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STATE LEASE

MF106588

✓ EXPIRED
 DATE 7/25/2008
 LEASING AE
 MAPS _____
 GIS AS

CONTROL	BASEFILE	COUNTY
56-029973	000 -	BRAZOS /021

SURVEY : HIGHWAYS & PUBLIC TRANSPORTATI
 BLOCK :
 TOWNSHIP : 00
 SECTION/TRACT:
 PART :
 ACRES : 1.50
 DEPTH LIMITS : NO

Rentals: MS
 Lease DR
 Admin:
 Mineral
 Maps:

LESSEE : AKG ENERGY, L.P.
 LEASE DATE : Jul 25 2006
 PRIMARY TERM : 2 yrs
 BONUS (\$) : 262.50
 RENTAL (\$) : 0.00
 ROYALTY : 0.25000000
 VAR ROYALTY :

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

STEPHEN B. O'CONNELL
ATTORNEY AT LAW
711 WEST SEVENTH STREET
AUSTIN, TEXAS 78701-2711

TELEPHONE: (512) 479-6800
FACSIMILE: (512) 225-5570
EMAIL: soconnell@sbolaw.net

June 7, 2006

AKG Energy, L.P.
506 West 14th Street, Suite B
Austin, Texas 78701
Attn: Mr. Greigh P. Kugler, CPL

HS

Re: Highway 230 Right-of-Way tracts
Brazos County, Texas

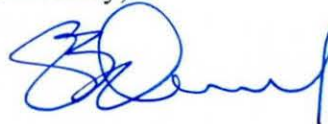
Dear Greigh:

Pursuant to your request, I have examined the two deeds described below:

- a) Deed from Dan Cooper and wife, Alice L. Cooper, to the State of Texas, dated April 23, 1940, and recorded in Volume 104, Page 179, Deed Records, Brazos County, and covering .025 acres out of the J. H. Jones Survey; and
- b) Deed from Mrs. Olive Goodwin Stewart and husband, N. A. Stewart, to the State of Texas, dated April 23, 1940, and recorded in Volume 104, Page 202, Deed Records, Brazos County, and covering 1.25 acres out of the Stephen Jones Survey.

Based solely upon my examination of the above-described deeds, and assuming the grantors in the deeds were vested with the fee mineral estates of the tracts described in the deeds, it is my opinion that the State of Texas was conveyed title to the fee mineral estate in the two tracts described in the deeds. Please let me know if you have any questions.

Sincerely,



Stephen B. O'Connell

1.

File No. MF706588

Leelan

Date Filed: 6/9/06

Jerry E. Paterson, Commissioner

By *SP*

The State of Texas



Austin, Texas

**PAID-UP
OIL AND GAS LEASE NO. M-106588
GENERAL LAND OFFICE
AUSTIN, TEXAS**

THIS AGREEMENT made and entered into by and between the Commissioner of the General Land Office of the State of Texas, whose address is Stephen F. Austin Building, 1700 North Congress, Austin, Texas, 78701, hereinafter called "Lessor", hereunto authorized by the School Land Board, pursuant to the provisions of Chapters 32 and 52 of the Natural Resources Code (hereinafter called N.R.C.), and amendments thereto, and all applicable rules promulgated by the School Land Board and AKG Energy, L.P., whose address is 506 W. 14th Street, Suite B, Austin, TX 78701 hereinafter called "Lessee".

1. Lessor, in consideration of Two Hundred Sixty Two Dollars 50/100 (\$ 262.50), receipt of which is hereby acknowledged, and of the covenants and agreements of Lessee hereinafter contained, does hereby grant, lease, and let unto Lessee the land covered hereby for the purposes and with the exclusive right of exploring, drilling, mining and operating for, producing and owning oil, gas, and all other hydrocarbons, produced from the land covered hereby. The land covered hereby, herein called "said land" is located in the County of Brazos State of Texas, and is described as follows:

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

For the purpose of determining the amount of any bonus or other payment hereunder, said land shall be deemed to contain 1.50 acres, whether actually containing more or less, and the above recital of acreage shall be deemed to be the true acreage thereof. Lessor accepts the bonus as lump sum consideration for this lease and all rights and options hereunder.

2. **PRIMARY TERM:** This lease, which is a "paid up" lease requiring no rentals, shall remain in force for a term of two year (2) from July 25th, 2006 hereinafter called "primary term", and as long thereafter as operations, as hereinafter defined, are conducted upon said land with no cessation for more than ninety (90) consecutive days.

3. **ROYALTIES:** As royalty Lessee covenants and agrees: (a) To deliver to the credit of Lessor, in the pipe line to which Lessee may connect its well, the equal 1/4th part of all oil produced and saved by Lessee from said land, or from time to time, at the option of Lessee, to pay Lessor the average posted market price of such 1/4th part of such oil at the wells as of the day it is run to the pipe line or storage tanks, Lessor's interest, in either case, to bear none of the cost of treating oil to render it marketable pipe line oil; (b.) To pay Lessor on gas and casinghead gas produced from said land (1) when sold by lessee 1/4th of the amount realized by Lessee, computed at the mouth of the well, or (2) when used by Lessee off said land or in the manufacture of gasoline or other products, the market value, at the mouth of the well, of 1/4th of such gas and casinghead gas.

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

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

(e.) If at any time or times after the expiration of the primary term, all such wells are shut-in for a period of ninety consecutive days, and during such time there are no operations on said land, then at or before the expiration of said ninety day period, lessee shall pay or tender, by check of lessee, as royalty, the sum of \$25.00. Lessee shall make like payments or tenders at or before the end of each anniversary of the expiration of said ninety day period if upon such anniversary this lease is being continued in force solely by reason of the provisions of this paragraph. Each such payment or tender shall be made to the parties who at the time of payment would be entitled to receive the royalties which would be paid under this lease if the wells were producing. Nothing herein shall impair lessee's right to release as provided in paragraph 5 hereof. In the event of assignment of this lease in whole or in part, liability for payment hereunder shall rest exclusively on the then owner or owners of this lease, severally as to acreage owned by each.

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

Royalty on oil is due and must be received in the General Land Office on or before the 5th day of the second month succeeding the month of production, and royalty on gas is due and must be received in the General Land Office on or before the 15th day of the second month succeeding the month of production, accompanied by the affidavit of the owner, manager, or other authorized agent, completed in the form and manner prescribed by the General Land Office and showing the gross amount and disposition of all oil and gas produced and the market value of the oil and gas, together with a copy of all documents, records or reports confirming the gross production, disposition and market value including gas meter readings, pipeline receipts, gas line receipts and other checks or memoranda of amount produced and put into pipelines, tanks, or pools and gas lines or gas storage, and any other reports or records which the General Land Office may require to verify the gross production, disposition and market value. In all cases the authority of a manager or agent to act for the Lessee herein must be filed in the General Land Office. Each royalty payment shall be accompanied by a check stub, schedule, summary or other remittance advice showing by the assigned General Land Office lease number the amount of royalty being paid on each lease. If Lessee pays his royalty on or before thirty (30) days after the royalty payment was due, the Lessee owes a penalty of 5% on the royalty or \$25.00, whichever is greater. A royalty payment which is over thirty (30) days late shall accrue a penalty of 10% of the royalty due or \$25.00, whichever is greater. In addition to a penalty, royalties shall accrue interest at a rate of 12% per year; such interest will begin accruing when the royalty is sixty (60) days overdue. Affidavits and supporting documents which are not filed when due shall incur a penalty in an amount set by the General Land Office administrative rule which is effective on the date when the affidavits or supporting documents were due. The Lessee shall bear all responsibility for paying or causing royalties to be paid as prescribed by the due date provided herein. Payment of the delinquency penalty shall in no way operate to prohibit the State's right of forfeiture as provided by law nor act to postpone the date on which royalties were originally due. The above penalty provisions shall not apply in cases of title dispute as to the State's portion of the royalty or to that portion of the royalty in dispute as to fair market value. The State shall have first lien upon all oil and gas produced from the area covered by this lease to secure the payment of all unpaid royalty and other sums of money that may become due to the State hereunder.

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

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

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

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

5. RELEASE: Lessee may relinquish the rights granted hereunder to the State at any time by recording the relinquishment in the county where this area is situated and filing the recorded relinquishment or certified copy of same in the General Land Office within ninety (90) days after its execution accompanied by the prescribed filing fee. Such relinquishment will not have the effect of releasing Lessee from any liability theretofore accrued in favor of the State.

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

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

8. NOTICE: In the event Lessor considers that Lessee has not complied with all its obligations hereunder, both express and implied, Lessor shall notify Lessee in writing, setting out specifically in what respects Lessee

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

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

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

11. ASSIGNMENTS: This lease may be transferred at any time. All transfers must reference the lease by file number and must be recorded in the county where the land covered hereby is located, and the recorded transfer or a copy certified to by the County Clerk of the county where the transfer is recorded must be filed in the General Land Office within ninety (90) days of the execution date, as provided by N.R.C. Section 52.026, accompanied by the prescribed filing fee. Every transferee shall succeed to all rights and be subject to all obligations, liabilities, and penalties owed to the State by the original Lessee or any prior transferee of the lease, including any liabilities to the State for unpaid royalties.

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

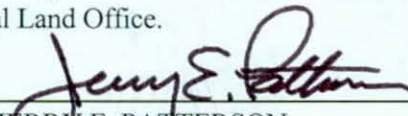
13. SURFACE: Notwithstanding anything herein to the contrary, it is agreed that Lessee will not conduct any exploration or drilling on the surface of the leased premises or use the surface in the exercise of any rights herein granted. Any development of said land shall be by means of a directional well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

14. COMPENSATORY ROYALTY: Lessee shall pay a compensatory royalty if this lease is not being held by production on the leased premises, by production from a pooled unit, or by payment of shut-in royalties in accordance with the terms of this lease, and if oil or gas is sold or delivered in paying quantities from a well located within 2500 feet of the leased premises and completed in a producible reservoir underlying the area leased hereunder or in any case in which drainage is occurring. Such compensatory royalty shall be paid at the royalty rate provided in this lease based on the value of production from the well as provided in the lease on which such well is located. The compensatory royalty shall be paid in the same proportion that the acreage of this lease has to the acreage of the proration unit surrounding the draining well plus the acreage of this lease. The compensatory royalty shall be paid monthly to the Commissioner of the General Land Office on or before the last day of the month after the month in which the oil or gas is sold and delivered from the well causing the drainage or from the well located within 2500 feet of the leased premises and completed in a producible reservoir under this lease. Notwithstanding anything herein to the contrary, compensatory royalty payable

hereunder shall be no less than an amount equal to double the Shut-in Royalty and shall maintain this lease in effect for so long as such payments are made as provided herein.

15. FORFEITURE: If Lessee shall fail or refuse to make payment of any sum within thirty (30) days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if Lessee should fail to file reports in the manner required by law or fail to comply with rules and regulations promulgated by the General Land Office, or refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or knowingly fail or refuse to furnish the General Land Office a correct log of any well, or if this lease is pooled or assigned and the unit designation or assignment is not filed in the General Land Office as required by law, the rights acquired under this lease shall be subject to forfeiture by the Commissioner, and he shall forfeit same when sufficiently informed of the facts which authorize a forfeiture, and when forfeited the area shall again be subject to lease. However, nothing herein shall be construed as waiving the automatic termination of this lease by operations of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this lease and all rights thereunder reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this lease and the rules and regulations that may be adopted relative hereto.

IN TESTIMONY WHEREOF, witness the signature of the Commissioner of the General Land Office of the State of Texas under the seal of the General Land Office.



JERRY E. PATTERSON
COMMISSIONER, GENERAL LAND OFFICE

Approved:

ML: DR

DC: CLR

CC: [Signature]

Exhibit "A"

Attached hereto and made a part of that certain Oil and Gas Lease dated July 25th, 2006 by and between the State of Texas, as lessor, and AKG Energy, L.P. as lessee, covering acreage to be leased along Highway 230, in Brazos County.

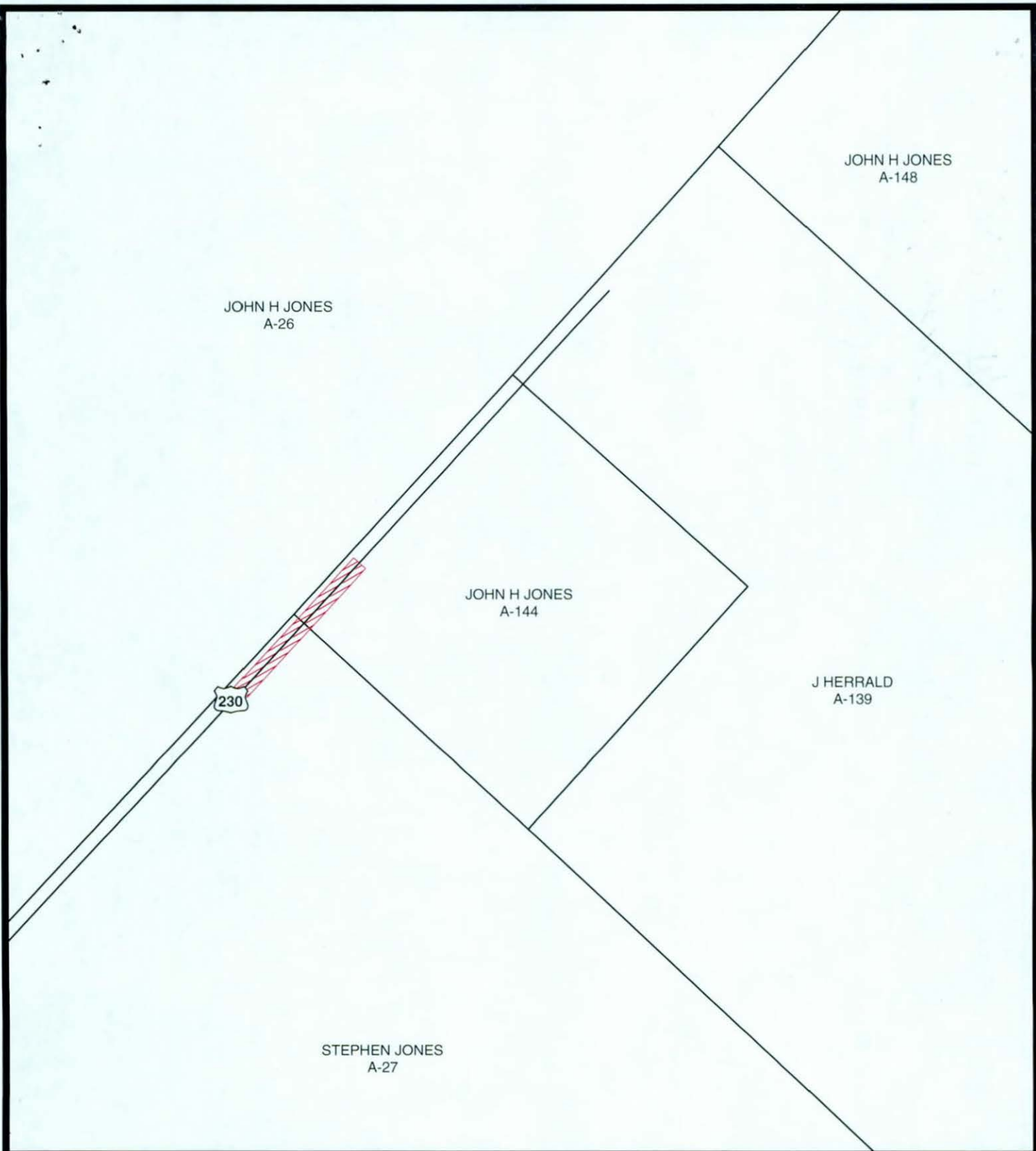
1.50 acres of land, more or less situated in the J.H. Jones Survey, A-146 and the Stephen Jones Survey, A-27 in Brazos County. Said lands also being the same lands described in the following deeds recorded in the Deed Records of Brazos County, State of Texas:

Deed from Dan Cooper et ux, to the State of Texas

dated 4/23/1940, and recorded in
Vol.104 P.179 of the Deed Records of
Brazos County, State of Texas.

Deed from Mrs. Olive Goodwin et vir, to the State of Texas

dated 4/23/1940, and recorded in Vol.
104, P. 202 of the Deed Records of
Brazos County, State of Texas.



Map Showing
 A portion of State Highway 230
 1.50 acres
 Located in College Station
 Brazos County
 ft\07-06

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

GCS_North_American_1927
 0 500 1,000 Feet

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



Map Compiled By:
 Ferrel Taylor
 Information Systems - GIS
 July 25, 2006

7.

File No. MF 706588

Case

Date Filed: 6/12/06

Jerry Patterson, Commissioner

By: 



ZACHARY HENDERSON
INDEPENDENT LANDMAN

P.O. Box 684463
AUSTIN, TX 78768

FAX/OFFICE: (512) 382-1291

CELL: (512) 422-1354

E-MAIL: zachhenderson@hotmail.com

AKG ENERGY, L.P. ✓

10774

Commissioner of the General Land Office

6/7/2006

processing fee for Hwy 60 ROW Lease

100.00

X

RECEIVED
06 JUN 12 PM 1:42
ENERGY RESOURCES

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Attn: Drew Reid

CHECKING Acct

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100.00

VP Land, LLC.
P.O. Box 26472
Austin, Texas 78755
Phone: (512) 345-1989 Fax: (512) 345-6117

June 1, 2006

Texas General Land Office
1700 N. Congress Ave., Rm. 600
Austin, Tx, 78701
Attn: Drew Reid

no money
Bonus ~ \$262.50

175.00
74
242
but in 25.00

Re: Proposed Oil and Gas
Lease of a Right-of-Way tract,
J.H. Jones Survey, A-26, Brazos
County, Texas

Hwy 230
 *1.50 **

To Whom It May Concern:

On behalf of AKG Energy, L.P., I am contacting you regarding the leasing of a Highway Right-Of-Way tract in Brazos County, Texas. AKG would like to formally apply to lease a section of FM 60 for the purposes of Oil and Gas production. Attached is an exhibit depicting the proposed location of said right-of-way lease.

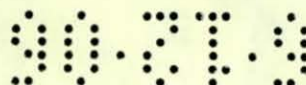
AKG has leased enough acreage in the vicinity to form a pooled unit for the drilling of a horizontal drainhole well and therefore is not providing an affidavit of non-production within 2500 feet. This is last step in our leasing process as at this point the adjacent mineral owners on either side of the proposed section of highway have been leased by AKG with the exception of a 1/6th interest in Tract 5 as seen on map attached.

Please consider the application letter contained herein and contact me at your earliest convenience so we might discuss. I can be contacted by phone at (512) 382-1291 or by e-mail at zachhenderson@hotmail.com. Thank you in advance for your cooperation.

Sincerely Yours,



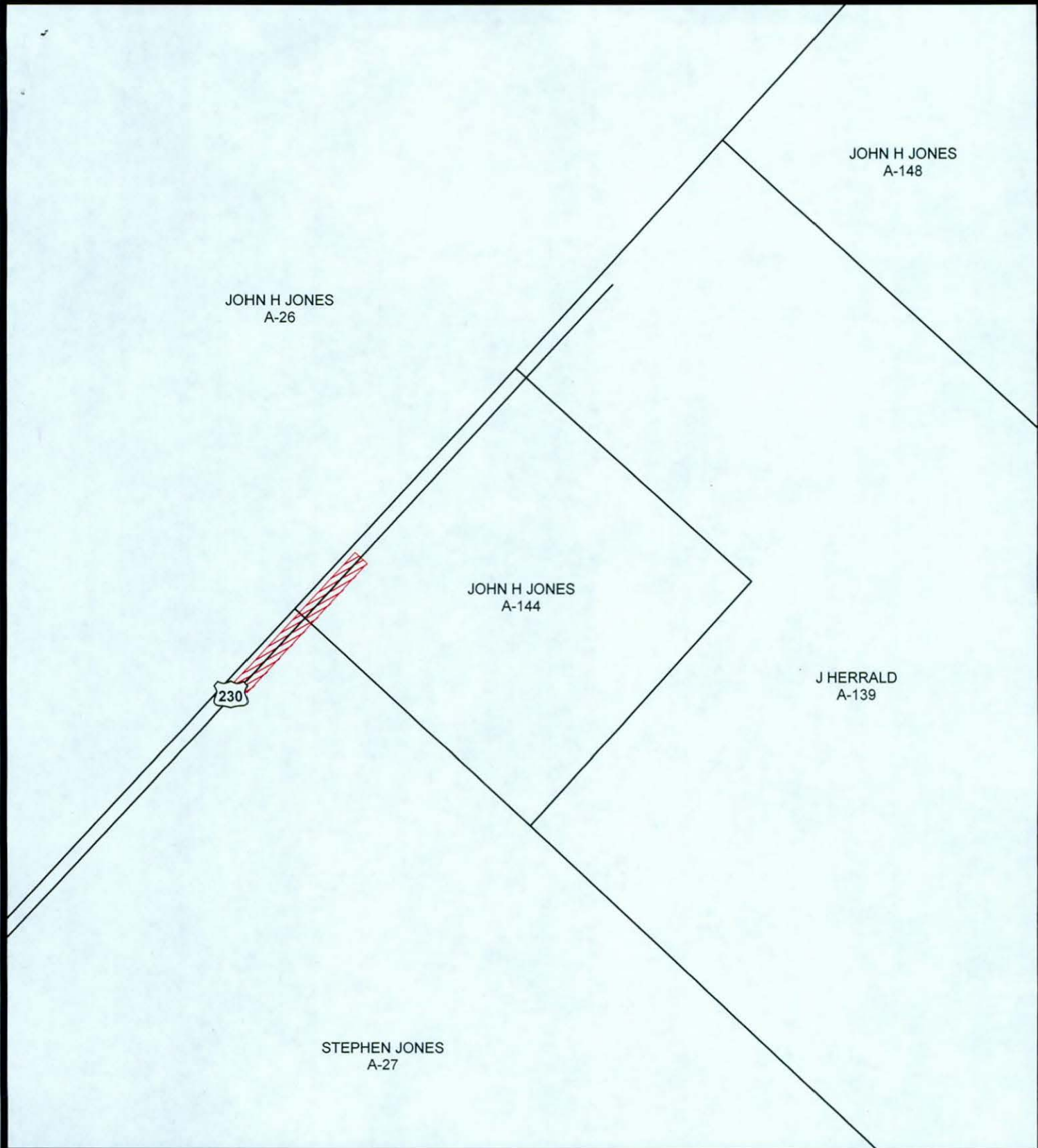
Zachary Henderson



3.

File No. MF706588
Edgar Lee
Date Filed: 6/17/06
Jerry E. Patterson, Commissioner
By [Signature]

0.75.00



Map Showing
 A portion of State Highway 230
 1.50 acres
 Located in College Station
 Brazos County
 ft\07-06

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

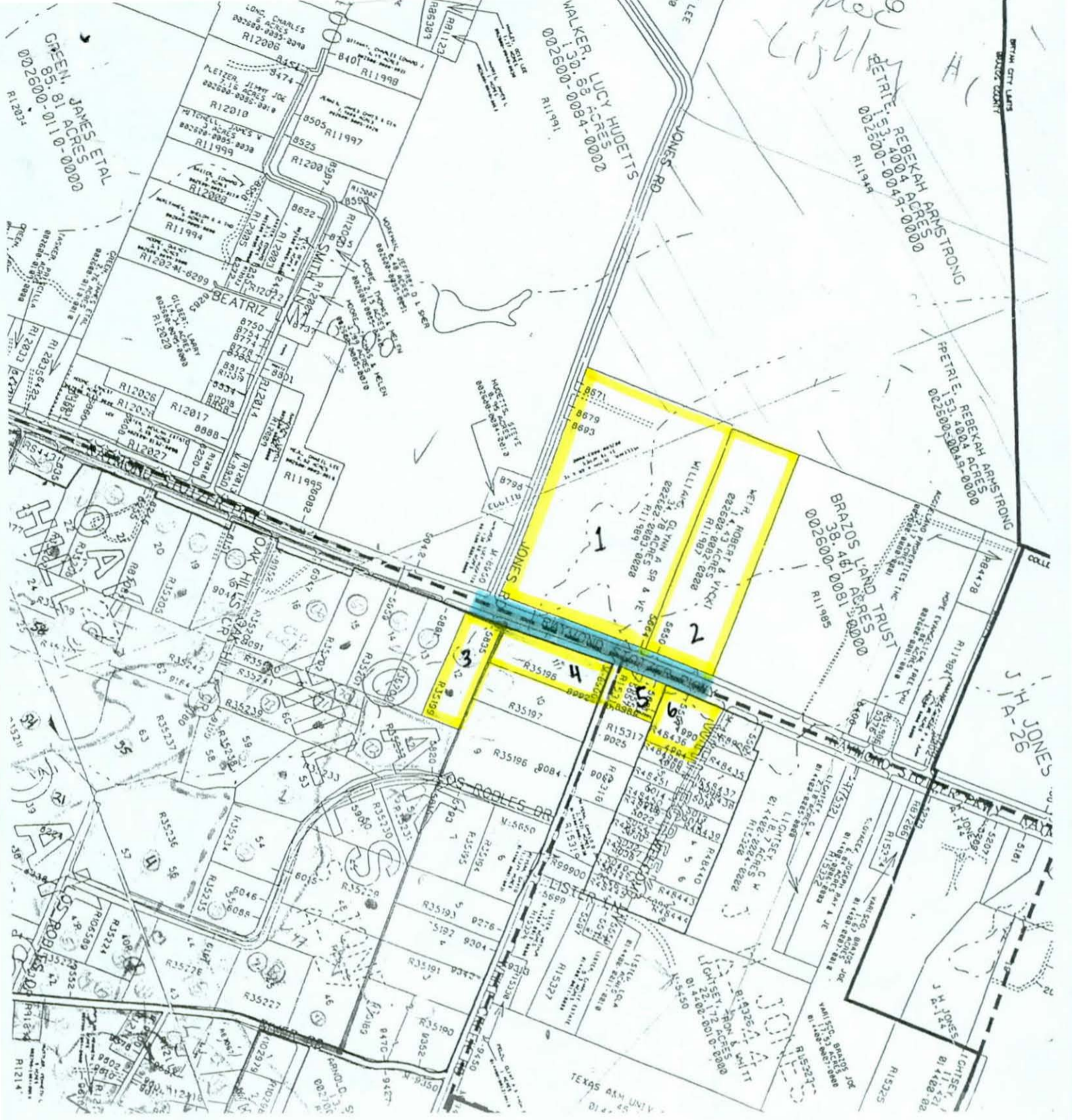
GCS_North_American_1927
 0 500 1,000 Feet



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

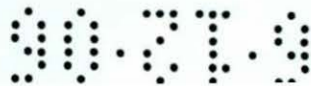


Map Compiled By:
 Ferrel Taylor
 Information Systems - GIS
 July 25, 2006



1.50 AC
 St. Hwy 230
 BRAZOS CO.

ALL YELLOW HIGHLIGHTED ADJACENT TRACTS ARE UNDER LEASES OWNED BY AKG ENERGY, L.P.



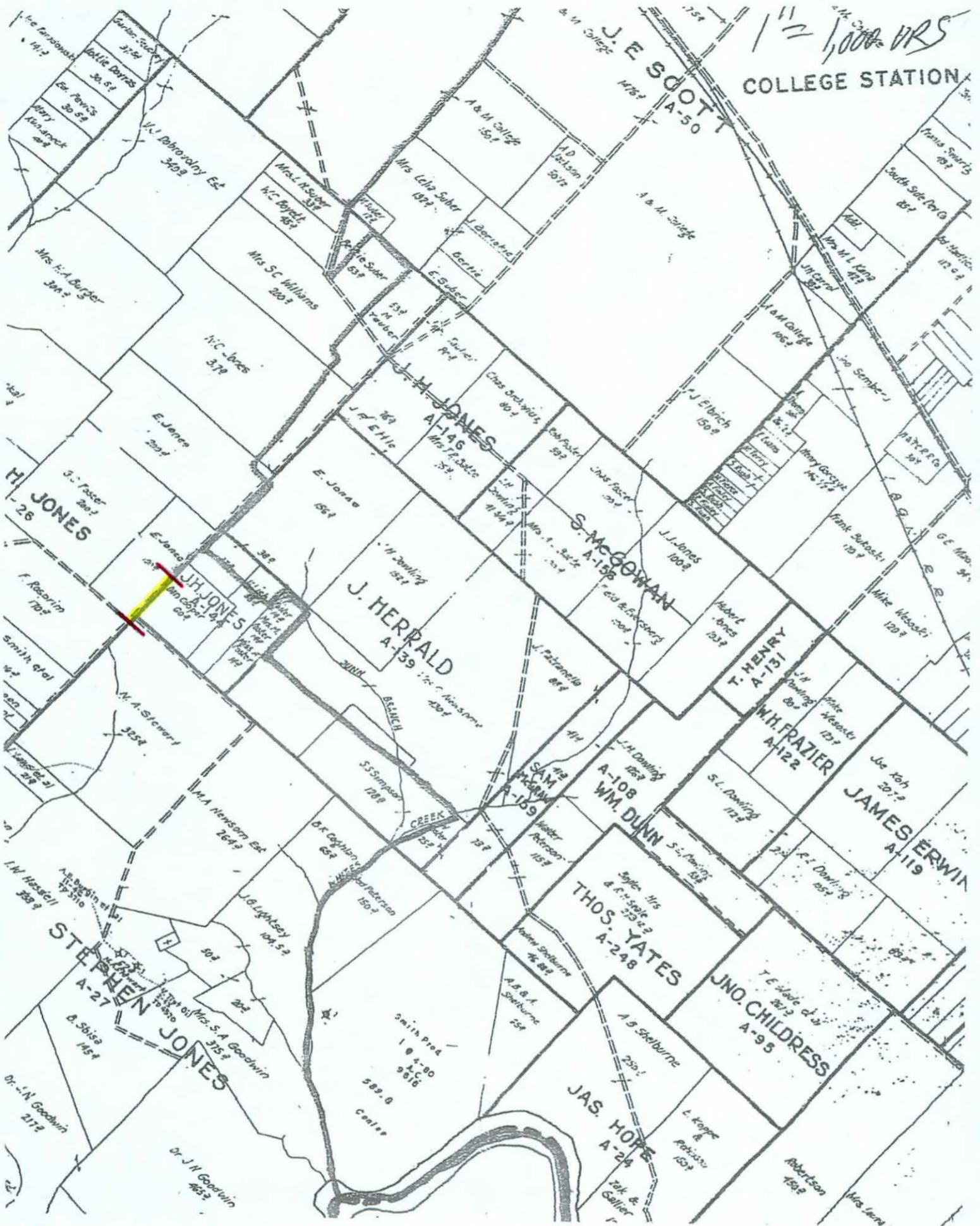
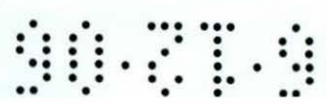


EXHIBIT TO APPLICATION FOR OIL AND GAS LEASE OF
 HIGHWAY RIGHT-OF-WAY TRACT BY AKG ENERGY, L.P.,
 DATED JUNE 1, 2006



2.

File No. MF 106588
Maps
 Date Filed: 6/29/06
 Jerry E. Patterson, Commissioner
 By [Signature]

0.75.00

AFFIDAVIT OF CONSIDERATION PAID

Before me, the undersigned authority, on this day personally appeared Greigh Kugler, Land Manager of AKG Energy, L.P. ("Affiant"), who, being first duly sworn, upon his oath states:


1. My name is Greigh Kugler, and I am the Land Manager of AKG Energy, L.P., (hereafter referred to as "AKG") located at 506 W. 14th Street, Suite B, Austin, Texas 78701. I have personal knowledge of the facts stated in this affidavit. I am personally familiar with and have overseen the Oil and Gas leasing of the adjacent mineral owners to the subject Highway Right-of-Way tract described as follows:

A tract of land, out of and a part of the J.H. Jones Survey, A-146 and the Stephen Jones Survey, A-27 Brazos County, Texas, and being all or a portion of the lands described in that certain Right-of-Way dated April 25, 1940, from Dan Cooper and wife Alice L. Cooper to the State of Texas, recorded in Volume 104 at Page 179 of the Deed Records, Brazos County, Texas and also all or a portion of the lands described in that certain Right-of-Way dated April 23, 1940, from Mrs. Olive Goodwin Stewart and husband N.A. Stewart to the State of Texas, recorded in Volume 104 at Page 202 of the Deed Records, Brazos County, Texas and being more particularly depicted in Exhibit "A" attached hereto and made a part hereof for description purposes.

2. I certify that AKG is the owner of Oil and Gas leases covering the minerals under the adjacent lands of the subject Highway Right-of-Way tract with the exception of a 1/6th interest under one of the adjacent tracts. I also certify that those leases have not expired and are still in force as of the date of this affidavit.

3. I certify that of the Oil and Gas leases covering the adjacent mineral owners the highest Bonus Consideration payment paid by AKG was one hundred and seventy-five dollars (\$175) per net mineral acre.

Affiant:



Greigh Kugler

Subscribed and sworn to before me this 8th day of June, 2006.




Notary Public State of Texas

STATE OF TEXAS

COUNTY OF TRAVIS

This instrument was acknowledged before me on the 8th day of June, 2006, by Greigh Kugler.



Notary Public State of Texas



5.

File No. MF 706588

Affidavit of Consideration

Date Filed: 6/20/86

Jerry E. Patterson, Commissioner

By: *[Signature]*

SACRATY WILL MEMORON
 Nitro Public State of Texas
 My Commission Expires
 March 18, 2009



0700

**NAMES AND ADDRESS OF ADJACENT MINERAL OWNERS OF
APPLICATION FOR OIL AND GAS LEASE OF HIGHWAY RIGHT-OF-WAY
TRACT BY AKG ERNERGY, L.P., DATED JUNE 1, 2006**

West Side of FM 60:

-Conn Tatum - (Tract 1 and 2)

P.O. Box 34
Davilla, TX 76523

-Martha Ann Williams - (Tract 1)

8693 Jones Rd.
College Station, TX 77845

-Vickie Weir - (Tract 2)

5650 Raymond Stotzer Pkwy
College Station, TX 77845-8057

East Side of FM 60:

-Edward and Irene Hoadley - (Tract 3)

1216 Thousand Oaks Loop
San Marcus, TX 78666

-The Rezzoffi Family Trust - (Tract 4)

1346 Candlelight Ln.
Houston, TX 77018

-W.A. Bilsing, III - (Tract 5)

P.O. Box 1234
Hilltop Lakes, TX 77871

-Steven W. Bilsing - (Tract 5)

1507 Rambling Stone Dr.
Richmond, TX 77469

-Sherry Bilsing Graham - (Tract 5)

1042 23rd St.
Santa Monica, CA 90403

-Kathryn L. Bilsing - (Tract 5)

604 Avenue C
Redondo Beach, CA 90277

-Dean G. Bilsing - (Tract 5)

154 Greenleaf Lane
Conroe, TX 77304

-Paul T. Bilsing - (Tract 5, currently not leased by AKG)

P.O. Box 455
Normangee, TX 77871

-M.L. Schehin - (Tract 6)

P.O. Box 292
Wellborn, TX 77881

-Theresa A. Schehin - (Tract 6)

4432 Woodland Ridge Dr.
College Station, TX 77845



6.

File No. 4F706588

Adjacent Mineral Owners

Date Filed: 6/12/06

Jerry E. Patterson, Commissioner

By: [Signature]

0.75.00

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

**PAID-UP
OIL, GAS AND MINERAL LEASE**

THIS AGREEMENT made and entered into this 8th day of August, 2005 between Kathryn L. Bilsing hereinafter called "Lessor" (whether one or more), whose mailing address is 604 Avenue C, Redondo Beach, CA 90277 and AKG Energy, L.P., hereinafter called "Lessee," whose address is 505 W. 14th Street, Austin, Texas 78701.

1. Lessor, in consideration of Ten and no/100's Dollars (\$10.00) and other good and valuable consideration in hand paid, receipt of which is hereby acknowledged, of the royalties herein provided and of the covenants herein contained, hereby grants, leases and lets, exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling, mining and operating for and producing oil, gas and all other minerals, injecting gas, waters, other fluids, air and other gaseous substances into subsurface strata, laying pipe lines, storing oil, building tanks, power stations, electric transmission lines, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals and other products manufactured therefrom, and housing and otherwise caring for its employees, the following described land in Brazos County, Texas, to wit:

1.71 acres of land, more or less, and being more particularly described in that Deed August 10, 1984 between W.A. Bilsing, III, Steven W. Bilsing, Kathryn L. Bilsing, Dean G. Bilsing, Sheryl M. Bilsing and Paul T. Bilsing and Philip Steve Montalbano and Cheryl Diane Montalbano and recorded in Volume 712 at Page 667 of the Deed Records of Brazos County, Texas

Notwithstanding any particular description, it is nevertheless the intention of Lessor to include within this lease, and Lessor does hereby lease, not only the land so described but also any and all other land owned or claimed by Lessor in the herein named survey or surveys, or in adjoining surveys, and adjoining the herein described land up to the boundaries of the abutting landowners, the leased lands being hereinafter sometimes referred to as "said land" or the "leased premises". For the purpose of determining the amount of any bonus or other payment hereunder, said land shall be deemed to contain 1.71 acres, whether actually containing more or less. Lessor agrees to execute any supplemental instrument(s) requested by Lessee for a more complete or accurate description of said land or instrument(s) to perfect title deficiencies.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of Three (3) years from this date (called "primary term"), and as long thereafter as oil, gas or other mineral is produced from said physical land or land with which said land or any part thereof is pooled, or this lease is maintained by virtue of some other provision hereof.

3. This is a PAID-UP LEASE. In consideration of the down cash payment, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term.

4. The royalties to be paid by Lessee are: (a) to deliver in kind to lessor, at the well, or to the credit of lessor into the pipeline or storage tank to which the well may be connected, the 1/5th part of all oil (including condensate) produced and saved from the leased premises. In lieu thereof, lessee shall have the option, at any time, to sell lessor's oil, in which case lessor's royalty shall be based on lessee's net proceeds at the lease, or to purchase lessor's oil for the value of such oil at the lease. In any event, lessor's interest shall be free of all costs of production, but shall bear its proportionate part of production and similar taxes, and shall share proportionately with lessee in any costs to market, transport, or condition the oil; (b) to pay lessor for gas, (including casinghead gas, all gaseous substances, and all constituents thereof) produced and sold from the leased premises, 1/5th part of the net proceeds at the lease from the sale of such gas, after deducting lessor's proportionate part of production, and other similar taxes; lessor's interest to be free of all costs of production, but to bear proportionately with lessee any costs incurred by lessee to market the gas, to deliver the gas to a market off the leased premises, or to dehydrate, compress, process, treat, or otherwise place such gas marketable condition; (c) on gas, including casinghead gas and all gaseous substances, produced from said land and used off said land by Lessee and not benefiting Lessor, the market value at the mouth of the well of 1/5th of the gas so used off said land; (d) on all minerals mined and marketed, 1/5th, either in kind or value at the well or mine, at Lessee's election, except that on sulphur the royalty shall be One Dollar (\$1.00) per long ton; and (e) if at any time while there is a gas well or wells on the said land or land pooled therewith (for the purposes of this clause (e) the term "gas well" shall include wells capable of producing natural gas, condensate, distillate or any gaseous substance and wells classified as gas wells by any governmental authority) and such well or wells are shut-in, and this lease is not being maintained otherwise as provided herein, this lease shall nevertheless remain in force and effect following the shutting-in of the well(s), whether it be during or after the primary term (unless released by Lessee), and it shall be considered that gas is being produced from the land covered by this lease. When the lease is continued in force in this manner and the well or wells are shut-in for a period of at least ninety (90) consecutive days, Lessee shall pay or tender as an advanced annual royalty to the parties who at the time of such payment would be entitled to receive royalty hereunder if the well were producing, or deposit to their credit in the Bank (Account No. _____) \$10.00 per net acre for the acreage then held under this lease by the party making such payment or tender. The first payment of such sum shall be made on or before either (1) ninety (90) days from the date such well or wells are shut-in; (2) ninety (90) days from the effective date for inclusion of said land or a portion thereof within a unit on which is located a shut-in gas well; or (3) ninety (90) days from the date this lease ceases to be otherwise maintained as provided herein, whichever is the later date, and it shall be considered that gas is being produced from said land in paying quantities within the meaning of Paragraph 2 hereof for one (1) year from the date of such payment, and in like manner subsequent advance annual royalty payments may be made or tendered and it will be considered that gas is being produced from said land in paying quantities within the meaning of said Paragraph 2 during any annual period for which such royalty is so paid or tendered; such advanced annual royalty payment shall be credited against any royalty accruing to the owners thereof on any production from said land during any annual period for which such advanced annual payment has been made. Lessee's failure to pay or tender or to pay or tender properly or timely any such sum as royalty shall render Lessee liable for the amount due but it shall not operate to terminate this lease. All royalty interests, whether or not owned by the undersigned, shall be paid out of the royalty as provided for in said lease.

5. Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of production, whenever Lessee at its sole discretion deems it necessary or proper to do in order to develop or operate prudently the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed 80 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the term "horizontal completion" means a well in which the horizontal component of the gross completion interval in the reservoir is at least one hundred (100) feet. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling, completion, or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling, completion or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, so long as the total acreage therein does not exceed the maximum herein specified. Also each such drilling or production unit when limited to any one or more formations and to any one or more of the minerals therein or produced therefrom, may from time to time be enlarged and extended by Lessee to include additionally any other formation or formations and any other mineral or minerals therein or produced therefrom. In making such a revision, Lessee shall file or record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. Lessee may place and use on each unit created hereunder common measuring and reworking tanks for production from such unit. 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. Pooling hereunder shall not constitute a cross-conveyance of interests.

STATE OF TEXAS
COUNTY OF BRAZOS
The foregoing is a true and correct copy as the same appears on file and recorded in the appropriate records of Brazos County, Texas.
Thereby certify, on
6-8-2006
Kathryn McQueen
County Clerk:
Brazos County, Texas



6. If, at the expiration of the primary term, oil, gas or other mineral is not being produced from said land or land pooled therewith but Lessee is then engaged in operations for drilling, mining or reworking of any well or mine thereon or shall have completed a dry hole thereon within ninety (90) days prior to the end of the primary term, this lease shall remain in force so long as operations on said well or for the drilling or reworking of an additional well are commenced and prosecuted (whether on the same or successive wells) with no cessation of more than ninety (90) consecutive days, and, if they result in production, so long thereafter as oil, gas or other mineral is produced from said land or land pooled therewith. If, after the expiration of the primary term of this lease and after oil, gas or other mineral is produced from said land or land pooled therewith, production thereof should cease from any cause, this lease shall not terminate if Lessee commences operations for drilling or reworking within ninety (90) days after the cessation of such production, but shall remain in force and effect so long as such operations are prosecuted with no cessation of more than ninety (90) consecutive days, and if they result in the production of oil, gas or other mineral, so long thereafter as oil, gas or other mineral is produced from said land or land pooled therewith. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land and within two hundred (200) feet of and draining said land, Lessee agrees to drill such offset wells as a reasonably prudent operator would drill under the same or similar circumstances. The judgment of the Lessee, when not fraudulently exercised, in carrying out the purpose of this lease shall be conclusive.

7. Lessee shall have free use of oil, gas and water from said land, except water from Lessor's wells and tanks, for all operations hereunder including repressuring, pressure maintenance, cycling and secondary recovery operations, and the royalty shall be computed after deducting any so used. Any structures and facilities placed on said land by Lessee for operations hereunder and any well or wells on said land drilled or used for the injection of salt water or other fluids may also be used for Lessee's operations on other lands in the same area. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred (200) feet of any residence or barn now on said land without Lessor's consent.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, representatives, successors and assigns, but no change or division in ownership of the land or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee. No such change or division in the ownership of the land or royalties shall be binding upon Lessee for any purpose until such person acquiring any interest has furnished Lessee with the instrument or instruments, or certified copies thereof, constituting the chain of title from the original Lessor. An assignment of this lease, in whole, or in part, shall, to the extent of such assignment, relieve and discharge Lessee of any obligations hereunder, and, if Lessee or assignee of part or parts hereof shall fail to comply with any provision of this lease, such default shall not affect this lease insofar as it covers a part of said land upon which Lessee or any assignee thereof shall not be in default. Should more than six parties become entitled to royalties hereunder, Lessee may require the appointment of a single agent to receive payment for all and may withhold payment until such appointment has been made.

9. When drilling or other operations are delayed or interrupted by storm, flood or other act of God, fire, war, rebellion, insurrection, riot, strikes, differences with workmen, unavailability of material or equipment, failure of carriers to transport or furnish facilities for transportation, some order, requisition or necessity of the government or as a result of any cause whatsoever beyond the control of the Lessee, the time of such delay or interruption shall not be counted against Lessee, anything in this lease to the contrary notwithstanding. All express or implied covenants of this lease shall be subject to all Federal and State laws. Executive orders, rules or regulations and this lease shall not be terminated, in whole or in part, nor Lessee held liable in damages for failure to comply therewith if compliance is prevented by, or if such failure is the result of, any such law, order, rule or regulation. If from such causes Lessee is prevented from conducting drilling or reworking operations on, or producing oil or gas from said land or land pooled therewith, the time while Lessee is so prevented shall not be counted against Lessee, and this lease shall be extended for a period of time equal to that during which such Lessee is so prevented from conducting drilling or reworking operations on, or producing oil or gas from said land or land pooled therewith, notwithstanding any other provision hereof.

10. The breach by Lessee of any obligation arising hereunder shall not work a forfeiture or termination of this lease nor cause a termination or reversion of the estate created hereby nor be grounds for cancellation hereof in whole or in part. In the event Lessor considers that operations are not at any time being conducted in compliance with this lease, Lessor shall notify Lessee in writing of the facts relied upon as constituting a breach hereof, and Lessee, if in default, shall have sixty (60) days after receipt of notice in which to commence the compliance with the obligations imposed by virtue of this instrument. After the discovery of oil, gas or other mineral in paying quantities on said land, Lessee shall reasonably develop the acreage retained hereunder, but in discharging this obligation it shall in no event be required to drill more than one (1) well per forty (40) acres, plus an acreage tolerance not to exceed ten per cent (10%) of forty (40) acres of the area retained hereunder and capable of producing oil in paying quantities and one (1) well per six hundred forty (640) acres, plus an acreage tolerance not to exceed ten per cent (10%) of six hundred forty (640) acres of the area retained hereunder and capable of producing gas or other mineral in paying quantities.

11. Lessor hereby warrants and agrees to defend the title to said land, and agrees that Lessee, at its option, may discharge any tax, mortgage or other lien upon said land in the event of default of payment by Lessor, and in the event Lessee does so, it shall be subrogated to such lien with the right to enforce same and apply royalties accruing hereunder toward satisfying same. Without impairment of Lessee's rights under the warranty in the event of failure of title, it is agreed that, if Lessor owns an interest in said land less than the entire fee simple estate, whether stated hereinabove as a whole or partial interest, then the royalties to be paid Lessor shall be reduced proportionately. All royalty interest covered by this lease (whether or not owned by lessor) shall be paid out of the royalty herein provided. Should any one or more of the parties named hereinabove as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

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

13. In the event the earliest notary acknowledgment is more than sixty (60) days beyond the date entered on this lease, then the effective date (for purposes of determining the expiration of the primary term) shall become the earliest notary acknowledgment date.

IN WITNESS WHEREOF, this instrument is executed as of the date above written.

Kathryn L. Bilsing
Kathryn L. Bilsing

✓ SS# [REDACTED]

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES SEE ATTACHED CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

This instrument was acknowledged before me on the _____ day of _____ August _____, 2005 by Kathryn L. Bilsing.

Notary Public, State of California

STATE OF TEXAS
COUNTY OF BRAZOS
The foregoing is a true and correct copy as the same appears on file and recorded in the appropriate records of Brazos County, Texas.
Thereby certify, on
6-8-2006
Keeva McQueen
County Clerk
Brazos County, Texas



Addendum

Attached to and made a part of Oil, Gas and Mineral Lease dated August 8, 2005, by and between Kathryn L. Bilsing, as Lessor, and AKG Energy, L.P., as Lessee.

14. Notwithstanding anything hereinabove to the contrary, it is specifically understood and agreed that this lease covers only oil, gas, sulphur and associated liquid or liquefiable hydrocarbons, but this Lease does not cover or include and other minerals, with all such other minerals being reserved to the Lessor herein.

15. Notwithstanding anything hereinabove to the contrary, it is expressly agreed and understood that Lessee's right to maintain this Lease in force after the primary term by shut-in gas well payments under Paragraph 4 shall not continue for any one shut-in period of more than two (2) years immediately following the primary term, or in recurring periods after the primary term not to exceed two (2) years in the aggregate.

16. In the event a portion or portions of the land described in this lease is pooled or unitized with other land, lease, or leases so as to form a pooled unit or units, operations for drilling, drilling, or reworking operations on such unit or units, or production of oil or gas from such unit or units, or payments of shut-in gas royalties on a well or wells drilled on such unit or units, shall maintain this lease in effect only as to the portion or portions of the land described in this lease which is included in a pooled unit or units. As to any portion or portions of the land not included in a pooled unit or units, this lease may be maintained in force and effect in any manner elsewhere provided in this lease.

17. Notwithstanding any provisions contained herein to the contrary, it is agreed and understood that Lessee shall not use any part of the surface of the above described lands for the purpose of mining, exploring, drilling, production of oil, gas and other minerals, laying of pipe lines, building of tanks, power stations and any other structures thereon. It is the intention of the parties hereto that Lessee, shall not have the right to use the surface of the above described land or any part thereof nor have the right of ingress and egress upon or across the surface of all or any part of the above described land. This prohibition with respect to the use of the surface of said land shall in no way impair the right of Lessee to produce oil, gas or other minerals from said land, either by directional drilling from a well located on adjacent land or by some other method which will not require entry upon the surface of the above described land or by including the land or a portion thereof within a pooled unit or units pursuant to the terms hereof.

Signed for identification:

X Kathryn L. Bilsing
Kathryn L. Bilsing

STATE OF TEXAS
COUNTY OF BRAZOS

The foregoing is a true and correct copy as the same appears on file and recorded in the appropriate records of Brazos, County, Texas.

Thereby certify, on

6-8-2006



Karen McQueen
County Clerk:
Brazos County, Texas

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

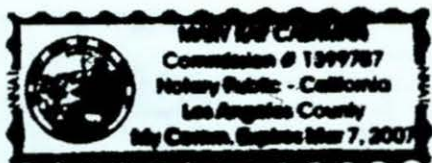
State of CALIFORNIA

County of LOS ANGELES

On SEPTEMBER 1, 2005 before me, MARY KAY CASHMAN, NOTARY PUBLIC

personally appeared KATHRYN L. BILSING

personally known to me - OR - proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



WITNESS my hand and official seal.

Mary Kay Cashman
Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: PAID-UP OIL, GAS AND MINERAL LEASE

Document Date: AUGUST 8, 2005 Number of Pages: 3

Signer(s) Other Than Named Above:

STATE OF TEXAS
COUNTY OF BRAZOS
The foregoing is a true and correct copy as the same appears on file and recorded in the appropriate records of Brazos County, Texas.

Capacity(ies) Claimed by Signer(s)

Signer's Name:

- Individual
Corporate Officer
Partner
Attorney-in-Fact
Trustee
Guardian or Conservator
Other:

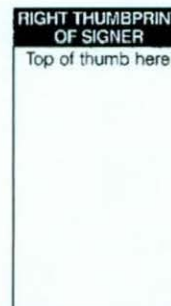


Signer Is Representing:

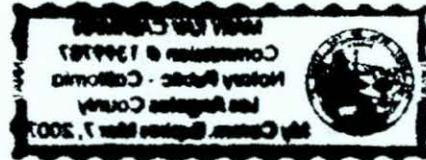
Signer's Name: Thereby certify, on

- Individual
Corporate Officer
Partner
Attorney-in-Fact
Trustee
Guardian or Conservator
Other:

68-2000
Kusan McQueen
County Clerk: Brazos County, Texas



Signer Is Representing:



Filed for Record in:
BRAZOS COUNTY

On: Feb 02, 2006 at 02:06P

As a
Recording

Document Number: 00916076

Amount 27.00

Receipt Number - 283721

By,
Winstonia Davenport

STATE OF TEXAS
COUNTY OF BRAZOS

The foregoing is a true and correct copy as
the same appears on file and recorded in the
appropriate records of Brazos, County, Texas.

Thereby certify, on 6-8-2006 (P)



Karen McQueen

County Clerk:
Brazos County, Texas

STATE OF TEXAS COUNTY OF BRAZOS
I hereby certify that this instrument was
filed on the date and time stamped hereon by me
and was duly recorded in the volume and page
of the Official Public records of:

BRAZOS COUNTY

as stamped hereon by me.

Feb 02, 2006

HONORABLE KAREN MCQUEEN, COUNTY CLERK
BRAZOS COUNTY

Return to: AKG Energy
505 W. 14th St.
Austin, TX 78701

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

PAID-UP
OIL, GAS AND MINERAL LEASE

THIS AGREEMENT made and entered into this 8th day of August, 2005 between Sheryl M. Bilsing Graham hereinafter called "Lessor" (whether one or more), whose mailing address is 1042 23rd St. Santa Monica, CA 90403 and AKG Energy, L.P., hereinafter called "Lessee," whose address is 505 W. 14th Street, Austin, Texas 78701

1. Lessor, in consideration of Ten and no/100's Dollars (\$10.00) and other good and valuable consideration in hand paid, receipt of which is hereby acknowledged, of the royalties herein provided and of the covenants herein contained, hereby grants, leases and lets, exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling, mining and operating for and producing oil, gas and all other minerals, injecting gas, waters, other fluids, air and other gaseous substances into subsurface strata, laying pipe lines, storing oil, building tanks, power stations, electric transmission lines, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals and other products manufactured therefrom, and housing and otherwise caring for its employees, the following described land in Brazos County, Texas, to wit:

1.71 acres of land, more or less, and being more particularly described in that Deed August 10, 1984 between W.A. Bilsing, III, Steven W. Bilsing, Kathryn L. Bilsing, Dean G. Bilsing, Sheryl M. Bilsing and Paul T. Bilsing and Philip Steve Montalbano and Cheryl Diane Montalbano and recorded in Volume 712 at Page 667 of the Deed Records of Brazos County, Texas

Notwithstanding any particular description, it is nevertheless the intention of Lessor to include within this lease, and Lessor does hereby lease, not only the land so described but also any and all other land owned or claimed by Lessor in the herein named survey or surveys, or in adjoining surveys, and adjoining the herein described land up to the boundaries of the abutting landowners, the leased lands being hereinafter sometimes referred to as "said land" or the "leased premises". For the purpose of determining the amount of any bonus or other payment hereunder, said land shall be deemed to contain 1.71 acres, whether actually containing more or less. Lessor agrees to execute any supplemental instrument(s) requested by Lessee for a more complete or accurate description of said land or instrument(s) to perfect title deficiencies.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of Three (3) years from this date (called "primary term"), and as long thereafter as oil, gas or other mineral is produced from said physical land or land with which said land or any part thereof is pooled, or this lease is maintained by virtue of some other provision hereof.

3. This is a PAID-UP LEASE. In consideration of the down cash payment, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term.

4. The royalties to be paid by Lessee are: (a) to deliver in kind to lessor, at the well, or to the credit of lessor into the pipeline or storage tank to which the well may be connected, the 1/5th part of all oil (including condensate) produced and saved from the leased premises. In lieu thereof, lessee shall have the option, at any time, to sell lessor's oil, in which case lessor's royalty shall be based on lessee's net proceeds at the lease, or to purchase lessor's oil for the value of such oil at the lease. In any event, lessor's interest shall be free of all costs of production, but shall bear its proportionate part of production and similar taxes, and shall share proportionately with lessee in any costs to market, transport, or condition the oil; (b) to pay lessor for gas, (including casinghead gas, all gaseous substances, and all constituents thereof) produced and sold from the leased premises, 1/5th part of the net proceeds at the lease from the sale of such gas, after deducting lessor's proportionate part of production, and other similar taxes; lessor's interest to be free of all costs of production, but to bear proportionately with lessee any costs incurred by lessee to market the gas, to deliver the gas to a market off the leased premises, or to dehydrate, compress, process, treat, or otherwise place such gas marketable condition; (c) on gas, including casinghead gas and all gaseous substances, produced from said land and used off said land by Lessee and not benefiting Lessor, the market value at the mouth of the well of 1/5th of the gas so used off said land; (d) on all minerals mined and marketed, 1/5th, either in kind or value at the well or mine, at Lessee's election, except that on sulphur the royalty shall be One Dollar (\$1.00) per long ton; and (e) if at any time while there is a gas well or wells on the said land or land pooled therewith (for the purposes of this clause (e) the term "gas well" shall include wells capable of producing natural gas, condensate, distillate or any gaseous substance and wells classified as gas wells by any governmental authority) and such well or wells are shut-in, and this lease is not being maintained otherwise as provided herein, this lease shall nevertheless remain in force and effect following the shutting-in of the well(s), whether it be during or after the primary term (unless released by Lessee), and it shall be considered that gas is being produced from the land covered by this lease. When the lease is continued in force in this manner and the well or wells are shut-in for a period of at least ninety (90) consecutive days, Lessee shall pay or tender as an advanced annual royalty to the parties who at the time of such payment would be entitled to receive royalty hereunder if the well were producing, or deposit to their credit in the Bank (Account No. _____) \$10.00 per net acre for the acreage then held under this lease by the party making such payment or tender. The first payment of such sum shall be made on or before either (1) ninety (90) days from the date such well or wells are shut-in; (2) ninety (90) days from the effective date for inclusion of said land or a portion thereof within a unit on which is located a shut-in gas well; or (3) ninety (90) days from the date this lease ceases to be otherwise maintained as provided herein, whichever is the later date, and it shall be considered that gas is being produced from said land in paying quantities within the meaning of Paragraph 2 hereof for one (1) year from the date of such payment, and in like manner subsequent advance annual royalty payments may be made or tendered and it will be considered that gas is being produced from said land in paying quantities within the meaning of said Paragraph 2 during any annual period for which such royalty is so paid or tendered; such advanced annual royalty payment shall be credited against any royalty accruing to the owners thereof on any production from said land during any annual period for which such advanced annual payment has been made. Lessee's failure to pay or tender or to pay or tender property or timely any such sum as royalty shall render Lessee liable for the amount due but it shall not operate to terminate this lease. All royalty interests, whether or not owned by the undersigned, shall be paid out of the royalty as provided for in said lease.

5. Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of production, whenever Lessee at its sole discretion deems it necessary or proper to do in order to develop or operate prudently the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed 80 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the term "horizontal completion" means a well in which the horizontal component of the gross completion interval in the reservoir is at least one hundred (100) feet. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling, completion, or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling, completion or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, so long as the total acreage therein does not exceed the maximum herein specified. Also each such drilling or production unit when limited to any one or more formations and to any one or more of the minerals therein or produced therefrom, may from time to time be enlarged and extended by Lessee to include additionally any other formation or formations and any other mineral or minerals therein or produced therefrom. In making such a revision, Lessee shall file or record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. Lessee may place and use on each unit created hereunder common measuring and reworking tanks for production from such unit. 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. Pooling hereunder shall not constitute a cross-conveyance of interests.

STATE OF TEXAS
COUNTY OF BRAZOS
The foregoing is a true and correct copy as the same appears on file and recorded in the appropriate records of Brazos, County, Texas.
Thereby certify, on 6-8-2006
Kuan McQueen
County Clerk:
Brazos County, Texas



6. If, at the expiration of the primary term, oil, gas or other mineral is not being produced from said land or land pooled therewith but Lessee is then engaged in operations for drilling, reworking of any well or mine thereon or shall have completed a dry hole thereon within ninety (90) days prior to the end of the primary term, this lease shall remain in force so long as operations on said well or for the drilling or reworking of an additional well are commenced and prosecuted (whether on the same or successive wells) with no cessation of more than ninety (90) consecutive days, and, if they result in production, so long thereafter as oil, gas or other mineral is produced from said land or land pooled therewith. If, after the expiration of the primary term of this lease and after oil, gas or other mineral is produced from said land or land pooled therewith, production thereof should cease from any cause, this lease shall not terminate if Lessee commences operations for drilling or reworking within ninety (90) days after the cessation of such production, but shall remain in force and effect so long as such operations are prosecuted with no cessation of more than ninety (90) consecutive days, and if they result in the production of oil, gas or other mineral, so long thereafter as oil, gas or other mineral is produced from said land or land pooled therewith. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land and within two hundred (200) feet of and draining said land, Lessee agrees to drill such offset wells as a reasonably prudent operator would drill under the same or similar circumstances. The judgment of the Lessee, when not fraudulently exercised, in carrying out the purpose of this lease shall be conclusive.

7. Lessee shall have free use of oil, gas and water from said land, except water from Lessor's wells and tanks, for all operations hereunder including repressuring, pressure maintenance, cycling and secondary recovery operations, and the royalty shall be computed after deducting any so used. Any structures and facilities placed on said land by Lessee for operations hereunder and any well or wells on said land drilled or used for the injection of salt water or other fluids may also be used for Lessee's operations on other lands in the same area. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred (200) feet of any residence or barn now on said land without Lessor's consent.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, representatives, successors and assigns, but no change or division in ownership of the land or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee. No such change or division in the ownership of the land or royalties shall be binding upon Lessee for any purpose until such person acquiring any interest has furnished Lessee with the instrument or instruments, or certified copies thereof, constituting the chain of title from the original Lessor. An assignment of this lease, in whole, or in part, shall, to the extent of such assignment, relieve and discharge Lessee of any obligations hereunder, and, if Lessee or assignee of part or parts hereof shall fail to comply with any provision of this lease, such default shall not affect this lease insofar as it covers a part of said land upon which Lessee or any assignee thereof shall not be in default. Should more than six parties become entitled to royalties hereunder, Lessee may require the appointment of a single agent to receive payment for all and may withhold payment until such appointment has been made.

9. When drilling or other operations are delayed or interrupted by storm, flood or other act of God, fire, war, rebellion, insurrection, riot, strikes, differences with workmen, unavailability of material or equipment, failure of carriers to transport or furnish facilities for transportation, some order, requisition or necessity of the government or as a result of any cause whatsoever beyond the control of the Lessee, the time of such delay or interruption shall not be counted against Lessee, anything in this lease to the contrary notwithstanding. All express or implied covenants of this lease shall be subject to all Federal and State laws. Executive orders, rules or regulations and this lease shall not be terminated, in whole or in part, nor Lessee held liable in damages for failure to comply therewith if compliance is prevented by, or if such failure is the result of, any such law, order, rule or regulation. If from such causes Lessee is prevented from conducting drilling or reworking operations on, or producing oil or gas from said land or land pooled therewith, the time while Lessee is so prevented shall not be counted against Lessee, and this lease shall be extended for a period of time equal to that during which such Lessee is so prevented from conducting drilling or reworking operations on, or producing oil or gas from said land or land pooled therewith, notwithstanding any other provision hereof.

10. The breach by Lessee of any obligation arising hereunder shall not work a forfeiture or termination of this lease nor cause a termination or reversion of the estate created hereby nor be grounds for cancellation hereof in whole or in part. In the event Lessor considers that operations are not at any time being conducted in compliance with this lease, Lessor shall notify Lessee in writing of the facts relied upon as constituting a breach hereof, and Lessee, if in default, shall have sixty (60) days after receipt of notice in which to commence the compliance with the obligations imposed by virtue of this instrument. After the discovery of oil, gas or other mineral in paying quantities on said land, Lessee shall reasonably develop the acreage retained hereunder, but in discharging this obligation it shall in no event be required to drill more than one (1) well per forty (40) acres, plus an acreage tolerance not to exceed ten per cent (10%) of forty (40) acres of the area retained hereunder and capable of producing oil in paying quantities and one (1) well per six hundred forty (640) acres, plus an acreage tolerance not to exceed ten per cent (10%) of six hundred forty (640) acres of the area retained hereunder and capable of producing gas or other mineral in paying quantities.

11. Lessor hereby warrants and agrees to defend the title to said land, and agrees that Lessee, at its option, may discharge any tax, mortgage or other lien upon said land in the event of default of payment by Lessor, and in the event Lessee does so, it shall be subrogated to such lien with the right to enforce same and apply royalties accruing hereunder toward satisfying same. Without impairment of Lessee's rights under the warranty in the event of failure of title, it is agreed that, if Lessor owns an interest in said land less than the entire fee simple estate, whether stated hereinabove as a whole or partial interest, then the royalties to be paid Lessor shall be reduced proportionately. All royalty interest covered by this lease (whether or not owned by lessor) shall be paid out of the royalty herein provided. Should any one or more of the parties named hereinabove as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

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

13. In the event the earliest notary acknowledgment is more than sixty (60) days beyond the date entered on this lease, then the effective date (for purposes of determining the expiration of the primary term) shall become the earliest notary acknowledgment date.

IN WITNESS WHEREOF, this instrument is executed as of the date above written.

X Sheryl M. Bilising Graham
Sheryl M. Bilising Graham

✓ SS#

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES

This instrument was acknowledged before me on the 12TH day of SEPTEMBER, 2005 by Sheryl M. Bilising Graham.



Bradley P. Beilinson
Notary Public, State of California

STATE OF TEXAS
COUNTY OF BRAZOS
The foregoing is a true and correct copy as the same appears on file and recorded in the appropriate records of Brazos, County, Texas.
Thereby certify, on 6-8-2006
Kara McQueen
County Clerk,
Brazos County, Texas



Addendum

Attached to and made a part of Oil, Gas and Mineral Lease dated August 8, 2005, by and between Sheryl M. Bilsing Graham, as Lessor, and AKG Energy, L.P., as Lessee.

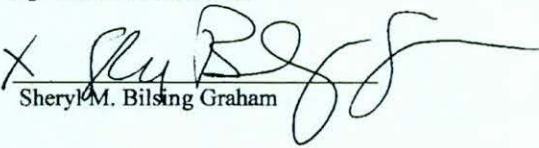
14. Notwithstanding anything hereinabove to the contrary, it is specifically understood and agreed that this lease covers only oil, gas, sulphur and associated liquid or liquefiable hydrocarbons, but this Lease does not cover or include and other minerals, with all such other minerals being reserved to the Lessor herein.

15. Notwithstanding anything hereinabove to the contrary, it is expressly agreed and understood that Lessee's right to maintain this Lease in force after the primary term by shut-in gas well payments under Paragraph 4 shall not continue for any one shut-in period of more than two (2) years immediately following the primary term, or in recurring periods after the primary term not to exceed two (2) years in the aggregate.

16. In the event a portion or portions of the land described in this lease is pooled or unitized with other land, lease, or leases so as to form a pooled unit or units, operations for drilling, drilling, or reworking operations on such unit or units, or production of oil or gas from such unit or units, or payments of shut-in gas royalties on a well or wells drilled on such unit or units, shall maintain this lease in effect only as to the portion or portions of the land described in this lease which is included in a pooled unit or units. As to any portion or portions of the land not included in a pooled unit or units, this lease may be maintained in force and effect in any manner elsewhere provided in this lease.

17. Notwithstanding any provisions contained herein to the contrary, it is agreed and understood that Lessee shall not use any part of the surface of the above described lands for the purpose of mining, exploring, drilling, production of oil, gas and other minerals, laying of pipe lines, building of tanks, power stations and any other structures thereon. It is the intention of the parties hereto that Lessee, shall not have the right to use the surface of the above described land or any part thereof nor have the right of ingress and egress upon or across the surface of all or any part of the above described land. This prohibition with respect to the use of the surface of said land shall in no way impair the right of Lessee to produce oil, gas or other minerals from said land, either by directional drilling from a well located on adjacent land or by some other method which will not require entry upon the surface of the above described land or by including the land or a portion thereof within a pooled unit or units pursuant to the terms hereof.

Signed for identification:

X 
Sheryl M. Bilsing Graham

STATE OF TEXAS
COUNTY OF BRAZOS

The foregoing is a true and correct copy as the same appears on file and recorded in the appropriate records of Brazos, County, Texas.

6-8-2006

Thereby certify, on



County Clerk:
Brazos County, Texas



Filed for Record in:
BRAZOS COUNTY

On: Feb 02, 2006 at 02:06P

As a
Recording

Document Number: 00916068

Amount 19.00

Receipt Number - 283721

By:
Winstonia Davenport

STATE OF TEXAS COUNTY OF BRAZOS
I hereby certify that this instrument was
filed on the date and time stamped hereon by me
and was duly recorded in the volume and page
of the Official Public Records of:

BRAZOS COUNTY

as stamped hereon by me.

Feb 02, 2006

HONORABLE KAREN McQUEEN, COUNTY CLERK
BRAZOS COUNTY

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

PAID-UP
OIL, GAS AND MINERAL LEASE

THIS AGREEMENT made and entered into this 14th day of February, 2005 between M.L. Schehin, hereinafter called "Lessor" (whether one or more), whose mailing address is P.O. Box 292, Weillborn, TX 77881 and AKG Energy, L.P., hereinafter called "Lessee," whose address is 505 W. 14th Street, Austin, Texas 78701.

1. Lessor, in consideration of Ten and no/100's Dollars (\$10.00) and other good and valuable consideration in hand paid, receipt of which is hereby acknowledged, of the royalties herein provided and of the covenants herein contained, hereby grants, leases and lets, exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling, mining and operating for and producing oil, gas and all other minerals, injecting gas, waters, other fluids, air and other gaseous substances into subsurface strata, laying pipe lines, storing oil, building tanks, power stations, electric transmission lines, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals and other products manufactured therefrom, and housing and otherwise caring for its employees, the following described land in Brazos County, Texas, to wit:

3.935 acres of land, more or less, being all of Lot B and Lot Sixteen (16), Whitecreek Subdivision, Brazos County, Texas according to Plat recorded in Volume 412 at Page 221 of the Deed Records, Brazos County, Texas and described in that certain Deed dated June 9, 1985 from Elan J. Holcomb to Calvin Schehin and M.L. Schehin, recorded in Volume 801 at Page 107 of the Deed Records, Brazos County, Texas.

Notwithstanding any particular description, it is nevertheless the intention of Lessor to include within this lease, and Lessor does hereby lease, not only the land so described but also any and all other land owned or claimed by Lessor in the herein named survey or surveys, or in adjoining surveys, and adjoining the herein described land up to the boundaries of the abutting landowners, the leased lands being hereinafter sometimes referred to as "said land" or the "leased premises". For the purpose of determining the amount of any bonus or other payment hereunder, said land shall be deemed to contain 3.935 acres, whether actually containing more or less. Lessor agrees to execute any supplemental instrument(s) requested by Lessee for a more complete or accurate description of said land or instrument(s) to perfect title deficiencies.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of Three (3) years from this date (called "primary term"), and as long thereafter as oil, gas or other mineral is produced from said physical land or land with which said land or any part thereof is pooled, or this lease is maintained by virtue of some other provision hereof.

3. This is a PAID-UP LEASE. In consideration of the down cash payment, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term.

4. The royalties to be paid by Lessee are: (a) to deliver in kind to lessor, at the well, or to the credit of lessor into the pipeline or storage tank to which the well may be connected, the 1/6th part of all oil (including condensate) produced and saved from the leased premises. In lieu thereof, lessee shall have the option, at any time, to sell lessor's oil, in which case lessor's royalty shall be based on lessee's net proceeds at the lease, or to purchase lessor's oil for the value of such oil at the lease. In any event, lessor's interest shall be free of all costs of production, but shall bear its proportionate part of production and similar taxes, and shall share proportionately with lessee in any costs to market, transport, or condition the oil; (b) to pay lessor for gas, (including casinghead gas, all gaseous substances, and all constituents thereof) produced and sold from the leased premises, 1/6th part of the net proceeds at the lease from the sale of such gas, after deducting lessor's proportionate part of production, and other similar taxes; lessor's interest to be free of all costs of production, but to bear proportionately with lessee any costs incurred by lessee to market the gas, to deliver the gas to a market off the leased premises, or to dehydrate, compress, process, treat, or otherwise place such gas marketable condition; (c) on gas, including casinghead gas and all gaseous substances, produced from said land and used off said land by Lessee and not benefiting Lessor, the market value at the mouth of the well of 1/6th of the gas so used off said land; (d) on all minerals mined and marketed, 1/6th, either in kind or value at the well or mine, at Lessee's election, except that on sulphur the royalty shall be One Dollar (\$1.00) per long ton; and (e) if at any time while there is a gas well or wells on the said land or land pooled therewith (for the purposes of this clause (e) the term "gas well" shall include wells capable of producing natural gas, condensate, distillate or any gaseous substance and wells classified as gas wells by any governmental authority) and such well or wells are shut-in, and this lease is not being maintained otherwise as provided herein, this lease shall nevertheless remain in force and effect following the shutting-in of the well(s), whether it be during or after the primary term (unless released by Lessee), and it shall be considered that gas is being produced from the land covered by this lease. When the lease is continued in force in this manner and the well or wells are shut-in for a period of at least ninety (90) consecutive days, Lessee shall pay or tender as an advanced annual royalty to the parties who at the time of such payment would be entitled to receive royalty hereunder if the well were producing, or deposit to their credit in the Bank (Account No. _____), \$10.00 per net acre for the acreage then held under this lease by the party making such payment or tender. The first payment of such sum shall be made on or before either (1) ninety (90) days from the date such well or wells are shut-in; (2) ninety (90) days from the effective date for inclusion of said land or a portion thereof within a unit on which is located a shut-in gas well; or (3) ninety (90) days from the date this lease ceases to be otherwise maintained as provided herein, whichever is the later date, and it shall be considered that gas is being produced from said land in paying quantities within the meaning of Paragraph 2 hereof for one (1) year from the date of such payment, and in like manner subsequent advance annual royalty payments may be made or tendered and it will be considered that gas is being produced from said land in paying quantities within the meaning of said Paragraph 2 during any annual period for which such royalty is so paid or tendered, such advanced annual royalty payment shall be credited against any royalty accruing to the owners thereof on any production from said land during any annual period for which such advanced annual payment has been made. Lessee's failure to pay or tender or to pay or tender properly or timely any such sum as royalty shall render Lessee liable for the amount due but it shall not operate to terminate this lease. All royalty interests, whether or not owned by the undersigned, shall be paid out of the royalty as provided for in said lease.

5. Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of production, whenever Lessee at its sole discretion deems it necessary or proper to do in order to develop or operate prudently the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed 80 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the term "horizontal completion" means a well in which the horizontal component of the gross completion interval in the reservoir is at least one hundred (100) feet. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling, completion, or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling, completion or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, so long as the total acreage therein does not exceed the maximum herein specified. Also each such drilling or production unit when limited to any one or more formations and to any one or more of the minerals therein or produced therefrom, may from time to time be enlarged and extended by Lessee to include additionally any other formation or formations and any other mineral or minerals therein or produced therefrom. In making such a revision, Lessee shall file or record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. Lessee may place and use on each unit created hereunder common measuring and reworking tanks for production from such unit. 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. Pooling hereunder shall not constitute a cross-conveyance of interests.

STATE OF TEXAS
COUNTY OF BRAZOS
The foregoing is a true and correct copy as the same appears on file and recorded in the appropriate records of Brazos County, Texas.

6-8-2006
Kessie McQueen
County Clerk:
Brazos County, Texas

Thereby certify, on



6. If, at the expiration of the primary term, oil, gas or other mineral is not being produced from said land or land pooled therewith but Lessee is then engaged in operations for drilling, mining or reworking of any well or mine thereon or shall have completed a dry hole thereon within ninety (90) days prior to the end of the primary term, this lease shall remain in force so long as operations on said well or for the drilling or reworking of an additional well are commenced and prosecuted (whether on the same or successive wells) with no cessation of more than ninety (90) consecutive days, and, if they result in production, so long thereafter as oil, gas or other mineral is produced from said land or land pooled therewith. If, after the expiration of the primary term of this lease and after oil, gas or other mineral is produced from said land or land pooled therewith, production thereof should cease from any cause, this lease shall not terminate if Lessee commences operations for drilling or reworking within ninety (90) days after the cessation of such production, but shall remain in force and effect so long as such operations are prosecuted with no cessation of more than ninety (90) consecutive days, and if they result in the production of oil, gas or other mineral, so long thereafter as oil, gas or other mineral is produced from said land or land pooled therewith. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land and within two hundred (200) feet of and draining said land, Lessee agrees to drill such offset wells as a reasonably prudent operator would drill under the same or similar circumstances. The judgment of the Lessee, when not fraudulently exercised, in carrying out the purpose of this lease shall be conclusive.

7. Lessee shall have free use of oil, gas and water from said land, except water from Lessor's wells and tanks, for all operations hereunder including repressuring, pressure maintenance, cycling and secondary recovery operations, and the royalty shall be computed after deducting any so used. Any structures and facilities placed on said land by Lessee for operations hereunder and any well or wells on said land drilled or used for the injection of salt water or other fluids may also be used for Lessee's operations on other lands in the same area. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred (200) feet of any residence or barn now on said land without Lessor's consent.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, representatives, successors and assigns, but no change or division in ownership of the land or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee. No such change or division in the ownership of the land or royalties shall be binding upon Lessee for any purpose until such person acquiring any interest has furnished Lessee with the instrument or instruments, or certified copies thereof, constituting the chain of title from the original Lessor. An assignment of this lease, in whole, or in part, shall, to the extent of such assignment, relieve and discharge Lessee of any obligations hereunder, and, if Lessee or assignee of part or parts hereof shall fail to comply with any provision of this lease, such default shall not affect this lease insofar as it covers a part of said land upon which Lessee or any assignee thereof shall not be in default. Should more than six parties become entitled to royalties hereunder, Lessee may require the appointment of a single agent to receive payment for all and may withhold payment until such appointment has been made.

9. When drilling or other operations are delayed or interrupted by storm, flood or other act of God, fire, war, rebellion, insurrection, riot, strikes, differences with workmen, unavailability of material or equipment, failure of carriers to transport or furnish facilities for transportation, some order, requisition or necessity of the government or as a result of any cause whatsoever beyond the control of the Lessee, the time of such delay or interruption shall not be counted against Lessee, anything in this lease to the contrary notwithstanding. All express or implied covenants of this lease shall be subject to all Federal and State laws. Executive orders, rules or regulations and this lease shall not be terminated, in whole or in part, nor Lessee held liable in damages for failure to comply therewith if compliance is prevented by, or if such failure is the result of, any such law, order, rule or regulation. If from such causes Lessee is prevented from conducting drilling or reworking operations on, or producing oil or gas from said land or land pooled therewith, the time while Lessee is so prevented shall not be counted against Lessee, and this lease shall be extended for a period of time equal to that during which such Lessee is so prevented from conducting drilling or reworking operations on, or producing oil or gas from said land or land pooled therewith, notwithstanding any other provision hereof.

10. The breach by Lessee of any obligation arising hereunder shall not work a forfeiture or termination of this lease nor cause a termination or reversion of the estate created hereby nor be grounds for cancellation hereof in whole or in part. In the event Lessor considers that operations are not at any time being conducted in compliance with this lease, Lessor shall notify Lessee in writing of the facts relied upon as constituting a breach hereof, and Lessee, if in default, shall have sixty (60) days after receipt of notice in which to commence the compliance with the obligations imposed by virtue of this instrument. After the discovery of oil, gas or other mineral in paying quantities on said land, Lessee shall reasonably develop the acreage retained hereunder, but in discharging this obligation it shall in no event be required to drill more than one (1) well per forty (40) acres, plus an acreage tolerance not to exceed ten per cent (10%) of forty (40) acres of the area retained hereunder and capable of producing oil in paying quantities and one (1) well per six hundred forty (640) acres, plus an acreage tolerance not to exceed ten per cent (10%) of six hundred forty (640) acres of the area retained hereunder and capable of producing gas or other mineral in paying quantities.

11. Lessor hereby warrants and agrees to defend the title to said land, and agrees that Lessee, at its option, may discharge any tax, mortgage or other lien upon said land in the event of default of payment by Lessor, and in the event Lessee does so, it shall be subrogated to such lien with the right to enforce same and apply royalties accruing hereunder toward satisfying same. Without impairment of Lessee's rights under the warranty in the event of failure of title, it is agreed that, if Lessor owns an interest in said land less than the entire fee simple estate, whether stated hereinabove as a whole or partial interest, then the royalties to be paid Lessor shall be reduced proportionately. All royalty interest covered by this lease (whether or not owned by Lessor) shall be paid out of the royalty herein provided. Should any one or more of the parties named hereinabove as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

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

13. In the event the earliest notary acknowledgment is more than sixty (60) days beyond the date entered on this lease, then the effective date (for purposes of determining the expiration of the primary term) shall become the earliest notary acknowledgment date.

IN WITNESS WHEREOF, this instrument is executed as of the date above written.

X M.L. Schehin _____ SS# [REDACTED]

STATE OF TEXAS
COUNTY OF BRAZOS

This instrument was acknowledged before me on the 24 day of February, 2005 by M.L. Schehin



Helen Joan Menn
Notary Public, State of Texas

STATE OF TEXAS
COUNTY OF BRAZOS
The foregoing is a true and correct copy as the same appears on file and recorded in the appropriate records of Brazos, County, Texas.
Thereby certify, on 6-8-2006
Helen Menn
County Clerk:
Brazos County, Texas



Addendum

Attached to and made a part of Oil, Gas and Mineral Lease dated February 14, 2005, by and between M.L. Schehin, as Lessor, and AKG Energy, L.P., as Lessee.


14. Notwithstanding anything hereinabove to the contrary, it is specifically understood and agreed that this lease covers only oil, gas, sulphur and associated liquid or liquefiable hydrocarbons, but this Lease does not cover or include and other minerals, with all such other minerals being reserved to the Lessor herein.

15. Notwithstanding anything hereinabove to the contrary, it is expressly agreed and understood that Lessee's right to maintain this Lease in force after the primary term by shut-in gas well payments under Paragraph 4 shall not continue for any one shut-in period of more than two (2) years immediately following the primary term, or in recurring periods after the primary term not to exceed two (2) years in the aggregate.

16. In the event a portion or portions of the land described in this lease is pooled or unitized with other land, lease, or leases so as to form a pooled unit or units, operations for drilling, drilling, or reworking operations on such unit or units, or production of oil or gas from such unit or units, or payments of shut-in gas royalties on a well or wells drilled on such unit or units, shall maintain this lease in effect only as to the portion or portions of the land described in this lease which is included in a pooled unit or units. As to any portion or portions of the land not included in a pooled unit or units, this lease may be maintained in force and effect in any manner elsewhere provided in this lease.

17. Notwithstanding any provisions contained herein to the contrary, it is agreed and understood that Lessee shall not use any part of the surface of the above described lands for the purpose of mining, exploring, drilling, production of oil, gas and other minerals, laying of pipe lines, building of tanks, power stations and any other structures thereon. It is the intention of the parties hereto that Lessee, shall not have the right to use the surface of the above described land or any part thereof nor have the right of ingress and egress upon or across the surface of all or any part of the above described land. This prohibition with respect to the use of the surface of said land shall in no way impair the right of Lessee to produce oil, gas or other minerals from said land, either by directional drilling from a well located on adjacent land or by some other method which will not require entry upon the surface of the above described land or by including the land or a portion thereof within a pooled unit or units pursuant to the terms hereof.

Signed for identification:


M.L. Schehin

STATE OF TEXAS
COUNTY OF BRAZOS

The foregoing is a true and correct copy as the same appears on file and recorded in the appropriate records of Brazos, County, Texas.

Thereby certify, on

67-2006



County Clerk:
Brazos County, Texas



Filed for Record in:
BRAZOS COUNTY
On: Feb 02, 2006 at 02:06P

As a
Recording

Document Number: 00916077
Amount 19.00

Receipt Number - 283721
By:
Winstonia Davenport

STATE OF TEXAS COUNTY OF BRAZOS
I hereby certify that this instrument was filed on the date and time stated herein by me and was duly recorded in the volume and page of the Official Public records of:

BRAZOS COUNTY

as stated herein by me.

Feb 02, 2006

HONORABLE KAREN McQUEEN, COUNTY CLERK
BRAZOS COUNTY

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

PAID-UP
OIL, GAS AND MINERAL LEASE

THIS AGREEMENT made and entered into this 18th day of February, 2005 between Theresa A. Schehin hereinafter called "Lessor" (whether one or more), whose mailing address is 4432 Woodland Ridge Dr., College Station, TX 77845 and AKG Energy, L.P., hereinafter called "Lessee," whose address is 505 W. 14th Street, Austin, Texas 78701

1. Lessor, in consideration of Ten and no/100's Dollars (\$10.00) and other good and valuable consideration in hand paid, receipt of which is hereby acknowledged, of the royalties herein provided and of the covenants herein contained, hereby grants, leases and lets, exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling, mining and operating for and producing oil, gas and all other minerals, injecting gas, waters, other fluids, air and other gaseous substances into subsurface strata, laying pipe lines, storing oil, building tanks, power stations, electric transmission lines, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals and other products manufactured therefrom, and housing and otherwise caring for its employees, the following described land in Brazos County, Texas, to wit:

7.305 acres of land, more or less, being all of Lot B and Lots Nine (9), Ten (10), Eleven (11), Twelve (12) and Sixteen (16), Whitecreek Subdivision, Brazos County, Texas according to Plat recorded in Volume 412 at Page 221 of the Deed Records, Brazos County, Texas. 3.935 acres of said 7.305 acres of land, more or less, being all of Lot B and Lot Sixteen (16), described in that certain Deed dated June 9, 1985 from Elan J. Holcomb to Calvin Schehin and M.L. Schehin, recorded in Volume 801 at Page 107 of the Deed Records, Brazos County, Texas.

Notwithstanding any particular description, it is nevertheless the intention of Lessor to include within this lease, and Lessor does hereby lease, not only the land so described but also any and all other land owned or claimed by Lessor in the herein named survey or surveys, or in adjoining surveys, and adjoining the herein described land up to the boundaries of the abutting landowners, the leased lands being hereinafter sometimes referred to as "said land" or the "leased premises". For the purpose of determining the amount of any bonus or other payment hereunder, said land shall be deemed to contain 7.305 acres, whether actually containing more or less. Lessor agrees to execute any supplemental instrument(s) requested by Lessee for a more complete or accurate description of said land or instrument(s) to perfect title deficiencies.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of Three (3) years from this date (called "primary term"), and as long thereafter as oil, gas or other mineral is produced from said physical land or land with which said land or any part thereof is pooled, or this lease is maintained by virtue of some other provision hereof.

3. This is a PAID-UP LEASE. In consideration of the down cash payment, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term.

4. The royalties to be paid by Lessee are: (a) to deliver in kind to lessor, at the well, or to the credit of lessor into the pipeline or storage tank to which the well may be connected, the 1/6th part of all oil (including condensate) produced and saved from the leased premises. In lieu thereof, lessee shall have the option, at any time, to sell lessor's oil, in which case lessor's royalty shall be based on lessee's net proceeds at the lease, or to purchase lessor's oil for the value of such oil at the lease. In any event, lessor's interest shall be free of all costs of production, but shall bear its proportionate part of production and similar taxes, and shall share proportionately with lessee in any costs to market, transport, or condition the oil; (b) to pay lessor for gas, (including casinghead gas, all gaseous substances, and all constituents thereof) produced and sold from the leased premises, 1/6th part of the net proceeds at the lease from the sale of such gas, after deducting lessor's proportionate part of production, and other similar taxes; lessor's interest to be free of all costs of production, but to bear proportionately with lessee any costs incurred by lessee to market the gas, to deliver the gas to a market off the leased premises, or to dehydrate, compress, process, treat, or otherwise place such gas marketable condition; (c) on gas, including casinghead gas and all gaseous substances, produced from said land and used off said land by Lessee and not benefiting Lessor, the market value at the mouth of the well of 1/6th of the gas so used off said land; (d) on all minerals mined and marketed, 1/6th, either in kind or value at the well or mine, at Lessee's election, except that on sulphur the royalty shall be One Dollar (\$1.00) per long ton; and (e) if at any time while there is a gas well or wells on the said land or land pooled therewith (for the purposes of this clause (e) the term "gas well" shall include wells capable of producing natural gas, condensate, distillate or any gaseous substance and wells classified as gas wells by any governmental authority) and such well or wells are shut-in, and this lease is not being maintained otherwise as provided herein, this lease shall nevertheless remain in force and effect following the shutting-in of the well(s), whether it be during or after the primary term (unless released by Lessee), and it shall be considered that gas is being produced from the land covered by this lease. When the lease is continued in force in this manner and the well or wells are shut-in for a period of at least ninety (90) consecutive days, Lessee shall pay or tender as an advanced annual royalty to the parties who at the time of such payment would be entitled to receive royalty hereunder if the well were producing, or deposit to their credit in the Bank (Account No. _____) \$10.00 per net acre for the acreage then held under this lease by the party making such payment or tender. The first payment of such sum shall be made on or before either (1) ninety (90) days from the date such well or wells are shut-in; (2) ninety (90) days from the effective date for inclusion of said land or a portion thereof within a unit on which is located a shut-in gas well; or (3) ninety (90) days from the date this lease ceases to be otherwise maintained as provided herein, whichever is the later date, and it shall be considered that gas is being produced from said land in paying quantities within the meaning of Paragraph 2 hereof for one (1) year from the date of such payment, and in like manner subsequent advance annual royalty payments may be made or tendered and it will be considered that gas is being produced from said land in paying quantities within the meaning of said Paragraph 2 during any annual period for which such royalty is so paid or tendered; such advanced annual royalty payment shall be credited against any royalty accruing to the owners thereof on any production from said land during any annual period for which such advanced annual payment has been made. Lessee's failure to pay or tender or to pay or tender properly or timely any such sum as royalty shall render Lessee liable for the amount due but it shall not operate to terminate this lease. All royalty interests, whether or not owned by the undersigned, shall be paid out of the royalty as provided for in said lease.

5. Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of production, whenever Lessee at its sole discretion deems it necessary or proper to do in order to develop or operate prudently the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed 80 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the term "horizontal completion" means a well in which the horizontal component of the gross completion interval in the reservoir is at least one hundred (100) feet. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling, completion, or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling, completion or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, so long as the total acreage therein does not exceed the maximum herein specified. Also each such drilling or production unit when limited to any one or more formations and to any one or more of the minerals therein or produced therefrom, may from time to time be enlarged and extended by Lessee to include additionally any other formation or formations and any other mineral or minerals therein or produced therefrom. In making such a revision, Lessee shall file or record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. Lessee may place and use on each unit created hereunder common measuring and reworking tanks for production from such unit. 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. Pooling hereunder shall not constitute a cross-conveyance of interests.

STATE OF TEXAS
COUNTY OF BRAZOS

The foregoing is a true and correct copy as the same appears on file and recorded in the appropriate records of Brazos, County, Texas.

Thereby certify, on

6-8-2006



Karen McQueen
County Clerk:
Brazos County, Texas

[Handwritten signature]

6. If, at the expiration of the primary term, oil, gas or other mineral is not being produced from said land or land pooled therewith but Lessee is then engaged in operations for drilling, mining or reworking of any well or mine thereon or shall have completed a dry hole thereon within ninety (90) days prior to the end of the primary term, this lease shall remain in force so long as operations on said well or for the drilling or reworking of an additional well are commenced and prosecuted (whether on the same or successive wells) with no cessation of more than ninety (90) consecutive days, and, if they result in production, so long thereafter as oil, gas or other mineral is produced from said land or land pooled therewith. If, after the expiration of the primary term of this lease and after oil, gas or other mineral is produced from said land or land pooled therewith, production thereof should cease from any cause, this lease shall not terminate if Lessee commences operations for drilling or reworking within ninety (90) days after the cessation of such production, but shall remain in force and effect so long as such operations are prosecuted with no cessation of more than ninety (90) consecutive days, and if they result in the production of oil, gas or other mineral, so long thereafter as oil, gas or other mineral is produced from said land or land pooled therewith. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land and within two hundred (200) feet of and draining said land, Lessee agrees to drill such offset wells as a reasonably prudent operator would drill under the same or similar circumstances. The judgment of the Lessee, when not fraudulently exercised, in carrying out the purpose of this lease shall be conclusive.

7. Lessee shall have free use of oil, gas and water from said land, except water from Lessor's wells and tanks, for all operations hereunder including repressuring, pressure maintenance, cycling and secondary recovery operations, and the royalty shall be computed after deducting any so used. Any structures and facilities placed on said land by Lessee for operations hereunder and any well or wells on said land drilled or used for the injection of salt water or other fluids may also be used for Lessee's operations on other lands in the same area. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred (200) feet of any residence or barn now on said land without Lessor's consent.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, representatives, successors and assigns, but no change or division in ownership of the land or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee. No such change or division in the ownership of the land or royalties shall be binding upon Lessee for any purpose until such person acquiring any interest has furnished Lessee with the instrument or instruments, or certified copies thereof, constituting the chain of title from the original Lessor. An assignment of this lease, in whole, or in part, shall, to the extent of such assignment, relieve and discharge Lessee of any obligations hereunder, and, if Lessee or assignee of part or parts hereof shall fail to comply with any provision of this lease, such default shall not affect this lease insofar as it covers a part of said land upon which Lessee or any assignee thereof shall not be in default. Should more than six parties become entitled to royalties hereunder, Lessee may require the appointment of a single agent to receive payment for all and may withhold payment until such appointment has been made.

9. When drilling or other operations are delayed or interrupted by storm, flood or other act of God, fire, war, rebellion, insurrection, riot, strikes, differences with workmen, unavailability of material or equipment, failure of carriers to transport or furnish facilities for transportation, some order, requisition or necessity of the government or as a result of any cause whatsoever beyond the control of the Lessee, the time of such delay or interruption shall not be counted against Lessee, anything in this lease to the contrary notwithstanding. All express or implied covenants of this lease shall be subject to all Federal and State laws. Executive orders, rules or regulations and this lease shall not be terminated, in whole or in part, nor Lessee held liable in damages for failure to comply therewith if compliance is prevented by, or if such failure is the result of, any such law, order, rule or regulation. If from such causes Lessee is prevented from conducting drilling or reworking operations on, or producing oil or gas from said land or land pooled therewith, the time while Lessee is so prevented shall not be counted against Lessee, and this lease shall be extended for a period of time equal to that during which such Lessee is so prevented from conducting drilling or reworking operations on, or producing oil or gas from said land or land pooled therewith, notwithstanding any other provision hereof.

10. The breach by Lessee of any obligation arising hereunder shall not work a forfeiture or termination of this lease nor cause a termination or reversion of the estate created hereby nor be grounds for cancellation hereof in whole or in part. In the event Lessor considers that operations are not at any time being conducted in compliance with this lease, Lessor shall notify Lessee in writing of the facts relied upon as constituting a breach hereof, and Lessee, if in default, shall have sixty (60) days after receipt of notice in which to commence the compliance with the obligations imposed by virtue of this instrument. After the discovery of oil, gas or other mineral in paying quantities on said land, Lessee shall reasonably develop the acreage retained hereunder, but in discharging this obligation it shall in no event be required to drill more than one (1) well per forty (40) acres, plus an acreage tolerance not to exceed ten per cent (10%) of forty (40) acres of the area retained hereunder and capable of producing oil in paying quantities and one (1) well per six hundred forty (640) acres, plus an acreage tolerance not to exceed ten per cent (10%) of six hundred forty (640) acres of the area retained hereunder and capable of producing gas or other mineral in paying quantities.

11. Lessor hereby warrants and agrees to defend the title to said land, and agrees that Lessee, at its option, may discharge any tax, mortgage or other lien upon said land in the event of default of payment by Lessor, and in the event Lessee does so, it shall be subrogated to such lien with the right to enforce same and apply royalties accruing hereunder toward satisfying same. Without impairment of Lessee's rights under the warranty in the event of failure of title, it is agreed that, if Lessor owns an interest in said land less than the entire fee simple estate, whether stated hereinabove as a whole or partial interest, then the royalties to be paid Lessor shall be reduced proportionately. All royalty interest covered by this lease (whether or not owned by Lessor) shall be paid out of the royalty herein provided. Should any one or more of the parties named hereinabove as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

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

13. In the event the earliest notary acknowledgment is more than sixty (60) days beyond the date entered on this lease, then the effective date (for purposes of determining the expiration of the primary term) shall become the earliest notary acknowledgment date.

IN WITNESS WHEREOF, this instrument is executed as of the date above written.

Theresa Schehin
Theresa Schehin

LESSOR 

STATE OF TEXAS
COUNTY OF BRAZOS BURLESON

This instrument was acknowledged before me on the 24th day of February, 2005 by Theresa Schehin



Jean M Bay
Notary Public, State of Texas

JA

STATE OF TEXAS
COUNTY OF BRAZOS
The foregoing is a true and correct copy as the same appears on file and recorded in the appropriate records of Brazos, County, Texas
Thereby certify, on 68 Nov 05
Kesha McQueen
County Clerk
Brazos County, Texas



Addendum

Attached to and made a part of Oil, Gas and Mineral Lease dated February 18, 2005, by and between Theresa Schehin, as Lessor, and AKG Energy, L.P., as Lessee.

14. Notwithstanding anything hereinabove to the contrary, it is specifically understood and agreed that this lease covers only oil, gas, sulphur and associated liquid or liquefiable hydrocarbons, but this Lease does not cover or include and other minerals, with all such other minerals being reserved to the Lessor herein.

15. Notwithstanding anything hereinabove to the contrary, it is expressly agreed and understood that Lessee's right to maintain this Lease in force after the primary term by shut-in gas well payments under Paragraph 4 shall not continue for any one shut-in period of more than two (2) years immediately following the primary term, or in recurring periods after the primary term not to exceed two (2) years in the aggregate.



16. In the event a portion or portions of the land described in this lease is pooled or unitized with other land, lease, or leases so as to form a pooled unit or units, operations for drilling, drilling, or reworking operations on such unit or units, or production of oil or gas from such unit or units, or payments of shut-in gas royalties on a well or wells drilled on such unit or units, shall maintain this lease in effect only as to the portion or portions of the land described in this lease which is included in a pooled unit or units. As to any portion or portions of the land not included in a pooled unit or units, this lease may be maintained in force and effect in any manner elsewhere provided in this lease.

17. Notwithstanding any provisions contained herein to the contrary, it is agreed and understood that Lessee shall not use any part of the surface of the above described lands for the purpose of mining, exploring, drilling, production of oil, gas and other minerals, laying of pipe lines, building of tanks, power stations and any other structures thereon. It is the intention of the parties hereto that Lessee, shall not have the right to use the surface of the above described land or any part thereof nor have the right of ingress and egress upon or across the surface of all or any part of the above described land. This prohibition with respect to the use of the surface of said land shall in no way impair the right of Lessee to produce oil, gas or other minerals from said land, either by directional drilling from a well located on adjacent land or by some other method which will not require entry upon the surface of the above described land or by including the land or a portion thereof within a pooled unit or units pursuant to the terms hereof.

18. Notwithstanding anything contained herein to the contrary, this lease shall only cover the interval from the surface of the earth to 100 feet below the stratigraphic equivalent of the base of the Georgetown Formation seen in the James Green No. 1 well (API 42-041-30987) at a true vertical depth of 9,720 feet.

Signed for identification:


Theresa Schehin

STATE OF TEXAS
COUNTY OF BRAZOS
The foregoing is a true and correct copy as
the same appears on file and recorded in the
appropriate records of Brazos, County, Texas.
Thereby certify, on 6-8-2006

County Clerk
Brazos County, Texas


Filed for Record in:
BRAZOS COUNTY

On: Feb 02, 2006 at 02:08P

As a
Recording

Document Number: 00916083

Amount 19.00

Receipt Number - 283721

By
Winstonia Davenport

STATE OF TEXAS COUNTY OF BRAZOS
I hereby certify that this instrument was
filed on the date and time stamped hereon by me
and was duly recorded in the volume and page
of the Official Public records of:
BRAZOS COUNTY

as stamped hereon by me.

Feb 02, 2006

HONORABLE KAREN McQUEEN, COUNTY CLERK
BRAZOS COUNTY



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

PAID-UP
OIL, GAS AND MINERAL LEASE

THIS AGREEMENT made and entered into this 8th day of August 2005 between W.A. Bilsing, III hereinafter called "Lessor" (whether one or more), whose mailing address is P.O. Box 1234, Hilltop Lakes, TX 77871 and AKG Energy, L.P., hereinafter called "Lessee," whose address is 505 W. 14th Street, Austin, Texas 78701.

1. Lessor, in consideration of Ten and no/100's Dollars (\$10.00) and other good and valuable consideration in hand paid, receipt of which is hereby acknowledged, of the royalties herein provided and of the covenants herein contained, hereby grants, leases and lets, exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling, mining and operating for and producing oil, gas and all other minerals, injecting gas, waters, other fluids, air and other gaseous substances into subsurface strata, laying pipe lines, storing oil, building tanks, power stations, electric transmission lines, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals and other products manufactured therefrom, and housing and otherwise caring for its employees, the following described land in Brazos County, Texas, to wit:

1.71 acres of land, more or less, and being more particularly described in that Deed August 10, 1984 between W.A. Bilsing, III, Steven W. Bilsing, Kathryn L. Bilsing, Dean G. Bilsing, Sheryl M. Bilsing and Paul T. Bilsing and Philip Steve Montalbano and Cheryl Diane Montalbano, recorded in Volume 712 at Page 667 of the Deed Records of Brazos County, Texas

Notwithstanding any particular description, it is nevertheless the intention of Lessor to include within this lease, and Lessor does hereby lease, not only the land so described but also any and all other land owned or claimed by Lessor in the herein named survey or surveys, or in adjoining surveys, and adjoining the herein described land up to the boundaries of the abutting landowners, the leased lands being hereinafter sometimes referred to as "said land" or the "leased premises". For the purpose of determining the amount of any bonus or other payment hereunder, said land shall be deemed to contain 1.71 acres, whether actually containing more or less. Lessor agrees to execute any supplemental instrument(s) requested by Lessee for a more complete or accurate description of said land or instrument(s) to perfect title deficiencies.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of Three (3) years from this date (called "primary term"), and as long thereafter as oil, gas or other mineral is produced from said physical land or land with which said land or any part thereof is pooled, or this lease is maintained by virtue of some other provision hereof.

3. This is a PAID-UP LEASE. In consideration of the down cash payment, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term.

4. The royalties to be paid by Lessee are: (a) to deliver in kind to lessor, at the well, or to the credit of lessor into the pipeline or storage tank to which the well may be connected, the 1/5th part of all oil (including condensate) produced and saved from the leased premises. In lieu thereof, lessee shall have the option, at any time, to sell lessor's oil, in which case lessor's royalty shall be based on lessee's net proceeds at the lease, or to purchase lessor's oil for the value of such oil at the lease. In any event, lessor's interest shall be free of all costs of production, but shall bear its proportionate part of production and similar taxes, and shall share proportionately with lessee in any costs to market, transport, or condition the oil; (b) to pay lessor for gas, (including casinghead gas, all gaseous substances, and all constituents thereof) produced and sold from the leased premises, 1/5th part of the net proceeds at the lease from the sale of such gas, after deducting lessor's proportionate part of production, and other similar taxes; lessor's interest to be free of all costs of production, but to bear proportionately with lessee any costs incurred by lessee to market the gas, to deliver the gas to a market off the leased premises, or to dehydrate, compress, process, treat, or otherwise place such gas marketable condition; (c) on gas, including casinghead gas and all gaseous substances, produced from said land and used off said land by Lessee and not benefiting Lessor, the market value at the mouth of the well of 1/5th of the gas so used off said land; (d) on all minerals mined and marketed, 1/5th, either in kind or value at the well or mine, at Lessee's election, except that on sulphur the royalty shall be One Dollar (\$1.00) per long ton; and (e) if at any time while there is a gas well or wells on the said land or land pooled therewith (for the purposes of this clause (c) the term "gas well" shall include wells capable of producing natural gas, condensate, distillate or any gaseous substance and wells classified as gas wells by any governmental authority) and such well or wells are shut-in, and this lease is not being maintained otherwise as provided herein, this lease shall nevertheless remain in force and effect following the shutting-in of the well(s), whether it be during or after the primary term (unless released by Lessee), and it shall be considered that gas is being produced from the land covered by this lease. When the lease is continued in force in this manner and the well or wells are shut-in for a period of at least ninety (90) consecutive days, Lessee shall pay or tender as an advanced annual royalty to the parties who at the time of such payment would be entitled to receive royalty hereunder if the well were producing, or deposit to their credit in the Bank (Account No. _____) \$10.00 per net acre for the acreage then held under this lease by the party making such payment or tender. The first payment of such sum shall be made on or before either (1) ninety (90) days from the date such well or wells are shut-in; (2) ninety (90) days from the effective date for inclusion of said land or a portion thereof within a unit on which is located a shut-in gas well; or (3) ninety (90) days from the date this lease ceases to be otherwise maintained as provided herein, whichever is the later date, and it shall be considered that gas is being produced from said land in paying quantities within the meaning of Paragraph 2 hereof for one (1) year from the date of such payment, and in like manner subsequent advance annual royalty payments may be made or tendered and it will be considered that gas is being produced from said land in paying quantities within the meaning of said Paragraph 2 during any annual period for which such royalty is so paid or tendered; such advanced annual royalty payment shall be credited against any royalty accruing to the owners thereof on any production from said land during any annual period for which such advanced annual payment has been made. Lessee's failure to pay or tender or to pay or tender properly or timely any such sum as royalty shall render Lessee liable for the amount due but it shall not operate to terminate this lease. All royalty interests, whether or not owned by the undersigned, shall be paid out of the royalty as provided for in said lease.

5. Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of production, whenever Lessee at its sole discretion deems it necessary or proper to do in order to develop or operate prudently the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed 80 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the term "horizontal completion" means a well in which the horizontal component of the gross completion interval in the reservoir is at least one hundred (100) feet. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling, completion, or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling, completion or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, so long as the total acreage therein does not exceed the maximum herein specified. Also each such drilling or production unit when limited to any one or more formations and to any one or more of the minerals therein or produced therefrom, may from time to time be enlarged and extended by Lessee to include additionally any other formation or formations and any other mineral or minerals therein or produced therefrom. In making such a revision, Lessee shall file or record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. Lessee may place and use on each unit created hereunder common measuring and reworking tanks for production from such unit. 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. Pooling hereunder shall not constitute a cross-conveyance of interests.

STATE OF TEXAS
COUNTY OF BRAZOS
The foregoing is a true and correct copy as the same appears on file and recorded in the appropriate records of Brazos County, Texas.
Thereby certify, on 6/7/2006
Karen McQueen
County Clerk
Brazos



6. If, at the expiration of the primary term, oil, gas or other mineral is not being produced from said land or land pooled therewith but Lessee is then engaged in operations for drilling, mining or reworking of any well or mine thereon or shall have completed a dry hole thereon within ninety (90) days prior to the end of the primary term, this lease shall remain in force so long as operations on said well or for the drilling or reworking of an additional well are commenced and prosecuted (whether on the same or successive wells) with no cessation of more than ninety (90) consecutive days, and, if they result in production, so long thereafter as oil, gas or other mineral is produced from said land or land pooled therewith. If, after the expiration of the primary term of this lease and after oil, gas or other mineral is produced from said land or land pooled therewith, production thereof should cease from any cause, this lease shall not terminate if Lessee commences operations for drilling or reworking within ninety (90) days after the cessation of such production, but shall remain in force and effect so long as such operations are prosecuted with no cessation of more than ninety (90) consecutive days, and if they result in the production of oil, gas or other mineral, so long thereafter as oil, gas or other mineral is produced from said land or land pooled therewith. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land and within two hundred (200) feet of and draining said land, Lessee agrees to drill such offset wells as a reasonably prudent operator would drill under the same or similar circumstances. The judgment of the Lessee, when not fraudulently exercised, in carrying out the purpose of this lease shall be conclusive.

7. Lessee shall have free use of oil, gas and water from said land, except water from Lessor's wells and tanks, for all operations hereunder including repressuring, pressure maintenance, cycling and secondary recovery operations, and the royalty shall be computed after deducting any so used. Any structures and facilities placed on said land by Lessee for operations hereunder and any well or wells on said land drilled or used for the injection of salt water or other fluids may also be used for Lessee's operations on other lands in the same area. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred (200) feet of any residence or barn now on said land without Lessor's consent.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, representatives, successors and assigns, but no change or division in ownership of the land or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee. No such change or division in the ownership of the land or royalties shall be binding upon Lessee for any purpose until such person acquiring any interest has furnished Lessee with the instrument or instruments, or certified copies thereof, constituting the chain of title from the original Lessor. An assignment of this lease, in whole, or in part, shall, to the extent of such assignment, relieve and discharge Lessee of any obligations hereunder, and, if Lessee or assignee of part or parts hereof shall fail to comply with any provision of this lease, such default shall not affect this lease insofar as it covers a part of said land upon which Lessee or any assignee thereof shall not be in default. Should more than six parties become entitled to royalties hereunder, Lessee may require the appointment of a single agent to receive payment for all and may withhold payment until such appointment has been made.

9. When drilling or other operations are delayed or interrupted by storm, flood or other act of God, fire, war, rebellion, insurrection, riot, strikes, differences with workmen, unavailability of material or equipment, failure of carriers to transport or furnish facilities for transportation, some order, requisition or necessity of the government or as a result of any cause whatsoever beyond the control of the Lessee, the time of such delay or interruption shall not be counted against Lessee, anything in this lease to the contrary notwithstanding. All express or implied covenants of this lease shall be subject to all Federal and State laws. Executive orders, rules or regulations and this lease shall not be terminated, in whole or in part, nor Lessee held liable in damages for failure to comply therewith if compliance is prevented by, or if such failure is the result of, any such law, order, rule or regulation. If from such causes Lessee is prevented from conducting drilling or reworking operations on, or producing oil or gas from said land or land pooled therewith, the time while Lessee is so prevented shall not be counted against Lessee, and this lease shall be extended for a period of time equal to that during which such Lessee is so prevented from conducting drilling or reworking operations on, or producing oil or gas from said land or land pooled therewith, notwithstanding any other provision hereof.

10. The breach by Lessee of any obligation arising hereunder shall not work a forfeiture or termination of this lease nor cause a termination or reversion of the estate created hereby nor be grounds for cancellation hereof in whole or in part. In the event Lessor considers that operations are not at any time being conducted in compliance with this lease, Lessor shall notify Lessee in writing of the facts relied upon as constituting a breach hereof, and Lessee, if in default, shall have sixty (60) days after receipt of notice in which to commence the compliance with the obligations imposed by virtue of this instrument. After the discovery of oil, gas or other mineral in paying quantities on said land, Lessee shall reasonably develop the acreage retained hereunder, but in discharging this obligation it shall in no event be required to drill more than one (1) well per forty (40) acres, plus an acreage tolerance not to exceed ten per cent (10%) of forty (40) acres of the area retained hereunder and capable of producing oil in paying quantities and one (1) well per six hundred forty (640) acres, plus an acreage tolerance not to exceed ten per cent (10%) of six hundred forty (640) acres of the area retained hereunder and capable of producing gas or other mineral in paying quantities.

11. Lessor hereby warrants and agrees to defend the title to said land, and agrees that Lessee, at its option, may discharge any tax, mortgage or other lien upon said land in the event of default of payment by Lessor, and in the event Lessee does so, it shall be subrogated to such lien with the right to enforce same and apply royalties accruing hereunder toward satisfying same. Without impairment of Lessee's rights under the warranty in the event of failure of title, it is agreed that, if Lessor owns an interest in said land less than the entire fee simple estate, whether stated hereinabove as a whole or partial interest, then the royalties to be paid Lessor shall be reduced proportionately. All royalty interest covered by this lease (whether or not owned by Lessor) shall be paid out of the royalty herein provided. Should any one or more of the parties named hereinabove as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

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

13. In the event the earliest notary acknowledgment is more than sixty (60) days beyond the date entered on this lease, then the effective date (for purposes of determining the expiration of the primary term) shall become the earliest notary acknowledgment date.

IN WITNESS WHEREOF, this instrument is executed as of the date above written.

X W.A. Bilsing, III
W.A. Bilsing, III

✓ SS# [REDACTED]

STATE OF TEXAS
COUNTY OF LEON

This instrument was acknowledged before me on the 29th day of August, 2005 by
W.A. Bilsing, III.



Debbie Wood
Notary Public, State of Texas

STATE OF TEXAS
COUNTY OF BRAZOS
The foregoing is a true and correct copy as the same appears on file and recorded in the appropriate records of Brazos, County, Texas.
Thereby certify, on 6/7/2006 at Kear McQueen
County Clerk:
Brazos County, Texas



Addendum

Attached to and made a part of Oil, Gas and Mineral Lease dated August 8, 2005, by and between W.A. Bilsing, III, as Lessor, and AKG Energy, L.P., as Lessee.

14. Notwithstanding anything hereinabove to the contrary, it is specifically understood and agreed that this lease covers only oil, gas, sulphur and associated liquid or liquefiable hydrocarbons, but this Lease does not cover or include and other minerals, with all such other minerals being reserved to the Lessor herein.

15. Notwithstanding anything hereinabove to the contrary, it is expressly agreed and understood that Lessee's right to maintain this Lease in force after the primary term by shut-in gas well payments under Paragraph 4 shall not continue for any one shut-in period of more than two (2) years immediately following the primary term, or in recurring periods after the primary term not to exceed two (2) years in the aggregate.

16. In the event a portion or portions of the land described in this lease is pooled or unitized with other land, lease, or leases so as to form a pooled unit or units, operations for drilling, drilling, or reworking operations on such unit or units, or production of oil or gas from such unit or units, or payments of shut-in gas royalties on a well or wells drilled on such unit or units, shall maintain this lease in effect only as to the portion or portions of the land described in this lease which is included in a pooled unit or units. As to any portion or portions of the land not included in a pooled unit or units, this lease may be maintained in force and effect in any manner elsewhere provided in this lease.


17. Notwithstanding any provisions contained herein to the contrary, it is agreed and understood that Lessee shall not use any part of the surface of the above described lands for the purpose of mining, exploring, drilling, production of oil, gas and other minerals, laying of pipe lines, building of tanks, power stations and any other structures thereon. It is the intention of the parties hereto that Lessee, shall not have the right to use the surface of the above described land or any part thereof nor have the right of ingress and egress upon or across the surface of all or any part of the above described land. This prohibition with respect to the use of the surface of said land shall in no way impair the right of Lessee to produce oil, gas or other minerals from said land, either by directional drilling from a well located on adjacent land or by some other method which will not require entry upon the surface of the above described land or by including the land or a portion thereof within a pooled unit or units pursuant to the terms hereof.

Signed for identification:

W.A. Bilsing III
W.A. Bilsing, III

STATE OF TEXAS
COUNTY OF BRAZOS
The foregoing is a true and correct copy as the same appears on file and recorded in the appropriate records of Brazos, County, Texas

Thereby certify, on 6/7/2006
Karen McQueen
County Clerk
Brazos County, Texas

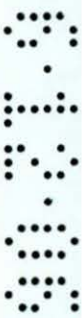


Filed for Record in:
BRAZOS COUNTY
On: Feb 02, 2006 at 02:08P

As a
Recording
Document Number: 00916074
Amount 19.00
Receipt Number - 283721
By
Winstonia Devenport

STATE OF TEXAS COUNTY OF BRAZOS
I hereby certify that this instrument was
filed on the date and time stamped hereon by me
and was duly recorded in the volume and page
of the Official Public records of:
BRAZOS COUNTY

as stamped hereon by me.
Feb 02, 2006
HONORABLE KAREN McQUEEN, COUNTY CLERK
BRAZOS COUNTY



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

PAID-UP
OIL, GAS AND MINERAL LEASE

THIS AGREEMENT made and entered into this 4th day of February, 2005 between The Rezzoff Family Trust hereinafter called "Lessor" (whether one or more), whose mailing address is 1346 Candlelight Ln., Houston, TX 77018 and AKG Energy, L.P., hereinafter called "Lessee," whose address is 505 W. 14th Street, Austin, Texas 78701.

1. Lessor, in consideration of Ten and no/100's Dollars (\$10.00) and other good and valuable consideration in hand paid, receipt of which is hereby acknowledged, of the royalties herein provided and of the covenants herein contained, hereby grants, leases and lets, exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling, mining and operating for and producing oil, gas and all other minerals, injecting gas, waters, other fluids, air and other gaseous substances into subsurface strata, laying pipe lines, storing oil, building tanks, power stations, electric transmission lines, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals and other products manufactured therefrom, and housing and otherwise caring for its employees, the following described land in Brazos County, Texas, to wit:

3.84 acres of land, more or less, being all of Lot No. Eleven (11) in the Oak Hills Subdivision, Brazos County, Texas, as shown on the Plat of said subdivision recorded in Volume 202 at Page 475 of the Deed Records of Brazos County, Texas

Notwithstanding any particular description, it is nevertheless the intention of Lessor to include within this lease, and Lessor does hereby lease, not only the land so described but also any and all other land owned or claimed by Lessor in the herein named survey or surveys, or in adjoining surveys, and adjoining the herein described land up to the boundaries of the abutting landowners, the leased lands being hereinafter sometimes referred to as "said land" or the "leased premises". For the purpose of determining the amount of any bonus or other payment hereunder, said land shall be deemed to contain 3.84 acres, whether actually containing more or less. Lessor agrees to execute any supplemental instrument(s) requested by Lessee for a more complete or accurate description of said land or instrument(s) to perfect title deficiencies.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of Three (3) years from this date (called "primary term"), and as long thereafter as oil, gas or other mineral is produced from said physical land or land with which said land or any part thereof is pooled, or this lease is maintained by virtue of some other provision hereof.

3. This is a PAID-UP LEASE. In consideration of the down cash payment, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term.

4. The royalties to be paid by Lessee are: (a) to deliver in kind to lessor, at the well, or to the credit of lessor into the pipeline or storage tank to which the well may be connected, the 1/6th part of all oil (including condensate) produced and saved from the leased premises. In lieu thereof, lessee shall have the option, at any time, to sell lessor's oil, in which case lessor's royalty shall be based on lessee's net proceeds at the lease, or to purchase lessor's oil for the value of such oil at the lease. In any event, lessor's interest shall be free of all costs of production, but shall bear its proportionate part of production and similar taxes, and shall share proportionately with lessee in any costs to market, transport, or condition the oil; (b) to pay lessor for gas, (including casinghead gas, all gaseous substances, and all constituents thereof) produced and sold from the leased premises, 1/6th part of the net proceeds at the lease from the sale of such gas, after deducting lessor's proportionate part of production, and other similar taxes; lessor's interest to be free of all costs of production, but to bear proportionately with lessee any costs incurred by lessee to market the gas, to deliver the gas to a market off the leased premises, or to dehydrate, compress, process, treat, or otherwise place such gas marketable condition; (c) on gas, including casinghead gas and all gaseous substances, produced from said land and used off said land by Lessee and not benefiting Lessor, the market value at the mouth of the well of 1/6th of the gas so used off said land; (d) on all minerals mined and marketed, 1/6th, either in kind or value at the well or mine, at Lessee's election, except that on sulphur the royalty shall be One Dollar (\$1.00) per long ton; and (e) if at any time while there is a gas well or wells on the said land or land pooled therewith (for the purposes of this clause (e) the term "gas well" shall include wells capable of producing natural gas, condensate, distillate or any gaseous substance and wells classified as gas wells by any governmental authority) and such well or wells are shut-in, and this lease is not being maintained otherwise as provided herein, this lease shall nevertheless remain in force and effect following the shutting-in of the well(s), whether it be during or after the primary term (unless released by Lessee), and it shall be considered that gas is being produced from the land covered by this lease. When the lease is continued in force in this manner and the well or wells are shut-in for a period of at least ninety (90) consecutive days, Lessee shall pay or tender as an advanced annual royalty to the parties who at the time of such payment would be entitled to receive royalty hereunder if the well were producing, or deposit to their credit in the Bank (Account No. _____) \$10.00 per net acre for the acreage then held under this lease by the party making such payment or tender. The first payment of such sum shall be made on or before either (1) ninety (90) days from the date such well or wells are shut-in; (2) ninety (90) days from the effective date for inclusion of said land or a portion thereof within a unit on which is located a shut-in gas well; or (3) ninety (90) days from the date this lease ceases to be otherwise maintained as provided herein, whichever is the later date, and it shall be considered that gas is being produced from said land in paying quantities within the meaning of Paragraph 2 hereof for one (1) year from the date of such payment, and in like manner subsequent advance annual royalty payments may be made or tendered and it will be considered that gas is being produced from said land in paying quantities within the meaning of said Paragraph 2 during any annual period for which such royalty is so paid or tendered; such advanced annual royalty payment shall be credited against any royalty accruing to the owners thereof on any production from said land during any annual period for which such advanced annual payment has been made. Lessee's failure to pay or tender or to pay or tender properly or timely any such sum as royalty shall render Lessee liable for the amount due but it shall not operate to terminate this lease. All royalty interests, whether or not owned by the undersigned, shall be paid out of the royalty as provided for in said lease.

5. Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of production, whenever Lessee at its sole discretion deems it necessary or proper to do in order to develop or operate prudently the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed 80 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the term "horizontal completion" means a well in which the horizontal component of the gross completion interval in the reservoir is at least one hundred (100) feet. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling, completion, or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling, completion or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, so long as the total acreage therein does not exceed the maximum herein specified. Also each such drilling or production unit when limited to any one or more formations and to any one or more of the minerals therein or produced therefrom, may from time to time be enlarged and extended by Lessee to include additionally any other formation or formations or any other mineral or minerals therein or produced therefrom. In making such a revision, Lessee shall file or record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. Lessee may place and use on each unit created hereunder common measuring and reworking tanks for production from such unit. 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. Pooling hereunder shall not constitute a cross-conveyance of interests.

STATE OF TEXAS
COUNTY OF BRAZOS
The foregoing is a true and correct copy as the same appears on file and recorded in the appropriate records of Brazos County, Texas.
Thereby certify, on 6/7/2006
Keesha McQueen
County Clerk
Brazos County, Texas



Addendum

Attached to and made a part of Oil, Gas and Mineral Lease dated February 4, 2005, by and between The Rezzoffi Family Trust, as Lessor, and AKG Energy, L.P., as Lessee.

15. Notwithstanding anything hereinabove to the contrary, it is specifically understood and agreed that this lease covers only oil, gas, sulphur and associated liquid or liquefiable hydrocarbons, but this Lease does not cover or include and other minerals, with all such other minerals being reserved to the Lessor herein.

16. Notwithstanding anything hereinabove to the contrary, it is expressly agreed and understood that Lessee's right to maintain this Lease in force after the primary term by shut-in gas well payments under Paragraph 4 shall not continue for any one shut-in period of more than two (2) years immediately following the primary term, or in recurring periods after the primary term not to exceed two (2) years in the aggregate.

17. In the event a portion or portions of the land described in this lease is pooled or unitized with other land, lease, or leases so as to form a pooled unit or units, operations for drilling, drilling, or reworking operations on such unit or units, or production of oil or gas from such unit or units, or payments of shut-in gas royalties on a well or wells drilled on such unit or units, shall maintain this lease in effect only as to the portion or portions of the land described in this lease which is included in a pooled unit or units. As to any portion or portions of the land not included in a pooled unit or units, this lease may be maintained in force and effect in any manner elsewhere provided in this lease.

18. Notwithstanding any provisions contained herein to the contrary, it is agreed and understood that Lessee shall not use any part of the surface of the above described lands for the purpose of mining, exploring, drilling, production of oil, gas and other minerals, laying of pipe lines, building of tanks, power stations and any other structures thereon. It is the intention of the parties hereto that Lessee, shall not have the right to use the surface of the above described land or any part thereof nor have the right of ingress and egress upon or across the surface of all or any part of the above described land. This prohibition with respect to the use of the surface of said land shall in no way impair the right of Lessee to produce oil, gas or other minerals from said land, either by directional drilling from a well located on adjacent land or by some other method which will not require entry upon the surface of the above described land or by including the land or a portion thereof within a pooled unit or units pursuant to the terms hereof.

Signed for identification:

The Rezzoffi Family Trust

By: *Luke Rezzoffi*
Luke Rezzoffi, as Trustee

STATE OF TEXAS
COUNTY OF BRAZOS
The foregoing is a true and correct copy as the same appears on file and recorded in the appropriate records of Brazos, County, Texas.
Thereby certify, on 6/7/2006
Karen McQueen
County Clerk
Brazos County, Texas



Filed for Record in:
BRAZOS COUNTY
On: Feb 02, 2006 at 02:06P
As a
Recordings
Document Number: 00916102
Amount 19.00
Receipt Number - 283721
By:
Winstonia Davenport
STATE OF TEXAS COUNTY OF BRAZOS
I hereby certify that this instrument was
filed on the date and time stamped hereon by me
and was duly recorded in the volume and page
of the Official Public Records of:
BRAZOS COUNTY
as stamped hereon by me.
Feb 02, 2006
HONORABLE KAREN MCQUEEN, COUNTY CLERK
BRAZOS COUNTY



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

PAID-UP
OIL, GAS AND MINERAL LEASE

THIS AGREEMENT made and entered into this 1st day of August, 2005 between Edward Hoadley and wife, Irene Hoadley hereinafter called "Lessor" (whether one or more), whose mailing address is 1216 Thousand Oaks Loop, San Marcus, TX 78666 and AKG Energy, L.P., hereinafter called "Lessee," whose address is 505 W. 14th Street, Austin, Texas 78701

1. Lessor, in consideration of Ten and no/100's Dollars (\$10.00) and other good and valuable consideration in hand paid, receipt of which is hereby acknowledged, of the royalties herein provided and of the covenants herein contained, hereby grants, leases and lets, exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling, mining and operating for and producing oil, gas and all other minerals, injecting gas, waters, other fluids, air and other gaseous substances into subsurface strata, laying pipe lines, storing oil, building tanks, power stations, electric transmission lines, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals and other products manufactured therefrom, and housing and otherwise caring for its employees, the following described land in Brazos County, Texas, to wit:

3.99 acres of land, more or less, being all of Lot No. Twelve (12) in the Oak Hills Subdivision, Brazos County, Texas, as shown on the Plat of said subdivision recorded in Volume 202 at Page 475 of the Deed Records of Brazos County, Texas

Notwithstanding any particular description, it is nevertheless the intention of Lessor to include within this lease, and Lessor does hereby lease, not only the land so described but also any and all other land owned or claimed by Lessor in the herein named survey or surveys, or in adjoining surveys, and adjoining the herein described land up to the boundaries of the abutting landowners, the leased lands being hereinafter sometimes referred to as "said land" or the "leased premises". For the purpose of determining the amount of any bonus or other payment hereunder, said land shall be deemed to contain 3.99 acres, whether actually containing more or less. Lessor agrees to execute any supplemental instrument(s) requested by Lessee for a more complete or accurate description of said land or instrument(s) to perfect title deficiencies.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of Three (3) years from this date (called "primary term"), and as long thereafter as oil, gas or other mineral is produced from said physical land or land with which said land or any part thereof is pooled, or this lease is maintained by virtue of some other provision hereof.

3. This is a PAID-UP LEASE. In consideration of the down cash payment, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term.

4. The royalties to be paid by Lessee are: (a) to deliver in kind to lessor, at the well, or to the credit of lessor into the pipeline or storage tank to which the well may be connected, the 1/6th part of all oil (including condensate) produced and saved from the leased premises. In lieu thereof, lessee shall have the option, at any time, to sell lessor's oil, in which case lessor's royalty shall be based on lessee's net proceeds at the lease, or to purchase lessor's oil for the value of such oil at the lease. In any event, lessor's interest shall be free of all costs of production, but shall bear its proportionate part of production and similar taxes, and shall share proportionately with lessee in any costs to market, transport, or condition the oil; (b) to pay lessor for gas, (including casinghead gas, all gaseous substances, and all constituents thereof) produced and sold from the leased premises, 1/6th part of the net proceeds at the lease from the sale of such gas, after deducting lessor's proportionate part of production, and other similar taxes; lessor's interest to be free of all costs of production, but to bear proportionately with lessee any costs incurred by lessee to market the gas, to deliver the gas to a market off the leased premises, or to dehydrate, compress, process, treat, or otherwise place such gas marketable condition; (c) on gas, including casinghead gas and all gaseous substances, produced from said land and used off said land by Lessee and not benefiting Lessor, the market value at the mouth of the well of 1/6th of the gas so used off said land; (d) on all minerals mined and marketed, 1/6th, either in kind or value at the well or mine, at Lessee's election, except that on sulphur the royalty shall be One Dollar (\$1.00) per long ton; and (e) if at any time while there is a gas well or wells on the said land or land pooled therewith (for the purposes of this clause (e) the term "gas well" shall include wells capable of producing natural gas, condensate, distillate or any gaseous substance and wells classified as gas wells by any governmental authority) and such well or wells are shut-in, and this lease is not being maintained otherwise as provided herein, this lease shall nevertheless remain in force and effect following the shutting-in of the well(s), whether it be during or after the primary term (unless released by Lessee), and it shall be considered that gas is being produced from the land covered by this lease. When the lease is continued in force in this manner and the well or wells are shut-in for a period of at least ninety (90) consecutive days, Lessee shall pay or tender as an advanced annual royalty to the parties who at the time of such payment would be entitled to receive royalty hereunder if the well were producing, or deposit to their credit in the Bank (Account No. _____), \$10.00 per net acre for

the acreage then held under this lease by the party making such payment or tender. The first payment of such sum shall be made on or before either (1) ninety (90) days from the date such well or wells are shut-in; (2) ninety (90) days from the effective date for inclusion of said land or a portion thereof within a unit on which is located a shut-in gas well; or (3) ninety (90) days from the date this lease ceases to be otherwise maintained as provided herein, whichever is the later date, and it shall be considered that gas is being produced from said land in paying quantities within the meaning of Paragraph 2 hereof for one (1) year from the date of such payment, and in like manner subsequent advance annual royalty payments may be made or tendered and it will be considered that gas is being produced from said land in paying quantities within the meaning of said Paragraph 2 during any annual period for which such royalty is so paid or tendered; such advanced annual royalty payment shall be credited against any royalty accruing to the owners thereof on any production from said land during any annual period for which such advanced annual payment has been made. Lessee's failure to pay or tender or to pay or tender property or timely any such sum as royalty shall render Lessee liable for the amount due but it shall not operate to terminate this lease. All royalty interests, whether or not owned by the undersigned, shall be paid out of the royalty as provided for in said lease.

5. Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of production, whenever Lessee at its sole discretion deems it necessary or proper to do in order to develop or operate prudently the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed 80 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the term "horizontal completion" means a well in which the horizontal component of the gross completion interval in the reservoir is at least one hundred (100) feet. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling, completion, or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling, completion or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, so long as the total acreage therein does not exceed the maximum herein specified. Also each such drilling or production unit when limited to any one or more formations and to any one or more of the minerals therein or produced therefrom, may from time to time be enlarged and extended by Lessee to include additionally any other formation or formations and any other mineral or minerals therein or produced therefrom. In making such a revision, Lessee shall file or record a written declaration revising the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. Lessee may place and use on each unit created hereunder common measuring and reworking tanks for production from such unit. 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. Pooling hereunder shall not constitute a cross-conveyance of interests.

STATE OF TEXAS
COUNTY OF BRAZOS

The foregoing is a true and correct copy as the same appears on file and recorded in the appropriate records of Brazos, County, Texas.

Thereby certify, on

10/7/2006
Kesha McQueen



County Clerk:
Brazos County, Texas

6. If, at the expiration of the primary term, oil, gas or other mineral is not being produced from said land or land pooled therewith but Lessee is then engaged in operations for drilling, mining or reworking of any well or mine thereon or shall have completed a dry hole thereon within ninety (90) days prior to the end of the primary term, this lease shall remain in force so long as operations on said well or for the drilling or reworking of an additional well are commenced and prosecuted (whether on the same or successive wells) with no cessation of more than ninety (90) consecutive days, and, if they result in production, so long thereafter as oil, gas or other mineral is produced from said land or land pooled therewith. If, after the expiration of the primary term of this lease and after oil, gas or other mineral is produced from said land or land pooled therewith, production thereof should cease from any cause, this lease shall not terminate if Lessee commences operations for drilling or reworking within ninety (90) days after the cessation of such production, but shall remain in force and effect so long as such operations are prosecuted with no cessation of more than ninety (90) consecutive days, and if they result in the production of oil, gas or other mineral, so long thereafter as oil, gas or other mineral is produced from said land or land pooled therewith. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land and within two hundred (200) feet of and draining said land, Lessee agrees to drill such offset wells as a reasonably prudent operator would drill under the same or similar circumstances. The judgment of the Lessee, when not fraudulently exercised, in carrying out the purpose of this lease shall be conclusive.

7. Lessee shall have free use of oil, gas and water from said land, except water from Lessor's wells and tanks, for all operations hereunder including repressuring, pressure maintenance, cycling and secondary recovery operations, and the royalty shall be computed after deducting any so used. Any structures and facilities placed on said land by Lessee for operations hereunder and any well or wells on said land drilled or used for the injection of salt water or other fluids may also be used for Lessee's operations on other lands in the same area. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred (200) feet of any residence or barn now on said land without Lessor's consent.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, representatives, successors and assigns, but no change or division in ownership of the land or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee. No such change or division in the ownership of the land or royalties shall be binding upon Lessee for any purpose until such person acquiring any interest has furnished Lessee with the instrument or instruments, or certified copies thereof, constituting the chain of title from the original Lessor. An assignment of this lease, in whole, or in part, shall, to the extent of such assignment, relieve and discharge Lessee of any obligations hereunder, and, if Lessee or assignee of part or parts hereof shall fail to comply with any provision of this lease, such default shall not affect this lease insofar as it covers a part of said land upon which Lessee or any assignee thereof shall not be in default. Should more than six parties become entitled to royalties hereunder, Lessee may require the appointment of a single agent to receive payment for all and may withhold payment until such appointment has been made.

9. When drilling or other operations are delayed or interrupted by storm, flood or other act of God, fire, war, rebellion, insurrection, riot, strikes, differences with workmen, unavailability of material or equipment, failure of carriers to transport or furnish facilities for transportation, some order, requisition or necessity of the government or as a result of any cause whatsoever beyond the control of the Lessee, the time of such delay or interruption shall not be counted against Lessee, anything in this lease to the contrary notwithstanding. All express or implied covenants of this lease shall be subject to all Federal and State laws. Executive orders, rules or regulations and this lease shall not be terminated, in whole or in part, nor Lessee held liable in damages for failure to comply therewith if compliance is prevented by, or if such failure is the result of, any such law, order, rule or regulation. If from such causes Lessee is prevented from conducting drilling or reworking operations on, or producing oil or gas from said land or land pooled therewith, the time while Lessee is so prevented shall not be counted against Lessee, and this lease shall be extended for a period of time equal to that during which such Lessee is so prevented from conducting drilling or reworking operations on, or producing oil or gas from said land or land pooled therewith, notwithstanding any other provision hereof.

10. The breach by Lessee of any obligation arising hereunder shall not work a forfeiture or termination of this lease nor cause a termination or reversion of the estate created hereby nor be grounds for cancellation hereof in whole or in part. In the event Lessor considers that operations are not at any time being conducted in compliance with this lease, Lessor shall notify Lessee in writing of the facts relied upon as constituting a breach hereof, and Lessee, if in default, shall have sixty (60) days after receipt of notice in which to commence the compliance with the obligations imposed by virtue of this instrument. After the discovery of oil, gas or other mineral in paying quantities on said land, Lessee shall reasonably develop the acreage retained hereunder, but in discharging this obligation it shall in no event be required to drill more than one (1) well per forty (40) acres, plus an acreage tolerance not to exceed ten per cent (10%) of forty (40) acres of the area retained hereunder and capable of producing oil in paying quantities and one (1) well per six hundred forty (640) acres, plus an acreage tolerance not to exceed ten per cent (10%) of six hundred forty (640) acres of the area retained hereunder and capable of producing gas or other mineral in paying quantities.

11. Lessor hereby warrants and agrees to defend the title to said land, and agrees that Lessee, at its option, may discharge any tax, mortgage or other lien upon said land in the event of default of payment by Lessor, and in the event Lessee does so, it shall be subrogated to such lien with the right to enforce same and apply royalties accruing hereunder toward satisfying same. Without impairment of Lessee's rights under the warranty in the event of failure of title, it is agreed that, if Lessor owns an interest in said land less than the entire fee simple estate, whether stated hereinabove as a whole or partial interest, then the royalties to be paid Lessor shall be reduced proportionately. All royalty interest covered by this lease (whether or not owned by Lessor) shall be paid out of the royalty herein provided. Should any one or more of the parties named hereinabove as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

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

13. In the event the earliest notary acknowledgment is more than sixty (60) days beyond the date entered on this lease, then the effective date (for purposes of determining the expiration of the primary term) shall become the earliest notary acknowledgment date.

IN WITNESS WHEREOF, this instrument is executed as of the date above written.

Edward Hoadley
Edward Hoadley

SS#

[Redacted]

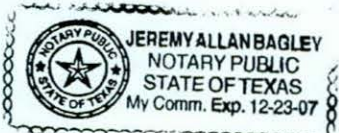
Irene Hoadley
Irene Hoadley

SS#

[Redacted]

STATE OF TEXAS
COUNTY OF TRAVIS

This instrument was acknowledged before me on 29th ~~August~~ day of July, 2005 by Edward Hoadley, and wife Irene Hoadley.



Jeremy Allan Bagley
Notary Public, State of Texas

STATE OF TEXAS
COUNTY OF BRAZOS
The foregoing is a true and correct copy as the same appears on file and recorded in the appropriate records of Brazos, County, Texas.
Thereby certify, on 6/7/2006 at Kewanee, Texas
County Clerk:
Brazos County, Texas



Addendum

Attached to and made a part of Oil, Gas and Mineral Lease dated August 1, 2005, by and between Edward Hoadley and wife, Irene Hoadley, as Lessor, and AKG Energy, L.P., as Lessee.

14. Notwithstanding anything hereinabove to the contrary, it is specifically understood and agreed that this lease covers only oil, gas, sulphur and associated liquid or liquefiable hydrocarbons, but this Lease does not cover or include and other minerals, with all such other minerals being reserved to the Lessor herein.

15. Notwithstanding anything hereinabove to the contrary, it is expressly agreed and understood that Lessee's right to maintain this Lease in force after the primary term by shut-in gas well payments under Paragraph 4 shall not continue for any one shut-in period of more than two (2) years immediately following the primary term, or in recurring periods after the primary term not to exceed two (2) years in the aggregate.

16. In the event a portion or portions of the land described in this lease is pooled or unitized with other land, lease, or leases so as to form a pooled unit or units, operations for drilling, drilling, or reworking operations on such unit or units, or production of oil or gas from such unit or units, or payments of shut-in gas royalties on a well or wells drilled on such unit or units, shall maintain this lease in effect only as to the portion or portions of the land described in this lease which is included in a pooled unit or units. As to any portion or portions of the land not included in a pooled unit or units, this lease may be maintained in force and effect in any manner elsewhere provided in this lease.

17. Notwithstanding any provisions contained herein to the contrary, it is agreed and understood that Lessee shall not use any part of the surface of the above described lands for the purpose of mining, exploring, drilling, production of oil, gas and other minerals, laying of pipe lines, building of tanks, power stations and any other structures thereon. It is the intention of the parties hereto that Lessee, shall not have the right to use the surface of the above described land or any part thereof nor have the right of ingress and egress upon or across the surface of all or any part of the above described land. This prohibition with respect to the use of the surface of said land shall in no way impair the right of Lessee to produce oil, gas or other minerals from said land, either by directional drilling from a well located on adjacent land or by some other method which will not require entry upon the surface of the above described land or by including the land or a portion thereof within a pooled unit or units pursuant to the terms hereof.

Signed for identification:

X Edward Hoadley
Edward Hoadley

X Irene Hoadley
Irene Hoadley

STATE OF TEXAS
COUNTY OF BRAZOS
The foregoing is a true and correct copy as the same appears on file and recorded in the appropriate records of Brazos, County, Texas.
Thereby certify, on 6/7/2006 re
Karen McQueen
County Clerk
Brazos County, Texas



Filed for Record in:
BRAZOS COUNTY
On: Feb 02, 2006 at 02:06P
As a
Recording
Document Number: 00916064
Amount 19.00
Receipt Number - 283721
By:
Winstonia Davenport
STATE OF TEXAS COUNTY OF BRAZOS
I hereby certify that this instrument was filed on the date and time stamped hereon by me and was duly recorded in the volume and page of the Official Public records of:
BRAZOS COUNTY
as stamped hereon by me.
Feb 02, 2006
HONORABLE KAREN MCQUEEN, COUNTY CLERK
BRAZOS COUNTY



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

**PAID-UP
OIL, GAS AND MINERAL LEASE**

THIS AGREEMENT made and entered into this 8th day of March, 2006 between Martha Ann Williams hereinafter called "Lessor" (whether one or more), whose mailing address is 8693 Jones Rd., College Station, TX 77845 and AKG Energy, L.P., hereinafter called "Lessee," whose address is 505 W. 14th Street, Austin, Texas 78701.

1. Lessor, in consideration of Ten and no/100's Dollars (\$10.00) and other good and valuable consideration in hand paid, receipt of which is hereby acknowledged, of the royalties herein provided and of the covenants herein contained, hereby grants, leases and lets, exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling, mining and operating for and producing oil, gas and all other minerals, injecting gas, waters, other fluids, air and other gaseous substances into subsurface strata, laying pipe lines, storing oil, building tanks, power stations, electric transmission lines, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals and other products manufactured therefrom, and housing and otherwise caring for its employees, the following described land in Brazos County, Texas, to wit:

30.4024 acres of land, more or less, situated in the J. H. Jones League, A-26, Brazos County, Texas, and being more particularly described as that certain 35.9004 acres of land, more or less, situated in the J. H. Jones League, A-26, Brazos County, Texas and being the same land described in that certain Deed dated February 25, 1981, from William D. Carlil and Thomas Carlil to Glynn A. Williams, Sr. et ux Verna Williams and recorded in Volume 474 at Page 817 of the Deed Records of Brazos County, Texas, LESS AND EXCEPT that certain 5.498 acres of land, more or less, situated in the J. H. Jones League, A-26, Brazos County, Texas, and being the same land described in that certain General Warranty Deed dated January 10, 2002, from Verna Beth Williams to Glynn A. Williams, Jr. and recorded in Volume 4464 at Page 182 of the Official Public Records of Brazos County, Texas, leaving 30.4024 acres of land, more or less.

Notwithstanding any particular description, it is nevertheless the intention of Lessor to include within this lease, and Lessor does hereby lease, not only the land so described but also any and all other land owned or claimed by Lessor in the herein named survey or surveys, or in adjoining surveys, and adjoining the herein described land up to the boundaries of the abutting landowners, the leased lands being hereinafter sometimes referred to as "said land" or the "leased premises". For the purpose of determining the amount of any bonus or other payment hereunder, said land shall be deemed to contain 30.4024 acres, whether actually containing more or less. Lessor agrees to execute any supplemental instrument(s) requested by Lessee for a more complete or accurate description of said land or instrument(s) to perfect title deficiencies.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of Two (2) years from this date (called "primary term"), and as long thereafter as oil, gas or other mineral is produced from said physical land or land with which said land or any part thereof is pooled, or this lease is maintained by virtue of some other provision hereof.

3. This is a PAID-UP LEASE. In consideration of the down cash payment, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term.

4. The royalties to be paid by Lessee are: (a) to deliver in kind to lessor, at the well, or to the credit of lessor into the pipeline or storage tank to which the well may be connected, the 1/5th part of all oil (including condensate) produced and saved from the leased premises. In lieu thereof, lessee shall have the option, at any time, to sell lessor's oil, in which case lessor's royalty shall be based on lessee's net proceeds at the lease, or to purchase lessor's oil for the value of such oil at the lease. In any event, lessor's interest shall be free of all costs of production, but shall bear its proportionate part of production and similar taxes, and shall share proportionately with lessee in any costs to market, transport, or condition the oil; (b) to pay lessor for gas, (including casinghead gas, all gaseous substances, and all constituents thereof) produced and sold from the leased premises, 1/5th part of the net proceeds at the lease from the sale of such gas, after deducting lessor's proportionate part of production, and other similar taxes; lessor's interest to be free of all costs of production, but to bear proportionately with lessee any costs incurred by lessee to market the gas, to deliver the gas to a market off the leased premises, or to dehydrate, compress, process, treat, or otherwise place such gas marketable condition; (c) on gas, including casinghead gas and all gaseous substances, produced from said land and used off said land by Lessee and not benefitting Lessor, the market value at the mouth of the well of 1/5th of the gas so used off said land; (d) on all minerals mined and marketed, 1/5th, either in kind or value at the well or mine, at Lessee's election, except that on sulphur the royalty shall be One Dollar (\$1.00) per long ton; and (e) if at any time while there is a gas well or wells on the said land or land pooled therewith (for the purposes of this clause (e) the term "gas well" shall include wells capable of producing natural gas, condensate, distillate or any gaseous substance and wells classified as gas wells by any governmental authority) and such well or wells are shut-in, and this lease is not being maintained otherwise as provided herein, this lease shall nevertheless remain in force and effect following the shutting-in of the well(s), whether it be during or after the primary term (unless released by Lessee), and it shall be considered that gas is being produced from the land covered by this lease. When the lease is continued in force in this manner and the well or wells are shut-in for a period of at least ninety (90) consecutive days, Lessee shall pay or tender as an advanced annual royalty to the parties who at the time of such payment would be entitled to receive royalty hereunder if the well were producing, or deposit to their credit in the Bank (Account No. _____), \$10.00 per net acre for the acreage then held under this lease by the party making such payment or tender. The first payment of such sum shall be made on or before either (1) ninety (90) days from the date such well or wells are shut-in; (2) ninety (90) days from the effective date for inclusion of said land or a portion thereof within a unit on which is located a shut-in gas well; or (3) ninety (90) days from the date this lease ceases to be otherwise maintained as provided herein, whichever is the later date, and it shall be considered that gas is being produced from said land in paying quantities within the meaning of Paragraph 2 hereof for one (1) year from the date of such payment, and in like manner subsequent advance annual royalty payments may be made or tendered and it will be considered that gas is being produced from said land in paying quantities within the meaning of said Paragraph 2 during any annual period for which such royalty is so paid or tendered; such advanced annual royalty payment shall be credited against any royalty accruing to the owners thereof on any production from said land during any annual period for which such advanced annual payment has been made. Lessee's failure to pay or tender or to pay or tender properly or timely any such sum as royalty shall render Lessee liable for the amount due but it shall not operate to terminate this lease. All royalty interests, whether or not owned by the undersigned, shall be paid out of the royalty as provided for in said lease.

5. Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of production, whenever Lessee at its sole discretion deems it necessary or proper to do in order to develop or operate prudently the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed 80 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the term "horizontal completion" means a well in which the horizontal component of the gross completion interval in the reservoir is at least one hundred (100) feet. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling, completion, or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling, completion or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, so long as the total acreage therein does not exceed the maximum herein specified. Also each such drilling or production unit when limited to any one or more formations and to any one or more of the minerals therein or produced therefrom, may from time to time be enlarged and extended by Lessee to include additionally any other formation or formations and any other mineral or minerals therein or produced therefrom. In making such a revision, Lessee shall file or record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by use of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. Lessee may place and use on each unit created hereunder common measuring and reworking tanks for production from such unit. 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. Pooling hereunder shall not constitute a cross-conveyance of interests.

STATE OF TEXAS
COUNTY OF BRAZOS

The foregoing is a true and correct copy as the same appears on file and recorded in the appropriate records of Brazos County, Texas.

Thereby certify, on

6/7/2006

Karen McQueen

County Clerk,
Brazos County, Texas



6. If, at the expiration of the primary term, oil, gas or other mineral is not being produced from said land or land pooled therewith but Lessee is then engaged in operations for drilling, reworking or reworking of any well or mine thereon or shall have completed a dry hole thereon within ninety (90) days prior to the end of the primary term, this lease shall remain in force so long as operations on said well or for the drilling or reworking of an additional well are commenced and prosecuted (whether on the same or successive wells) with no cessation of more than ninety (90) consecutive days, and, if they result in production, so long thereafter as oil, gas or other mineral is produced from said land or land pooled therewith. If, after the expiration of the primary term of this lease and after oil, gas or other mineral is produced from said land or land pooled therewith, production thereof should cease from any cause, this lease shall not terminate if Lessee commences operations for drilling or reworking within ninety (90) days after the cessation of such production, but shall remain in force and effect so long as such operations are prosecuted with no cessation of more than ninety (90) consecutive days, and if they result in the production of oil, gas or other mineral, so long thereafter as oil, gas or other mineral is produced from said land or land pooled therewith. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land and within two hundred (200) feet of and draining said land, Lessee agrees to drill such offset wells as a reasonably prudent operator would drill under the same or similar circumstances. The judgment of the Lessee, when not fraudulently exercised, in carrying out the purpose of this lease shall be conclusive.

7. Lessee shall have free use of oil, gas and water from said land, except water from Lessor's wells and tanks, for all operations hereunder including repressuring, pressure maintenance, cycling and secondary recovery operations, and the royalty shall be computed after deducting any so used. Any structures and facilities placed on said land by Lessee for operations hereunder and any well or wells on said land drilled or used for the injection of salt water or other fluids may also be used for Lessee's operations on other lands in the same area. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred (200) feet of any residence or barn now on said land without Lessor's consent.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, representatives, successors and assigns, but no change or division in ownership of the land or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee. No such change or division in the ownership of the land or royalties shall be binding upon Lessee for any purpose until such person acquiring any interest has furnished Lessee with the instrument or instruments, or certified copies thereof, constituting the chain of title from the original Lessor. An assignment of this lease, in whole, or in part, shall, to the extent of such assignment, relieve and discharge Lessee of any obligations hereunder, and, if Lessee or assignee of part or parts hereof shall fail to comply with any provision of this lease, such default shall not affect this lease insofar as it covers a part of said land upon which Lessee or any assignee thereof shall not be in default. Should more than six parties become entitled to royalties hereunder, Lessee may require the appointment of a single agent to receive payment for all and may withhold payment until such appointment has been made.

9. When drilling or other operations are delayed or interrupted by storm, flood or other act of God, fire, war, rebellion, insurrection, riot, strikes, differences with workmen, unavailability of material or equipment, failure of carriers to transport or furnish facilities for transportation, some order, requisition or necessity of the government or as a result of any cause whatsoever beyond the control of the Lessee, the time of such delay or interruption shall not be counted against Lessee, anything in this lease to the contrary notwithstanding. All express or implied covenants of this lease shall be subject to all Federal and State laws. Executive orders, rules or regulations and this lease shall not be terminated, in whole or in part, nor Lessee held liable in damages for failure to comply therewith if compliance is prevented by, or if such failure is the result of, any such law, order, rule or regulation. If from such causes Lessee is prevented from conducting drilling or reworking operations on, or producing oil or gas from said land or land pooled therewith, the time while Lessee is so prevented shall not be counted against Lessee, and this lease shall be extended for a period of time equal to that during which such Lessee is so prevented from conducting drilling or reworking operations on, or producing oil or gas from said land or land pooled therewith, notwithstanding any other provision hereof.

10. The breach by Lessee of any obligation arising hereunder shall not work a forfeiture or termination of this lease nor cause a termination or reversion of the estate created hereby nor be grounds for cancellation hereof in whole or in part. In the event Lessor considers that operations are not at any time being conducted in compliance with this lease, Lessor shall notify Lessee in writing of the facts relied upon as constituting a breach hereof, and Lessee, if in default, shall have sixty (60) days after receipt of notice in which to commence the compliance with the obligations imposed by virtue of this instrument. After the discovery of oil, gas or other mineral in paying quantities on said land, Lessee shall reasonably develop the acreage retained hereunder, but in discharging this obligation it shall in no event be required to drill more than one (1) well per forty (40) acres, plus an acreage tolerance not to exceed ten per cent (10%) of forty (40) acres of the area retained hereunder and capable of producing oil in paying quantities and one (1) well per six hundred forty (640) acres, plus an acreage tolerance not to exceed ten per cent (10%) of six hundred forty (640) acres of the area retained hereunder and capable of producing gas or other mineral in paying quantities.

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

12. In the event the earliest notary acknowledgment is more than sixty (60) days beyond the date entered on this lease, then the effective date (for purposes of determining the expiration of the primary term) shall become the earliest notary acknowledgment date.

IN WITNESS WHEREOF, this instrument is executed as of the date above written.

Martha Ann Williams SS# [REDACTED]
Martha Ann Williams

STATE OF TEXAS
COUNTY OF ~~BURELSON~~ BRAZOS MAW
This instrument was acknowledged before me on the 16th day of March, 2006 by Martha Ann Williams.



Tommie S. Haverland
Notary Public, State of Texas

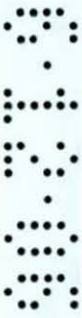
STATE OF TEXAS
COUNTY OF BRAZOS

The foregoing is a true and correct copy as the same appears on file and recorded in the appropriate records of Brazos, County, Texas.

Thereby certify, on 6/7/2006
Karen McQueen



County Clerk:
Brazos County, Texas



**Attached to and made a part of Oil, Gas and Mineral Lease dated
March 8, 2006, by and between Martha Ann Williams, as Lessor, and
AKG Energy, L.P., as Lessee.**

13. Notwithstanding anything hereinabove to the contrary, it is specifically understood and agreed that this lease covers only oil, gas, sulphur and associated liquid or liquefiable hydrocarbons, but this Lease does not cover or include and other minerals, with all such other minerals being reserved to the Lessor herein.

14. Notwithstanding anything hereinabove to the contrary, it is expressly agreed and understood that Lessee's right to maintain this Lease in force after the primary term by shut-in gas well payments under Paragraph 4 shall not continue for any one shut-in period of more than two (2) years immediately following the primary term, or in recurring periods after the primary term not to exceed two (2) years in the aggregate.

15. Notwithstanding any provisions contained herein to the contrary, it is agreed and understood that Lessee shall not use any part of the surface of the above described lands for the purpose of mining, exploring, drilling, production of oil, gas and other minerals, laying of pipe lines, building of tanks, power stations and any other structures thereon. It is the intention of the parties hereto that Lessee, shall not have the right to use the surface of the above described land or any part thereof nor have the right of ingress and egress upon or across the surface of all or any part of the above described land. This prohibition with respect to the use of the surface of said land shall in no way impair the right of Lessee to produce oil, gas or other minerals from said land, either by directional drilling from a well located on adjacent land or by some other method which will not require entry upon the surface of the above described land or by including the land or a portion thereof within a pooled unit or units pursuant to the terms hereof.

16. In the event any portion of the leased premises is included in a pooled unit, then all the leased premises must be placed in the unit. No leased acreage may be dropped from the pool without dropping all the leased premises.

17. Lessee is hereby granted the option to extend the primary term of this lease for an additional one (1) year from the expiration of the original primary term recited above. This option may be exercised by Lessee at any time on or before the end of the original two (2) primary term by paying or tendering a sum equal to one hundred seventy-five dollars(\$175.00) per net mineral acre then covered by this lease to Lessor at Lessor's address set forth herein.

Signed for identification:

Martha Ann Williams
Martha Ann Williams

STATE OF TEXAS
COUNTY OF BRAZOS
The foregoing is a true and correct copy as
the same appears on file and recorded in the
appropriate records of Brazos, County, Texas.

Thereby certify, on

6/7/2006

Karen McQueen

County Clerk
Brazos County, Texas



Filed for Record in:
BRAZOS COUNTY

On: Mar 27, 2006 at 02:45P

As of

Record 1935

Document Number: 00920756

Amount 19.00

Receipt Number - 287288

By: Winstonia Deavenport

STATE OF TEXAS COUNTY OF BRAZOS

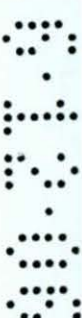
I hereby certify that this instrument was
filed on the date and time stamped hereon by me
and was duly recorded in the volume and page
of the official Public records of:

BRAZOS COUNTY

as stamped hereon by me.

Mar 27, 2006

HONORABLE KAREN MCQUEEN, COUNTY CLERK
BRAZOS COUNTY



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

**PAID-UP
OIL, GAS AND MINERAL LEASE**

THIS AGREEMENT made and entered into this 8th day of August, 2005 between Steven W. Bilsing hereinafter called "Lessor" (whether one or more), whose mailing address is 1507 Rambling Stone Dr., Richmond, TX 77469 and AKG Energy, L.P., hereinafter called "Lessee," whose address is 505 W. 14th Street, Austin, Texas 78701.

1. Lessor, in consideration of Ten and no/100's Dollars (\$10.00) and other good and valuable consideration in hand paid, receipt of which is hereby acknowledged, of the royalties herein provided and of the covenants herein contained, hereby grants, leases and lets, exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling, mining and operating for and producing oil, gas and all other minerals, injecting gas, waters, other fluids, air and other gaseous substances into subsurface strata, laying pipe lines, storing oil, building tanks, power stations, electric transmission lines, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals and other products manufactured therefrom, and housing and otherwise caring for its employees, the following described land in Brazos County, Texas, to wit:

1.71 acres of land, more or less, and being more particularly described in that Deed August 10, 1984 between W.A. Bilsing, III, Steven W. Bilsing, Kathryn L. Bilsing, Dean G. Bilsing, Sheryl M. Bilsing and Paul T. Bilsing and Philip Steve Montalbano and Cheryl Diane Montalbano and recorded in Volume 712 at Page 667 of the Deed Records of Brazos County, Texas

Notwithstanding any particular description, it is nevertheless the intention of Lessor to include within this lease, and Lessor does hereby lease, not only the land so described but also any and all other land owned or claimed by Lessor in the herein named survey or surveys, or in adjoining surveys, and adjoining the herein described land up to the boundaries of the abutting landowners, the leased lands being hereinafter sometimes referred to as "said land" or the "leased premises". For the purpose of determining the amount of any bonus or other payment hereunder, said land shall be deemed to contain 1.71 acres, whether actually containing more or less. Lessor agrees to execute any supplemental instrument(s) requested by Lessee for a more complete or accurate description of said land or instrument(s) to perfect title deficiencies.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of Three (3) years from this date (called "primary term"), and as long thereafter as oil, gas or other mineral is produced from said physical land or land with which said land or any part thereof is pooled, or this lease is maintained by virtue of some other provision hereof.

3. This is a PAID-UP LEASE. In consideration of the down cash payment, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term.

4. The royalties to be paid by Lessee are: (a) to deliver in kind to lessor, at the well, or to the credit of lessor into the pipeline or storage tank to which the well may be connected, the 1/5th part of all oil (including condensate) produced and saved from the leased premises. In lieu thereof, lessee shall have the option, at any time, to sell lessor's oil, in which case lessor's royalty shall be based on lessee's net proceeds at the lease, or to purchase lessor's oil for the value of such oil at the lease. In any event, lessor's interest shall be free of all costs of production, but shall bear its proportionate part of production and similar taxes, and shall share proportionately with lessee in any costs to market, transport, or condition the oil; (b) to pay lessor for gas, (including casinghead gas, all gaseous substances, and all constituents thereof) produced and sold from the leased premises, 1/5th part of the net proceeds at the lease from the sale of such gas, after deducting lessor's proportionate part of production, and other similar taxes; lessor's interest to be free of all costs of production, but to bear proportionately with lessee any costs incurred by lessee to market the gas, to deliver the gas to a market off the leased premises, or to dehydrate, compress, process, treat, or otherwise place such gas marketable condition; (c) on gas, including casinghead gas and all gaseous substances, produced from said land and used off said land by Lessee and not benefiting Lessor, the market value at the mouth of the well of 1/5th of the gas so used off said land; (d) on all minerals mined and marketed, 1/5th, either in kind or value at the well or mine, at Lessee's election, except that on sulphur the royalty shall be One Dollar (\$1.00) per long ton; and (e) if at any time while there is a gas well or wells on the said land or land pooled therewith (for the purposes of this clause (e) the term "gas well" shall include wells capable of producing natural gas, condensate, distillate or any gaseous substance and wells classified as gas wells by any governmental authority) and such well or wells are shut-in, and this lease is not being maintained otherwise as provided herein, this lease shall nevertheless remain in force and effect following the shutting-in of the well(s), whether it be during or after the primary term (unless released by Lessee), and it shall be considered that gas is being produced from the land covered by this lease. When the lease is continued in force in this manner and the well or wells are shut-in for a period of at least ninety (90) consecutive days, Lessee shall pay or tender as an advanced annual royalty to the parties who at the time of such payment would be entitled to receive royalty hereunder if the well were producing, or deposit to their credit in the Bank (Account No. _____) \$10.00 per net acre for the acreage then held under this lease by the party making such payment or tender. The first payment of such sum shall be made on or before either (1) ninety (90) days from the date such well or wells are shut-in; (2) ninety (90) days from the effective date for inclusion of said land or a portion thereof within a unit on which is located a shut-in gas well, or (3) ninety (90) days from the date this lease ceases to be otherwise maintained as provided herein, whichever is the later date, and it shall be considered that gas is being produced from said land in paying quantities within the meaning of Paragraph 2 hereof for one (1) year from the date of such payment, and in like manner subsequent advance annual royalty payments may be made or tendered and it will be considered that gas is being produced from said land in paying quantities within the meaning of said Paragraph 2 during any annual period for which such royalty is so paid or tendered; such advanced annual royalty payment shall be credited against any royalty accruing to the owners thereof on any production from said land during any annual period for which such advanced annual payment has been made. Lessee's failure to pay or tender or to pay or tender properly or timely any such sum as royalty shall render Lessee liable for the amount due but it shall not operate to terminate this lease. All royalty interests, whether or not owned by the undersigned, shall be paid out of the royalty as provided for in said lease.

5. Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of production, whenever Lessee at its sole discretion deems it necessary or proper to do in order to develop or operate prudently the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed 80 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the term "horizontal completion" means a well in which the horizontal component of the gross completion interval in the reservoir is at least one hundred (100) feet. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling, completion, or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling, completion or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, so long as the total acreage therein does not exceed the maximum herein specified. Also each such drilling or production unit when limited to any one or more formations and to any one or more of the minerals therein or produced therefrom, may from time to time be enlarged and extended by Lessee to include additionally any other formation or formations and any other mineral or minerals therein or produced therefrom. In making such a revision, Lessee shall file or record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. Lessee may place and use on each unit created hereunder common measuring and reworking tanks for production from such unit. 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. Pooling hereunder shall not constitute a cross-conveyance of interests.

STATE OF TEXAS
COUNTY OF BRAZOS
The foregoing is a true and correct copy as the same appears on file and recorded in the appropriate records of Brazos County, Texas.
Thereby certify, on 6-8-2006
Karen McQueen
County Clerk,
Brazos County, Texas



6. If, at the expiration of the primary term, oil, gas or other mineral is not being produced from said land or land pooled therewith but Lessee is then engaged in operations for drilling, mining or reworking of any well or mine thereon or shall have completed a dry hole thereon within ninety (90) days prior to the end of the primary term, this lease shall remain in force so long as operations on said well or for the drilling or reworking of an additional well are commenced and prosecuted (whether on the same or successive wells) with no cessation of more than ninety (90) consecutive days, and, if they result in production, so long thereafter as oil, gas or other mineral is produced from said land or land pooled therewith. If, after the expiration of the primary term of this lease and after oil, gas or other mineral is produced from said land or land pooled therewith, production thereof should cease from any cause, this lease shall not terminate if Lessee commences operations for drilling or reworking within ninety (90) days after the cessation of such production, but shall remain in force and effect so long as such operations are prosecuted with no cessation of more than ninety (90) consecutive days, and if they result in the production of oil, gas or other mineral, so long thereafter as oil, gas or other mineral is produced from said land or land pooled therewith. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land and within two hundred (200) feet of and draining said land, Lessee agrees to drill such offset wells as a reasonably prudent operator would drill under the same or similar circumstances. The judgment of the Lessee, when not fraudulently exercised, in carrying out the purpose of this lease shall be conclusive.

7. Lessee shall have free use of oil, gas and water from said land, except water from Lessor's wells and tanks, for all operations hereunder including repressuring, pressure maintenance, cycling and secondary recovery operations, and the royalty shall be computed after deducting any so used. Any structures and facilities placed on said land by Lessee for operations hereunder and any well or wells on said land drilled or used for the injection of salt water or other fluids may also be used for Lessee's operations on other lands in the same area. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred (200) feet of any residence or barn now on said land without Lessor's consent.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, representatives, successors and assigns, but no change or division in ownership of the land or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee. No such change or division in the ownership of the land or royalties shall be binding upon Lessee for any purpose until such person acquiring any interest has furnished Lessee with the instrument or instruments, or certified copies thereof, constituting the chain of title from the original Lessor. An assignment of this lease, in whole, or in part, shall, to the extent of such assignment, relieve and discharge Lessee of any obligations hereunder, and, if Lessee or assignee of part or parts hereof shall fail to comply with any provision of this lease, such default shall not affect this lease insofar as it covers a part of said land upon which Lessee or any assignee thereof shall not be in default. Should more than six parties become entitled to royalties hereunder, Lessee may require the appointment of a single agent to receive payment for all and may withhold payment until such appointment has been made.

9. When drilling or other operations are delayed or interrupted by storm, flood or other act of God, fire, war, rebellion, insurrection, riot, strikes, differences with workmen, unavailability of material or equipment, failure of carriers to transport or furnish facilities for transportation, some order, requisition or necessity of the government or as a result of any cause whatsoever beyond the control of the Lessee, the time of such delay or interruption shall not be counted against Lessee, anything in this lease to the contrary notwithstanding. All express or implied covenants of this lease shall be subject to all Federal and State laws. Executive orders, rules or regulations and this lease shall not be terminated, in whole or in part, nor Lessee held liable in damages for failure to comply therewith if compliance is prevented by, or if such failure is the result of, any such law, order, rule or regulation. If from such causes Lessee is prevented from conducting drilling or reworking operations on, or producing oil or gas from said land or land pooled therewith, the time while Lessee is so prevented shall not be counted against Lessee, and this lease shall be extended for a period of time equal to that during which such Lessee is so prevented from conducting drilling or reworking operations on, or producing oil or gas from said land or land pooled therewith, notwithstanding any other provision hereof.

10. The breach by Lessee of any obligation arising hereunder shall not work a forfeiture or termination of this lease nor cause a termination or reversion of the estate created hereby nor be grounds for cancellation hereof in whole or in part. In the event Lessor considers that operations are not at any time being conducted in compliance with this lease, Lessor shall notify Lessee in writing of the facts relied upon as constituting a breach hereof, and Lessee, if in default, shall have sixty (60) days after receipt of notice in which to commence the compliance with the obligations imposed by virtue of this instrument. After the discovery of oil, gas or other mineral in paying quantities on said land, Lessee shall reasonably develop the acreage retained hereunder, but in discharging this obligation it shall in no event be required to drill more than one (1) well per forty (40) acres, plus an acreage tolerance not to exceed ten per cent (10%) of forty (40) acres of the area retained hereunder and capable of producing oil in paying quantities and one (1) well per six hundred forty (640) acres, plus an acreage tolerance not to exceed ten per cent (10%) of six hundred forty (640) acres of the area retained hereunder and capable of producing gas or other mineral in paying quantities.

11. Lessor hereby warrants and agrees to defend the title to said land, and agrees that Lessee, at its option, may discharge any tax, mortgage or other lien upon said land in the event of default of payment by Lessor, and in the event Lessee does so, it shall be subrogated to such lien with the right to enforce same and apply royalties accruing hereunder toward satisfying same. Without impairment of Lessee's rights under the warranty in the event of failure of title, it is agreed that, if Lessor owns an interest in said land less than the entire fee simple estate, whether stated hereinabove as a whole or partial interest, then the royalties to be paid Lessor shall be reduced proportionately. All royalty interest covered by this lease (whether or not owned by Lessor) shall be paid out of the royalty herein provided. Should any one or more of the parties named hereinabove as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

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

13. In the event the earliest notary acknowledgment is more than sixty (60) days beyond the date entered on this lease, then the effective date (for purposes of determining the expiration of the primary term) shall become the earliest notary acknowledgment date.

IN WITNESS WHEREOF, this instrument is executed as of the date above written.

Steven W. Bilsing ✓ SS# _____

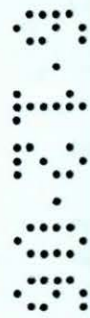
STATE OF TEXAS
COUNTY OF FORT BEND

This instrument was acknowledged before me on the 31st day of August, 2005 by Steven W. Bilsing.



Laurie Hayward
Notary Public, State of Texas

STATE OF TEXAS
COUNTY OF BRAZOS
The foregoing is a true and correct copy as the same appears on file and recorded in the appropriate records of Brazos, County, Texas.
68-2006
Thereby certify, on
Kara McQueen
County Clerk
Brazos County, Texas



Addendum

Attached to and made a part of Oil, Gas and Mineral Lease dated August 8, 2005, by and between Steven W. Bilasing, as Lessor, and AKG Energy, L.P., as Lessee.

14. Notwithstanding anything hereinabove to the contrary, it is specifically understood and agreed that this lease covers only oil, gas, sulphur and associated liquid or liquefiable hydrocarbons, but this Lease does not cover or include and other minerals, with all such other minerals being reserved to the Lessor herein.

15. Notwithstanding anything hereinabove to the contrary, it is expressly agreed and understood that Lessee's right to maintain this Lease in force after the primary term by shut-in gas well payments under Paragraph 4 shall not continue for any one shut-in period of more than two (2) years immediately following the primary term, or in recurring periods after the primary term not to exceed two (2) years in the aggregate.

16. In the event a portion or portions of the land described in this lease is pooled or unitized with other land, lease, or leases so as to form a pooled unit or units, operations for drilling, drilling, or reworking operations on such unit or units, or production of oil or gas from such unit or units, or payments of shut-in gas royalties on a well or wells drilled on such unit or units, shall maintain this lease in effect only as to the portion or portions of the land described in this lease which is included in a pooled unit or units. As to any portion or portions of the land not included in a pooled unit or units, this lease may be maintained in force and effect in any manner elsewhere provided in this lease.

17. Notwithstanding any provisions contained herein to the contrary, it is agreed and understood that Lessee shall not use any part of the surface of the above described lands for the purpose of mining, exploring, drilling, production of oil, gas and other minerals, laying of pipe lines, building of tanks, power stations and any other structures thereon. It is the intention of the parties hereto that Lessee, shall not have the right to use the surface of the above described land or any part thereof nor have the right of ingress and egress upon or across the surface of all or any part of the above described land. This prohibition with respect to the use of the surface of said land shall in no way impair the right of Lessee to produce oil, gas or other minerals from said land, either by directional drilling from a well located on adjacent land or by some other method which will not require entry upon the surface of the above described land or by including the land or a portion thereof within a pooled unit or units pursuant to the terms hereof.

Signed for identification:


Steven W. Bilasing

STATE OF TEXAS
COUNTY OF BRAZOS
The foregoing is a true and correct copy as the same appears on file and recorded in the appropriate records of Brazos, County, Texas.
6-8-2006
Karen McQueen
County Clerk
Brazos County, Texas



Filed for Record in:
BRAZOS COUNTY
On: Feb 02, 2006 at 02:06P
As a
Recording
Document Number: 00916075
Amount 19.00
Receipt Number - 283721
By
Winstonia Davenport
STATE OF TEXAS COUNTY OF BRAZOS
I hereby certify that this instrument was
filed on the date and time stamped hereon by me
and was duly recorded in the volume and page
of the Official Public records of:
BRAZOS COUNTY
as stamped hereon by me.
Feb 02, 2006
HONORABLE KAREN MCQUEEN, COUNTY CLERK
BRAZOS COUNTY



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

PAID-UP
OIL, GAS AND MINERAL LEASE

THIS AGREEMENT made and entered into this 8th day of August, 2005 between Dean G. Bilsing hereinafter called "Lessor" (whether one or more), whose mailing address is 154 Greenleaf Lane, Conroe, TX 77304 and AKG Energy, L.P., hereinafter called "Lessee," whose address is 505 W. 14th Street, Austin, Texas 78701.

1. Lessor, in consideration of Ten and no/100's Dollars (\$10.00) and other good and valuable consideration in hand paid, receipt of which is hereby acknowledged, of the royalties herein provided and of the covenants herein contained, hereby grants, leases and lets, exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling, mining and operating for and producing oil, gas and all other minerals, injecting gas, waters, other fluids, air and other gaseous substances into subsurface strata, laying pipe lines, storing oil, building tanks, power stations, electric transmission lines, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals and other products manufactured therefrom, and housing and otherwise caring for its employees, the following described land in Brazos County, Texas, to wit:

1.71 acres of land, more or less, and being more particularly described in that Deed August 10, 1984 between W.A. Bilsing, III, Steven W. Bilsing, Kathryn L. Bilsing, Dean G. Bilsing, Sheryl M. Bilsing and Paul T. Bilsing and Philip Steve Montalbano and Cheryl Diane Montalbano and recorded in Volume 712 at Page 667 of the Deed Records of Brazos County, Texas

Notwithstanding any particular description, it is nevertheless the intention of Lessor to include within this lease, and Lessor does hereby lease, not only the land so described but also any and all other land owned or claimed by Lessor in the herein named survey or surveys, or in adjoining surveys, and adjoining the herein described land up to the boundaries of the abutting landowners, the leased lands being hereinafter sometimes referred to as "said land" or the "leased premises". For the purpose of determining the amount of any bonus or other payment hereunder, said land shall be deemed to contain 1.71 acres, whether actually containing more or less. Lessor agrees to execute any supplemental instrument(s) requested by Lessee for a more complete or accurate description of said land or instrument(s) to perfect title deficiencies.

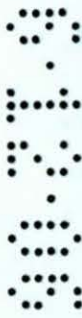
2. Subject to the other provisions herein contained, this lease shall remain in force for a term of Three (3) years from this date (called "primary term"), and as long thereafter as oil, gas or other mineral is produced from said physical land or land with which said land or any part thereof is pooled, or this lease is maintained by virtue of some other provision hereof.

3. This is a PAID-UP LEASE. In consideration of the down cash payment, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term.

4. The royalties to be paid by Lessee are: (a) to deliver in kind to lessor, at the well, or to the credit of lessor into the pipeline or storage tank to which the well may be connected, the 1/5th part of all oil (including condensate) produced and saved from the leased premises. In lieu thereof, lessee shall have the option, at any time, to sell lessor's oil, in which case lessor's royalty shall be based on lessee's net proceeds at the lease, or to purchase lessor's oil for the value of such oil at the lease. In any event, lessor's interest shall be free of all costs of production, but shall bear its proportionate part of production and similar taxes, and shall share proportionately with lessee in any costs to market, transport, or condition the oil; (b) to pay lessor for gas, (including casinghead gas, all gaseous substances, and all constituents thereof) produced and sold from the leased premises, 1/5th part of the net proceeds at the lease from the sale of such gas, after deducting lessor's proportionate part of production, and other similar taxes; lessor's interest to be free of all costs of production, but to bear proportionately with lessee any costs incurred by lessee to market the gas, to deliver the gas to a market off the leased premises, or to dehydrate, compress, process, treat, or otherwise place such gas marketable condition; (c) on gas, including casinghead gas and all gaseous substances, produced from said land and used off said land by Lessee and not benefiting Lessor, the market value at the mouth of the well of 1/5th of the gas so used off said land; (d) on all minerals mined and marketed, 1/5th, either in kind or value at the well or mine, at Lessee's election, except that on sulphur the royalty shall be One Dollar (\$1.00) per long ton; and (e) if at any time while there is a gas well or wells on the said land or land pooled therewith (for the purposes of this clause (e) the term "gas well" shall include wells capable of producing natural gas, condensate, distillate or any gaseous substance and wells classified as gas wells by any governmental authority) and such well or wells are shut-in, and this lease is not being maintained otherwise as provided herein, this lease shall nevertheless remain in force and effect following the shutting-in of the well(s), whether it be during or after the primary term (unless released by Lessee), and it shall be considered that gas is being produced from the land covered by this lease. When the lease is continued in force in this manner and the well or wells are shut-in for a period of at least ninety (90) consecutive days, Lessee shall pay or tender as an advanced annual royalty to the parties who at the time of such payment would be entitled to receive royalty hereunder if the well were producing, or deposit to their credit in the Bank (Account No. _____) \$10.00 per net acre for the acreage then held under this lease by the party making such payment or tender. The first payment of such sum shall be made on or before either (1) ninety (90) days from the date such well or wells are shut-in; (2) ninety (90) days from the effective date for inclusion of said land or a portion thereof within a unit on which is located a shut-in gas well; or (3) ninety (90) days from the date this lease ceases to be otherwise maintained as provided herein, whichever is the later date, and it shall be considered that gas is being produced from said land in paying quantities within the meaning of Paragraph 2 hereof for one (1) year from the date of such payment, and in like manner subsequent advanced annual royalty payments may be made or tendered and it will be considered that gas is being produced from said land in paying quantities within the meaning of said Paragraph 2 during any annual period for which such royalty is so paid or tendered; such advanced annual royalty payment shall be credited against any royalty accruing to the owners thereof on any production from said land during any annual period for which such advanced annual payment has been made. Lessee's failure to pay or tender or to pay or tender properly or timely any such sum as royalty shall render Lessee liable for the amount due but it shall not operate to terminate this lease. All royalty interests, whether or not owned by the undersigned, shall be paid out of the royalty as provided for in said lease.

5. Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of production, whenever Lessee at its sole discretion deems it necessary or proper to do in order to develop or operate prudently the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed 80 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the term "horizontal completion" means a well in which the horizontal component of the gross completion interval in the reservoir is at least one hundred (100) feet. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling, completion, or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling, completion or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, so long as the total acreage therein does not exceed the maximum herein specified. Also each such drilling or production unit when limited to any one or more formations and to any one or more of the minerals therein or produced therefrom, may from time to time be enlarged and extended by Lessee to include additionally any other formation or formations and any other mineral or minerals therein or produced therefrom. In making such a revision, Lessee shall file or record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. Lessee may place and use on each unit created hereunder common measuring and reworking tanks for production from such unit. 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. Pooling hereunder shall not constitute a cross-conveyance of interests.

STATE OF TEXAS
COUNTY OF BRAZOS
The foregoing is a true and correct copy as the same appears on file and recorded in the appropriate records of Brazos County, Texas.
6-8-2006
Kathryn M. Bilsing
County Clerk:
Brazos County, Texas



6. If, at the expiration of the primary term, oil, gas or other mineral is not being produced from said land or land pooled therewith but Lessee is then engaged in operations for drilling, mining or reworking of any well or mine thereon or shall have completed a dry hole thereon within ninety (90) days prior to the end of the primary term, this lease shall remain in force so long as operations on said well or for the drilling or reworking of an additional well are commenced and prosecuted (whether on the same or successive wells) with no cessation of more than ninety (90) consecutive days, and, if they result in production, so long thereafter as oil, gas or other mineral is produced from said land or land pooled therewith. If, after the expiration of the primary term of this lease and after oil, gas or other mineral is produced from said land or land pooled therewith, production thereof should cease from any cause, this lease shall not terminate if Lessee commences operations for drilling or reworking within ninety (90) days after the cessation of such production, but shall remain in force and effect so long as such operations are prosecuted with no cessation of more than ninety (90) consecutive days, and if they result in the production of oil, gas or other mineral, so long thereafter as oil, gas or other mineral is produced from said land or land pooled therewith. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land and within two hundred (200) feet of and draining said land, Lessee agrees to drill such offset wells as a reasonably prudent operator would drill under the same or similar circumstances. The judgment of the Lessee, when not fraudulently exercised, in carrying out the purpose of this lease shall be conclusive.

7. Lessee shall have free use of oil, gas and water from said land, except water from Lessor's wells and tanks, for all operations hereunder including repressuring, pressure maintenance, cycling and secondary recovery operations, and the royalty shall be computed after deducting any so used. Any structures and facilities placed on said land by Lessee for operations hereunder and any well or wells on said land drilled or used for the injection of salt water or other fluids may also be used for Lessee's operations on other lands in the same area. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred (200) feet of any residence or barn now on said land without Lessor's consent.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, representatives, successors and assigns, but no change or division in ownership of the land or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee. No such change or division in the ownership of the land or royalties shall be binding upon Lessee for any purpose until such person acquiring any interest has furnished Lessee with the instrument or instruments, or certified copies thereof, constituting the chain of title from the original Lessor. An assignment of this lease, in whole, or in part, shall, to the extent of such assignment, relieve and discharge Lessee of any obligations hereunder, and, if Lessee or assignee of part or parts hereof shall fail to comply with any provision of this lease, such default shall not affect this lease insofar as it covers a part of said land upon which Lessee or any assignee thereof shall not be in default. Should more than six parties become entitled to royalties hereunder, Lessee may require the appointment of a single agent to receive payment for all and may withhold payment until such appointment has been made.

9. When drilling or other operations are delayed or interrupted by storm, flood or other act of God, fire, war, rebellion, insurrection, riot, strikes, differences with workmen, unavailability of material or equipment, failure of carriers to transport or furnish facilities for transportation, some order, requisition or necessity of the government or as a result of any cause whatsoever beyond the control of the Lessee, the time of such delay or interruption shall not be counted against Lessee, anything in this lease to the contrary notwithstanding. All express or implied covenants of this lease shall be subject to all Federal and State laws. Executive orders, rules or regulations and this lease shall not be terminated, in whole or in part, nor Lessee held liable in damages for failure to comply therewith if compliance is prevented by, or if such failure is the result of, any such law, order, rule or regulation. If from such causes Lessee is prevented from conducting drilling or reworking operations on, or producing oil or gas from said land or land pooled therewith, the time while Lessee is so prevented shall not be counted against Lessee, and this lease shall be extended for a period of time equal to that during which such Lessee is so prevented from conducting drilling or reworking operations on, or producing oil or gas from said land or land pooled therewith, notwithstanding any other provision hereof.

10. The breach by Lessee of any obligation arising hereunder shall not work a forfeiture or termination of this lease nor cause a termination or reversion of the estate created hereby nor be grounds for cancellation hereof in whole or in part. In the event Lessor considers that operations are not at any time being conducted in compliance with this lease, Lessor shall notify Lessee in writing of the facts relied upon as constituting a breach hereof, and Lessee, if in default, shall have sixty (60) days after receipt of notice in which to commence the compliance with the obligations imposed by virtue of this instrument. After the discovery of oil, gas or other mineral in paying quantities on said land, Lessee shall reasonably develop the acreage retained hereunder, but in discharging this obligation it shall in no event be required to drill more than one (1) well per forty (40) acres, plus an acreage tolerance not to exceed ten per cent (10%) of forty (40) acres of the area retained hereunder and capable of producing oil in paying quantities and one (1) well per six hundred forty (640) acres, plus an acreage tolerance not to exceed ten per cent (10%) of six hundred forty (640) acres of the area retained hereunder and capable of producing gas or other mineral in paying quantities.

11. Lessor hereby warrants and agrees to defend the title to said land, and agrees that Lessee, at its option, may discharge any tax, mortgage or other lien upon said land in the event of default of payment by Lessor, and in the event Lessee does so, it shall be subrogated to such lien with the right to enforce same and apply royalties accruing hereunder toward satisfying same. Without impairment of Lessor's rights under the warranty in the event of failure of title, it is agreed that, if Lessor owns an interest in said land less than the entire fee simple estate, whether stated hereinabove as a whole or partial interest, then the royalties to be paid Lessor shall be reduced proportionately. All royalty interest covered by this lease (whether or not owned by lessor) shall be paid out of the royalty herein provided. Should any one or more of the parties named hereinabove as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

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

13. In the event the earliest notary acknowledgment is more than sixty (60) days beyond the date entered on this lease, then the effective date (for purposes of determining the expiration of the primary term) shall become the earliest notary acknowledgment date.

IN WITNESS WHEREOF, this instrument is executed as of the date above written.

X Dean G. Bilsing
Dean G. Bilsing

SS# [REDACTED]

STATE OF TEXAS
COUNTY OF MONTGOMERY

This instrument was acknowledged before me on the 23rd day of August 2006 by Dean G. Bilsing.



[Signature]
Notary Public, State of Texas

STATE OF TEXAS
COUNTY OF BRAZOS
The foregoing is a true and correct copy as the same appears on file and recorded in the appropriate records of Brazos County, Texas.
Thereby certify, on 6-8-2006
Karen McQueen
County Clerk:
Brazos County, Texas



Addendum

Attached to and made a part of Oil, Gas and Mineral Lease dated August 8, 2005, by and between Dean G. Bilsing, as Lessor, and AKG Energy, L.P., as Lessee.

14. Notwithstanding anything hereinabove to the contrary, it is specifically understood and agreed that this lease covers only oil, gas, sulphur and associated liquid or liquefiable hydrocarbons, but this Lease does not cover or include and other minerals, with all such other minerals being reserved to the Lessor herein.

15. Notwithstanding anything hereinabove to the contrary, it is expressly agreed and understood that Lessee's right to maintain this Lease in force after the primary term by shut-in gas well payments under Paragraph 4 shall not continue for any one shut-in period of more than two (2) years immediately following the primary term, or in recurring periods after the primary term not to exceed two (2) years in the aggregate.

16. In the event a portion or portions of the land described in this lease is pooled or unitized with other land, lease, or leases so as to form a pooled unit or units, operations for drilling, drilling, or reworking operations on such unit or units, or production of oil or gas from such unit or units, or payments of shut-in gas royalties on a well or wells drilled on such unit or units, shall maintain this lease in effect only as to the portion or portions of the land described in this lease which is included in a pooled unit or units. As to any portion or portions of the land not included in a pooled unit or units, this lease may be maintained in force and effect in any manner elsewhere provided in this lease.

17. Notwithstanding any provisions contained herein to the contrary, it is agreed and understood that Lessee shall not use any part of the surface of the above described lands for the purpose of mining, exploring, drilling, production of oil, gas and other minerals, laying of pipe lines, building of tanks, power stations and any other structures thereon. It is the intention of the parties hereto that Lessee, shall not have the right to use the surface of the above described land or any part thereof nor have the right of ingress and egress upon or across the surface of all or any part of the above described land. This prohibition with respect to the use of the surface of said land shall in no way impair the right of Lessee to produce oil, gas or other minerals from said land, either by directional drilling from a well located on adjacent land or by some other method which will not require entry upon the surface of the above described land or by including the land or a portion thereof within a pooled unit or units pursuant to the terms hereof.

Signed for identification:

X Dean G. Bilsing
Dean G. Bilsing

STATE OF TEXAS
COUNTY OF BRAZOS
The foregoing is a true and correct copy as
the same appears on file and recorded in the
appropriate records of Brazos, County, Texas.
Thereby certify, on 6-8-2006
Kesha McQueen
County Clerk,
Brazos County, Texas



Doc Bk Vol Pg
00923073 OR 7260 96

STATE OF TEXAS
COUNTY OF BRAZOS
The foregoing is a true and correct copy as
the same appears on file and recorded in the
appropriate records of Brazos, County, Texas.
Thereby certify, on

68-2006
Karen McQueen

County Clerk:
Brazos County, Texas



Filed for Record in:
BRAZOS COUNTY

On: Apr 18, 2006 at 12:34P

As a
Recording

Document Number: 00923073

Amount 23.00

Receipt Number - 288776

By:
Susie Cohen

STATE OF TEXAS COUNTY OF BRAZOS
I hereby certify that this instrument was
filed on the date and time stamped hereon by me
and was duly recorded in the volume and page
of the Official Public records of:

BRAZOS COUNTY

as stamped hereon by me.

Apr 18, 2006

HONDRABLE KAREN MCQUEEN, COUNTY CLERK
BRAZOS COUNTY



MEMORANDUM GIVING NOTICE
OF OIL AND GAS LEASE

STATE OF TEXAS §
COUNTY OF BRAZOS §

KNOW ALL MEN BY THESE PRESENTS:

THAT, **Conn Tatum**, hereinafter referred to as "Lessor", whose mailing address is P.O. Box 34, Davilla, TX 76523, and **AKG Energy, L.P.**, hereinafter referred to as "Lessee", whose address is 505 West 14th Street, Austin, Texas 78701, do hereby acknowledge and give notice that Lessor has entered into an Oil and Gas and Lease (hereinafter referred to as the "Subject Lease") whereby they leased and let the lands described below unto Lessee for the purposes of investigating, exploring, prospecting, drilling, mining for, and producing oil and gas from said lands (hereinafter referred to as the "Leased Premises"), to-wit:

100.0 acres of land, more or less, situated in the J. H. Jones League, A-26, Brazos County, Texas, and being the same land described in that certain Deed dated November 16, 1949, from Helen Tatum to James M. King, Jr. and Rachel King and recorded in Volume 141 at Page 120 of the Deed Records of Brazos County, Texas

The Subject Lease is dated March 7, 2006, and provides for a primary term of two (2) years from said date and as long thereafter as oil, gas or other mineral is produced from the Leased Premises, or land with which said land is pooled, and subject to all of the terms, conditions and provisions as set out in the Subject Lease.

A fully executed copy of the Subject Lease is in the possession of both Lessor and Lessee at their respective addresses.

This notice is given to place each and every person and entity on notice of the existence of the Subject Lease and all of the terms, provisions and conditions thereof and is given in lieu of filing the original of the Subject Lease for record in ~~Brazos~~ County, Texas.

EXECUTED this the 16 day of March, 2006, but effective as of March 7, 2006, being the effective date of the Subject Lease.

IN WITNESS WHEREOF, this instrument is executed as of the date above written.

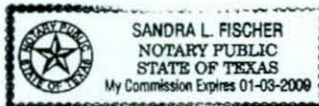
SIGNED FOR IDENTIFICATION

X [Signature]
CONN TATUM

STATE OF TEXAS
COUNTY OF MILAM

This instrument was acknowledge before me on this 16 day of March, 2006, by Conn Tatum

[Signature]
Notary Public, State of Texas



STATE OF TEXAS
COUNTY OF BRAZOS
The foregoing is a true and correct copy as the same appears on file and recorded in the appropriate records of Brazos, County, Texas.
Thereby certify, on 6-8-2006
[Signature]
County Clerk:
Brazos County, Texas



STATE OF TEXAS
COUNTY OF BRAZOS

The foregoing is a true and correct copy as
the same appears on file and recorded in the
appropriate records of Brazos, County, Texas.

Thereby certify, on

6-8-2006

Karen McQueen

County Clerk:
Brazos County, Texas



Filed for Record in:
BRAZOS COUNTY

On: Mar 27, 2006, at 02:45P

As a
Recording

Document Number: 00920755

Amount 15.00

Receipt Number - 287288

By,
Winstonia Davenport

STATE OF TEXAS COUNTY OF BRAZOS
I hereby certify that this instrument was
filed on the date and time stamped hereon by me
and was duly recorded in the volume and page
of the Official Public records of:

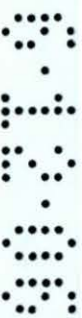
BRAZOS COUNTY

as stamped hereon by me.

Mar 27, 2006

HONORABLE KAREN MCQUEEN, COUNTY CLERK
BRAZOS COUNTY

PLEASE RETURN TO:
Zachary Henderson
1009 Eason St. Unit A
Austin, TX 78703



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

MEMORANDUM OF OIL, GAS, AND MINERAL LEASE

STATE OF TEXAS §
COUNTY OF BRAZOS §

KNOW ALL MEN BY THESE PRESENTS THAT:

REFERENCE is here made to that certain Oil, Gas and Mineral Lease by and between **VICKI ANN HEISTAND WEIR** (aka Vicki Weir), whose address is 5650 Raymond Stotzer Parkway, College Station, Texas 77845 (hereinafter referred to as "Lessor") and **AKG Energy, L.P.**, whose address is 505 West 14th St. Austin, Texas 78701 (hereinafter referred to as "Lessee"), under the terms of which Lessee has granted an oil, gas and mineral lease with respect to those certain lands comprising 15.0 acres of land, more or less, and being described as follows:

15.0 acres of land, more or less, situated in the J. H. Jones League, A-26, Brazos County Texas, and being the same land more particularly described in that certain Deed dated December 4, 1989, from First National Bank, Trustee for the Behrns Family trust to Robert Weir, and wife Vicki Weir, and recorded in Volume 1156, Page 531 of the Deed Records of Brazos County, Texas.

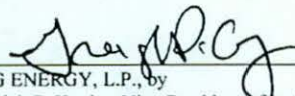
which lease is for a three year period, and other terms and conditions contained in the oil, gas and mineral lease, the lease is effective October 11, 2004.

This Memorandum of Lease is executed by the Lessor and the Lessee for the purpose of acknowledging in the public records the existence of said lease and may be executed in multiple counterparts, each of which shall be deemed an original for all purposes and shall constitute one single memorandum of lease between Lessor and Lessee.

IN WITNESS WHEREOF, this instrument is executed effective the 11th day of November, 2004.



VICKI ANN HEISTAND WEIR (aka Vicki Weir)




AKG ENERGY, L.P., by
Greigh P. Kugler, Vice-President of its General
Partner, AKG Oil Company

ACKNOWLEDGMENTS

THE STATE OF TEXAS
COUNTY OF BRAZOS

This instrument was acknowledged before me on this the 8th day of November, 2004 by VICKI ANN HEISTAND WEIR (aka Vicki Weir).





Notary Public Signature

ACKNOWLEDGMENT



THE STATE OF TEXAS
COUNTY OF TRAVIS

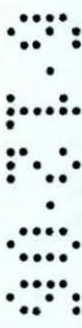
This instrument was acknowledged before me on this the 31 day of January, 2004 by GREIGH P. KUGLER, Vice-President of AKG Oil Company, general partner of AKG Energy, L.P., on behalf of said limited partnership.





Notary Public Signature

STATE OF TEXAS
COUNTY OF BRAZOS
The foregoing is a true and correct copy as the same appears on file and recorded in the appropriate records of Brazos, County, Texas.
Thereby certify, on 6-8-2006

County Clerk:
Brazos County, Texas




STATE OF TEXAS
COUNTY OF BRAZOS
The foregoing is a true and correct copy as
the same appears on file and recorded in the
appropriate records of Brazos, County, Texas.

Thereby certify, on 6-8-2006

Karen McQueen

County Clerk,
Brazos County, Texas



Filed for Record in:
BRAZOS COUNTY

On: Feb 02, 2006 at 02:06P

As a
Recordings

Document Number: 00916104

Amount 15.00

Receipt Number - 283721

By,
Winstonia Davenport

STATE OF TEXAS COUNTY OF BRAZOS
I hereby certify that this instrument was
filed on the date and time stamped hereon by me
and was duly recorded in the volume and page
of the Official Public records of:

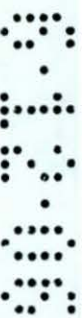
BRAZOS COUNTY

as stamped hereon by me.

Feb 02, 2006

HONORABLE KAREN MCQUEEN, COUNTY CLERK,
BRAZOS COUNTY

Return to: AKG Energy
505 W. 14th St.
Austin, TX 78701



30319

7.

File No. MF106888

Leases

Date Filed: 6/17/06
Jerry E. Patterson, Commissioner

By *JEP*

42

AKG ENERGY, L.P. ✓

10825

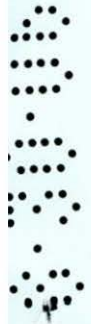
Texas General Land Office

8/29/2006

HWY 60 R.O.W. Oil and Gas Lease Bonus, Brazos County, TX

X

262.50



121

06057832

CHECKING Acct

262.50

00021835

8

File No. MF 1065 88

Bonus Payment

Date Filed: 8/30/06

Jerry E. Patterson, Commissioner

By [Signature]

