be proportionately reduced in accordance with the net acreage interest retained hereunder. In any event, upon termination of this Lease, Lessee, its successors or assigns shall deliver to Lessor a recorded release within sixty (60) days as to such portion or portions of this Lease which have terminated under the terms of this Lease. Subject to the terms of paragraph 2, upon the expiration of the Primary Term of this Lease, upon the expiration of any extension or renewal of the Primary Term, or after cessation of operations as provided herein, whichever occurs last, this Lease shall terminate as to all rights lying one hundred feet (100') below the stratigraphic equivalent of the base of the deepest formation producing or capable of producing in any well drilled on the Property or on lands pooled therewith, whichever is the deepest; provided, however, if Lessee is then engaged in operations on the Property or on lands pooled therewith, this Lease shall remain in full force and effect as to all depths so long as no more than ninety (90) days elapse between operations.

12. No Surface Use. Notwithstanding anything to the contrary in this Lease, Lessee shall not enter upon the surface of, cross over, place any structure or building upon, or conduct any operations (including but not limited to geophysical/seismic operations) on the surface of the Property. Lessee shall only develop the Property by pooling, as provided herein, or by directional or horizontal drilling commenced from a surface location on other lands. Notwithstanding anything to the contrary in the Lease, Lessee shall have no right to drill horizontally, vertically, or at an angle under the Leased Premises at any depth that is less than three hundred (300) feet below the surface. Lessee shall make all reasonable efforts not to use residential or neighborhood streets or thoroughfares in developing the Leased Premises, any lands pooled therewith or otherwise. The terms and provisions of this paragraph shall be controlling over any contrary provisions located elsewhere in this Lease.

13. Noise. Noise levels associated with Lessee's operations related to the drilling, completion and reworking of wells shall be kept to a reasonable minimum, taking into consideration reasonably available equipment and technology in the oil and gas industry, the level and nature of development and surface use elsewhere in the vicinity of Lessee's drill sites and the fact Lessee's operations are being conducted in or near an urban residential area. If Lessee utilizes any non-electric-powered equipment in its operations, Lessee shall take reasonable steps to muffle the sound therefrom by installing a noise suppression muffler, like equipment or barrier.

14. Regulatory Requirements and Force Majeure. 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 environmental regulations, setback requirements, restrictions on the drilling and production of wells, and the price of Oil, Gas, and other substances covered hereby. To the extent any such laws, rules, regulations or orders are less restrictive than the terms of this Lease, this Lease shall control. The breach of this paragraph will be considered a material breach of the Lease. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, 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. Lessee shall not be liable for breach of any express or implied covenants of this Lease when drilling, production or other operations are so prevented, delayed or interrupted. Lessee shall take all reasonable actions to remove or end any cause of force majeure as soon as reasonably possible. Lessee understands that "Force Majeure" shall not include lack of planning or action on the part of Lessee to file a timely application for zoning changes or permits. The City of Arlington clearly indicates a minimum of 13 weeks for such requests, therefore failure to apply at least 18 weeks in advance for either zoning changes or permits (36 weeks if there is a sequential dependency) prior to the end of the primary term may result in expiration of the primary term without production. In no event shall this Lease be perpetuated by an event of force majeure for a period of more than one (1) consecutive year or three (3) years of cumulative time. No obligation of Lessee to pay money that has accrued and was due before the Force Majeure event occurred under this lease will be excused or delayed by reason of such Force Majeure event.

15. Environmental Compliance. Lessee shall use the highest degree of care and all reasonable safeguards to prevent contamination or pollution of any environmental medium, including soil, surface waters, groundwater, sediments, and surface or subsurface strata, ambient air or any other environmental medium in, on, or under, the Property or lands pooled therewith, by any waste, pollutant, or contaminant. Lessee shall not bring or permit to remain on the Property or lands pooled therewith any asbestos containing materials, explosives, toxic materials, or substances regulated as hazardous wastes, hazardous materials, hazardous substances (as the term "Hazardous Substance" is defined in the Comprehensive Environmental Response Compensation and Liability Act (CERCLA), 42 U.S. C. Sections 9601, et seq.) or toxic substances under any federal, state or local law or regulation ("Hazardous Materials"), except ordinary products commonly used in connection with oil and gas exploration and development operations and lawfully stored in the proper manner and quantities. LESSEE'S VIOLATION OF THE FOREGOING PROHIBITION SHALL CONSTITUTE A MATERIAL BREACH AND DEFAULT HEREUNDER AND LESSEE SHALL INDEMNIFY, HOLD HARMLESS AND DEFEND LESSOR, ITS AGENTS, EMPLOYEES, TENANTS, GUESTS, INVITEES AND THEIR RESPECTIVE SUCCESSORS AND ASSIGNS FROM AND AGAINST ANY CLAIMS, DAMAGES, JUDGMENTS, PENALTIES, LIABILITIES, AND COSTS (INCLUDING REASONABLE ATTORNEYS' FEES AND COURT COSTS) CAUSED BY OR ARISING OUT OF (1) A VIOLATION OF THE FOREGOING PROHIBITION OR (2) THE PRESENCE, RELEASE OR DISPOSAL OF ANY HAZARDOUS MATERIALS ON, UNDER OR ABOUT THE PROPERTY OR LANDS POOLED THEREWITH DURING THE TERM OF THIS LEASE. LESSEE SHALL CLEAN UP, REMOVE, REMEDY, AND REPAIR ANY SOIL OR GROUND WATER CONTAMINATION AND DAMAGE CAUSED BY THE PRESENCE OR RELEASE OF ANY HAZARDOUS MATERIALS IN, ON, UNDER OR ABOUT THE PROPERTY OR LANDS POOLED THEREWITH DURING THE TERM OF THIS LEASE IN CONFORMANCE WITH THE REQUIREMENTS OF APPLICABLE LAW. THIS INDEMNIFICATION AND ASSUMPTION SHALL APPLY, BUT IS NOT LIMITED TO, LIABILITY FOR RESPONSE ACTIONS UNDERTAKEN PURSUANT TO CERCLA OR ANY OTHER ENVIRONMENTAL LAW OR REGULATION. LESSEE SHALL IMMEDIATELY GIVE LESSOR WRITTEN NOTICE OF ANY BREACH OR SUSPECTED BREACH OF THIS PARAGRAPH, UPON LEARNING OF THE PRESENCE OF ANY HAZARDOUS MATERIALS, OR UPON RECEIVING A NOTICE PERTAINING TO HAZARDOUS MATERIALS WHICH MAY AFFECT THE PROPERTY OR LANDS POOLED THEREWITH. THE OBLIGATIONS OF LESSEE HEREUNDER SHALL SURVIVE THE EXPIRATION OR EARLIER TERMINATION, FOR ANY REASON, OF THIS LEASE.

16. Indemnity. LESSEE AGREES TO INDEMNIFY AND HOLD HARMLESS LESSOR, AND LESSOR'S REPRESENTATIVES, SUCCESSORS, AND ASSIGNS AGAINST ALL EXPENSES, CLAIMS, DEMANDS, LIABILITIES, AND CAUSES OF ACTION OF ANY NATURE FOR INJURY TO OR DEATH OF PERSONS AND LOSS OR DAMAGE TO PROPERTY, INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEY'S FEES, EXPERT FEES, AND COURT COSTS, CAUSED BY LESSEE'S OPERATIONS ON THE PROPERTY OR LANDS POOLED THEREWITH OR LESSEE'S MARKETING OF PRODUCTION FROM THE LAND OR ANY VIOLATION OF ANY ENVIRONMENTAL REQUIREMENTS BY LESSEE. AS USED IN THIS PARAGRAPH, THE TERM "LESSEE" INCLUDES LESSEE, ITS AGENTS, EMPLOYEES, SERVANTS, CONTRACTORS, AND ANY OTHER PERSON ACTING UNDER ITS DIRECTION AND CONTROL, AND ITS INDEPENDENT CONTRACTORS.

17. Notices. All notices required or contemplated by this Lease shall be directed to the party being notified at the address identified in Section 1, unless notice of another address has been provided in writing. All such notices shall be made by registered or certified mail, return receipt requested, unless another means of delivery is expressly stated

18. No Warranty of Title. This Lease is given and granted without warranty of title, express or implied, in law or in equity. Lessor makes no warranty of any kind with respect to title to the surface or mineral estate in the Property or any portion of or interest therein. All warranties by Lessor that might arise by common law or by statute, including but not limited to Section 5.023 of the Texas Property Code (or its successor), are excluded. By acceptance of this Lease, Lessee acknowledges that it has been given full opportunity to investigate and has conducted sufficient investigation to satisfy itself as to the title to the Property. Lessee shall be held liable for any and assumes all risk of title failures, including all monies received from Lessee.

19. Venue and Legal Fees. Venue for any dispute arising under this Lease shall lie in Tarrant County, Texas, where all obligations under this Lease are performable. At any time that any obligation of the Lessee to make a payment shall not be complied with in accordance with the terms of the Lease, it is agreed and understood that Lessee will pay to Lessor interest thereon at the highest lawful rate allowed to be charged to Lessee by Lessor under the then existing statutes of the State of Texas. In addition, in the event of the breach of any provision of the Lease, Lessee shall pay to Lessor all costs and expenses reasonably incurred including reasonable attorneys' fees and expenses, expert fees and expenses, and costs of court incurred by Lessor for the enforcement of the provisions of this Lease. It is agreed and understood that time is of the essence in the performing of each responsibility under the terms of this Lease.

20. Records. Lessee shall keep complete and accurate records of all its operations relating to or affecting the Property and lands with which the Property is pooled, and the results thereof, including but not limited to: all geophysical, geological, and geochemical data and interpretations or analyses thereof; all land surveys, title opinions and title curative material; all drilling, coring, logging, testing and completion records; all production records showing the total gross production, the quantities saved, sold and used, the disposition thereof, and the sales prices or values thereof; all production sales contracts; and such other records and as may be proper for the settlement of accounts between Lessor and Lessee or to determine the respective rights and obligations of said parties hereunder, including records of all Hazardous Substance investigations, site reports, clean-up records, etc. During the Primary Term of this Lease and for as long as Oil and Gas is produced therefrom, and for a period of one (1) year thereafter, upon written request, Lessee shall make all of such records and data available to Lessor or Lessor's designee for examination and copying in Lessee's offices at all reasonable times, as well as all other records, reports, notes, charts, graphs, maps, contracts, documents, papers, and other material in the possession of or under the control of the Lessee and pertaining to the Property. If Lessee, at any time decides to retain such records of kind outside of Lessee's above noted address, it shall be the holder of said Lease to provide written instruction to Lessor within sixty business (60) days of transfer/relocation and at that point in time, Lessee to provide a reasonable solution for record review to Lessor. Lessor agrees to keep all such information provided to Lessor confidential.

21. Division Orders. It is agreed that neither the Lease nor any of its terms or provisions shall be altered, amended, extended, or ratified by any division order or transfer order executed by Lessor, Lessor's successors, agents, or assigns. If Lessee shall require the execution of a division order for payment of royalties payable under the Lease, then the only form of division order permitted for Lessee's use shall be such form promulgated by the State of Texas and set forth in Section 91.402(d) of the Texas Natural Resources Code, as amended from time to time. Any amendment, alteration, extension or ratification of this lease, or of any term or provision of this lease, shall be made only by an instrument clearly denominating its purpose and effect, describing the specific terms or provisions affected and the proposed change or modification hereof, and executed by the party against whom any such amendment, alteration, extension or ratification is sought to be enforced. Any purported amendment, alteration, extension or ratification not so drafted shall be of no force or effect.

22. Subordination Agreement Fees. Notwithstanding anything contained herein to the contrary, neither Lessee nor Lessee's assigns shall ever require subordination, partial release of lien, release of lien, consent or other documentation from any

lender or tenant of Lessor that has a lien on said land as a condition to Lessor receiving the agreed signing bonus or any subsequent royalty payment. Lessor, (at absolutely no cost to Lessor) will cooperate with any reasonable effort of Lessee to obtain same from Lessor's lender on behalf of Lessor. None of the above shall prevent Lessor in receiving the agreed signing bonus or any payments of royalties due Lessor from Lessee.

23. Estoppel Requests. The parties shall, from time-to-time, within 20 days after written request by the other party, deliver an estoppel certificate stating that the Lease is in full effect (or has been terminated), the unexpired term of the Lease, the status of any alleged defaults by the other party, the land(s) with which the Property is pooled, the status of drilling and/or production, and such other factual matters pertaining to the Lease as may reasonably be requested by the parties.

24. Miscellaneous. This Lease is entered into in the State of Texas and shall be construed, interpreted and enforced in accordance with the laws of the State of Texas without reference to choice-of-law rules. Should any of the provisions herein be determined to be invalid by a court of competent jurisdiction, it is agreed that this shall not affect the enforceability of any other provision herein and that the parties shall attempt in good faith to renegotiate that provision so determined to be invalid to effectuate the purpose of and to conform to the law regarding such provision. The section titles appearing in this Lease are for convenience only and shall not by themselves determine the construction of this Lease. This Lease may be executed in one or more counterparts and by facsimile execution, each of which shall be deemed an original, but all of which shall constitute one and the same instrument. Singular and plural terms, as well as terms stated in the masculine feminine or neuter gender, shall be read to include the other(s) as the context requires to effectuate the full purposes of this Lease.

25. Proportionate Reduction. If Lessor owns less than the full mineral estate in all or any part of the Leased Premises, the royalties and shut-in royalties payable hereunder for any well on any part of the Leased Premises or land pooled therewith shall be reduced to the proportion that Lessor's interest in such part of the Leased Premises bears to the full mineral estate in such part of the Leased Premises.

26. Notice of 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 and Lessee fails to do so.

A MEMORANDUM OF LEASE and not the actual Lease instrument with its addendum, if any, shall be filed of record in Tarrant County, Texas, in order to give constructive notice of Lessee's leasehold interest in the property.

IN WITNESS WHEREOF, this Lease is executed to be effective as of the date first written above, but upon execution shall be binding on each signatory and the signatory's heirs, devisees, executors, administrators, successors and assigns.

LESSOR



«Owner_1»

«Owner_2»

STATE OF TEXAS (INDIVIDUAL ACKNOWLEDGEMENT)

COUNTY OF TARRANT

This instrument was acknowledged before me on the _____ day of _____, 2008, by «Owner_1» «Owner_2»

Notary Public, State of Texas
Notary's Name Printed:
Notary's Commission Expires:

STATE OF TEXAS (CORPORATE ACKNOWLEDGEMENT)

COUNTY OF TARRANT

This instrument was acknowledged before me on the _____ day of _____, 2008, by

_____, the _____(Office) of _____
on behalf of said corporation.

Notary Public, State of Texas
Notary's Name Printed:
Notary's Commission Expires: