MF108187

State Lease	Control	Basefile	County
MF108187	07-022054	125169	CULBERSON

✓ EXPIRED
DATE 1/19/10
LEASING GloBase 7-KD
MAPS
GIS JR

Survey	PUBLIC SCHOOL LAND
Block	45
Block Name	
Township	
Section/Tract	30
Land Part	
Part Description	NW4
Acres	160

Depth Below	Depth Above	Depth Other
0	0	

Role	LESSEE
Name	ARRINGTON, DAVID H. OIL & GAS, INC.
Lessee Date	1/19/2007
Primary Term	3 yrs
Bonus ($)	$32,000.00
Rental ($)	$0.00
Gas Decimal	0.125
Oil Decimal	0.125

Leasing: DC
Analyst: MS
Maps:
GIS: JP

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

M F 1 0 8 1 8 7

CONTENTS OF FILE NO. MF- 108187

1. RPA Review + Application 1.19.07
2. Oil & Gas lease 8.7.07
3. letter + Fee 3.19.07
4. GIO letter 8.2.07
Primary term expired 1-19-10
scanned IW 2.17.2015

RAL REVIEW SHEET

Transaction # 5698

Lessor: OMC Properties, Ltd.

Lessee: David H. Arrington Oil & Gas, Inc.

Geologist: R. Widmayer

Lease Date: 1/19/2007 **UL:** ☐

Acres: 160

LEASE DESCRIPTION

County		PIN#	Base File No	Part	Sec.	Block	Twp	Survey	Abst#
CULBERSON	160.0	07-022054	125169	NW/4	30	45	00	PUBLIC SCHOOL LAND	4338

TERMS OFFERED

Primary Term:	3 years
Bonus/Acre:	$398.00
Rental/Acre:	$1.00
Royalty:	1/4

TERMS RECOMMENDED

Primary Term	3 years
Bonus/Acre	$398.00
Rental/Acre	$1.00
Royalty	1/4

COMPARISONS

MF #	Lessee	Date	Term	Bonus/Ac.	Rental/Ac.	Royalty	Distance
MF103849	Robert G. Elliott	12/22/2003	3 years	$98.00	$0.00	1/5	**Last Lease**
MF103428	Robert G. Elliott	4/15/2003	3 years	$50.00	$1.00	1/5	Adjacent North
MF104748	Samson Lonestar Limited Partner	1/25/2005	5 years	$75.00	$1.00	1/5	Adjacent West

Comments: Paid up rentals.

Approved: PRB 4.26.07

RELINQUISHMENT ACT LEASE APPLICATION

Texas General Land Office — Jerry Patterson, Commissioner

TO: Jerry Patterson, Commissioner
Larry Laine, Chief Clerk
Bill Warnick, General Counsel
Louis Renaud, Deputy Commissioner

DATE: 26-Apr-07

FROM: Robert Hatter, Director of Mineral Leasing
Peter Boone, Chief Geologist

Applicant:	David H. Arrington Oil & Gas, Inc.			County:	CULBERSON
Prim. Term:	3 years	Bonus/Acre	$398.00		
Royalty:	1/4	Rental/Acre	$1.00		

Consideration
Recommended: PAB — Date: 4·26·07
Not Recommended: ________
Comments: Paid up rentals.

Lease Form
Recommended: RJH — Date: 6/04/07
Not Recommended: ________
Comments:

Louis Renaud, Deputy Commissioner — Date: 6-5-07
Recommended: CLR
Not Recommended: ________

Bill Warnick, General Counsel — Date: 6/12/07
Recommended: WTW
Not Recommended: ________

Larry Laine, Chief Clerk — Date: 6/11/07
Approved: [signature]
Not Approved: ________

Jerry Patterson, Commissioner — Date: 12 June 07
Approved: JEP
Not Approved: ________

1

File No. MF-108187

RAL Review + Application

Date Filed: 06.19.07

Jerry E. Patterson, Commissioner

By EBK

General Land Office
Relinquishment Act Lease Form
Revised, September 1997

The State of Texas #62551

Austin, Texas

Paid up

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 19th day of January, 2007, between the State of Texas, acting by and through its agent, OMC Properties, Ltd., a Texas limited partnership

of 101 Hunters Cliff, Boerne, TX 78006 .
(Give Permanent Address)

said agent herein referred to as the owner of the soil (whether one or more), and David H. Arrington Oil & Gas, Inc

of 214 W. Texas, Suite 400, Midland TX 79701 hereinafter called Lessee.
(Give Permanent Address)

1. GRANTING CLAUSE. For and in consideration of the amounts stated below and of the covenants and agreements to be paid, kept and performed by Lessee under this lease, the State of Texas acting by and through the owner of the soil, hereby grants, leases and lets unto Lessee, for the sole and only purpose of prospecting and drilling for and producing oil and gas, laying pipe lines, building tanks, storing oil and building power stations, telephone lines and other structures thereon, to produce, save, take care of, treat and transport said products of the lease, the following lands situated in Culberson County, State of Texas, to-wit:

NW/4 of Section 30, Block 45, Public School Land Survey

containing 160.00 acres, more or less. The bonus consideration paid for this lease is as follows:

To the State of Texas: Thirty-two Thousand & No/100
Dollars ($32,000.00)

To the owner of the soil: Thirty-two Thousand & No/100
Dollars ($32,000.00)

Total bonus consideration: Sixty-four Thousand & No/100
Dollars ($64,000.00)

The total bonus consideration paid represents a bonus of Four Hundred & No/100
Dollars ($400.00) per acre, on 160.00 net acres.

2. TERM. Subject to the other provisions in this lease, this lease shall be for a term of three (3) years from this date (herein called "primary term") and as long thereafter as oil and gas, or either of them, is produced in paying quantities from said land. As used in this lease, the term "produced in paying quantities" means that the receipts from the sale or other authorized commercial use of the substance(s) covered exceed out of pocket operational expenses for the six months last past.

A CERTIFIED COPY
IF IT BEARS THE SEAL OF THE COUNTY CLERK
ATTEST: June 29, 2007
LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS
BY Veronica M. Berg DEPUTY

3. DELAY RENTALS. If no well is commenced on the leased premises on or before one (1) year from this date, this lease shall terminate, unless on or before such anniversary date Lessee shall pay or tender to the owner of the soil or to his credit in the Not Applicable. See Paragraph 40. Bank, at ______, or its successors (which shall continue as the depository regardless of changes in the ownership of said land), the amount specified below; in addition, Lessee shall pay or tender to the COMMISSIONER OF THE GENERAL LAND OFFICE OF THE STATE OF TEXAS, AT AUSTIN, TEXAS, a like sum on or before said date. Payments under this paragraph shall operate as a rental and shall cover the privilege of deferring the commencement of a well for one (1) year from said date. Payments under this paragraph shall be in the following amounts:

To the owner of the soil: ______

Dollars ($______)

To the State of Texas: ______

Dollars ($______)

Total Delay Rental: ______

Dollars ($______)

In a like manner and upon like payments or tenders annually, the commencement of a well may be further deferred for successive periods of one (1) year each during the primary term. All payments or tenders of rental to the owner of the soil may be made by check or sight draft of Lessee, or any assignee of this lease, and may be delivered on or before the rental paying date. If the bank designated in this paragraph (or its successor bank) should cease to exist, suspend business, liquidate, fail or be succeeded by another bank, or for any reason fail or refuse to accept rental, Lessee shall not be held in default for failure to make such payments or tenders of rental until thirty (30) days after the owner of the soil shall deliver to Lessee a proper recordable instrument naming another bank as agent to receive such payments or tenders.

4. PRODUCTION ROYALTIES. Upon production of oil and/or gas, Lessee agrees to pay or cause to be paid one-half (1/2) of the royalty provided for in this lease to the Commissioner of the General Land Office of the State of Texas, at Austin, Texas, and one-half (1/2) of such royalty to the owner of the soil:

(A) OIL. Royalty payable on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also as all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, shall be 25% part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be determined by 1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity in the general area where produced and when run, or 2) the highest market price thereof offered or paid in the general area where produced and when run, or 3) the gross proceeds of the sale thereof, whichever is the greater. Lessee agrees that before any gas produced from the leased premises is sold, used or processed in a plant, it will be run free of cost to the royalty owners through an adequate oil and gas separator of conventional type, or other equipment at least as efficient, so that all liquid hydrocarbons recoverable from the gas by such means will be recovered. The requirement that such gas be run through a separator or other equipment may be waived, in writing, by the royalty owners upon such terms and conditions as they prescribe.

(B) NON PROCESSED GAS. Royalty on any gas (including flared gas), which is defined as all hydrocarbons and gaseous substances not defined as oil in subparagraph (A) above, produced from any well on said land (except as provided herein with respect to gas processed in a plant for the extraction of gasoline, liquid hydrocarbons or other products) shall be 25% part of the gross production or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such value to be based on the highest market price paid or offered for gas of comparable quality in the general area where produced and when run, or the gross price paid or offered to the producer, whichever is the greater; provided that the maximum pressure base in measuring the gas under this lease shall not at any time exceed 14.65 pounds per square inch absolute, and the standard base temperature shall be sixty (60) degrees Fahrenheit, correction to be made for pressure according to Boyle's Law, and for specific gravity according to tests made by the Balance Method or by the most approved method of testing being used by the industry at the time of testing.

(C) PROCESSED GAS. Royalty on any gas processed in a gasoline plant or other plant for the recovery of gasoline or other liquid hydrocarbons shall be 25% part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this lease, and on fifty percent (50%), or that percent accruing to Lessee, whichever is the greater, of the total plant production of liquid hydrocarbons attributable to the gas produced from this lease; provided that if liquid hydrocarbons are recovered from gas processed in a plant in which Lessee (or its parent, subsidiary or affiliate) owns an interest, then the percentage applicable to liquid hydrocarbons shall be fifty percent *(50%)* or the highest percent accruing to a third party processing gas through such plant under a processing agreement negotiated at arm's length (or if there is no such third party, the highest percent then being specified in processing agreements or contracts in the industry), whichever is the greater. The respective royalties on residue gas and on liquid hydrocarbons shall be determined by 1) the highest market price paid or offered for any gas (or liquid hydrocarbons) of comparable quality in the general area, or 2) the gross price paid or offered for such residue gas (or the weighted average gross selling price for the respective grades of liquid hydrocarbons), whichever is the greater. In no event, however, shall the royalties payable under this paragraph be less than the royalties which would have been due had the gas not been processed.

(D) OTHER PRODUCTS. Royalty on carbon black, sulphur or any other products produced or manufactured from gas (excepting liquid hydrocarbons) whether said gas be "casinghead," "dry," or any other gas, by fractionating, burning or any other processing shall be 25% part of the gross production of such products, or the market value thereof, at the option of the owner of the soil or the Commissioner of the General Land Office, such market value to be determined as follows: 1) on the basis of the highest market price of each product for the same month in which such product is produced, or 2) on the basis of the average gross sale price of each product for the same month in which such products are produced; whichever is the greater.

5. MINIMUM ROYALTY. During any year after the expiration of the primary term of this lease, if this lease is maintained by production, the royalties paid under this lease in no event shall be less than an amount equal to the total annual delay rental herein provided; otherwise, there shall be due and payable on or before the last day of the month succeeding the anniversary date of this lease a sum equal to the total annual rental less the amount of royalties paid during the preceding year. If Paragraph 3 of this lease does not specify a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre.

6. ROYALTY IN KIND. Notwithstanding any other provision in this lease, at any time or from time to time, the owner of the soil or the Commissioner of the General Land Office may, at the option of either, upon not less than sixty (60) days notice to the holder of the lease, require that the payment of any royalties accruing to such royalty owner under this lease be made in kind. The owner of the soil's or the Commissioner of the General Land Office's right to take its royalty in kind shall not diminish or negate the owner of the soil's or the Commissioner of the General Land Office's rights or Lessee's obligations, whether express or implied, under this lease.

7. NO DEDUCTIONS. Lessee agrees that all royalties accruing under this lease (including those paid in kind) shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and otherwise making the oil, gas and other products hereunder ready for sale or use. Lessee agrees to compute and pay royalties on the gross value received, including any reimbursements for severance taxes and production related costs.

8. PLANT FUEL AND RECYCLED GAS. No royalty shall be payable on any gas as may represent this lease's proportionate share of any fuel used to process gas produced hereunder in any processing plant. Notwithstanding any other provision of this lease, and subject to the written consent of the owner of the soil and the Commissioner of the General Land Office, Lessee may recycle gas for gas lift purposes on the leased premises or for injection into any oil or gas producing formation underlying the leased premises after the liquid hydrocarbons contained in the gas have been removed; no royalties shall be payable on the recycled gas until it is produced and sold or used by Lessee in a manner which entitles the royalty owners to a royalty under this lease.

9. ROYALTY PAYMENTS AND REPORTS. All royalties not taken in kind shall be paid to the Commissioner of the General Land Office at Austin, Texas, in the following manner:

Payment of royalty on production of oil and gas shall be as provided in the rules set forth in the Texas Register. Rules currently provide that 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, then 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 to accrue 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.

10. (A) RESERVES, CONTRACTS AND OTHER RECORDS. Lessee shall annually furnish the Commissioner of the General Land Office with its best possible estimate of oil and gas reserves underlying this lease or allocable to this lease and shall furnish said Commissioner with copies of all contracts under which gas is sold or processed and all subsequent agreements and amendments to such contracts within thirty (30) days after entering into or making such contracts, agreements or amendments. Such contracts and agreements when received by the General Land Office shall be held in confidence by the General Land Office unless otherwise authorized by Lessee. All other contracts and records pertaining to the production, transportation, sale and marketing of the oil and gas produced on said premises, including the books and accounts, receipts and discharges of all wells, tanks, pools, meters, and pipelines shall at all times be subject to inspection and examination by the Commissioner of the General Land Office, the Attorney General, the Governor, or the representative of any of them.

(B) PERMITS, DRILLING RECORDS. Written notice of all operations on this lease shall be submitted to the Commissioner of the General Land Office by Lessee or operator five (5) days before spud date, workover, re-entry, temporary abandonment or plug and abandonment of any well or wells. Such written notice to the General Land Office shall include copies of Railroad Commission forms for application to drill. Copies of well tests, completion reports and plugging reports shall be supplied to the General Land Office at the time they are filed with the Texas Railroad Commission. All applications, permits, reports or other filings that reference this lease or any specific well on the leased premises and that are submitted to the Texas Railroad Commission or any other governmental agency shall include the word "State" in the title. Additionally, in accordance with Railroad Commission rules, any signage on the leased premises for the purpose of identifying wells, tank batteries or other associated improvements to the land must also include the word "State." Lessee shall supply the General Land Office with any records, memoranda, accounts, reports, cuttings and cores, or other information relative to the operation of the above-described premises, which may be requested by the General Land Office, in addition to those herein expressly provided for. Lessee shall have an electrical and/or radioactivity survey made on the bore-hole section, from the base of the surface casing to the total depth of well, of all wells drilled on the above described premises and shall transmit a true copy of the log of each survey on each well to the General Land Office within fifteen (15) days after the making of said survey.

(C) PENALTIES. Lessee shall incur a penalty whenever reports, documents or other materials are not filed in the General Land Office when due. The penalty for late filing shall be set by the General Land Office administrative rule which is effective on the date when the materials were due in the General Land Office.

11. DRY HOLE/CESSATION OF PRODUCTION DURING PRIMARY TERM. If, during the primary term hereof and prior to discovery and production of oil or gas on said land, Lessee should drill a dry hole or holes thereon, or if during the primary term hereof and after the discovery and actual production of oil or gas from the leased premises such production thereof should cease from any cause, this lease shall not terminate if on or before the expiration of sixty (60) days from date of completion of said dry hole or cessation of production Lessee commences additional drilling or reworking operations thereon, or pays or tenders the next annual delay rental in the same manner as provided in this lease. If, during the last year of the primary term or within sixty (60) days prior thereto, a dry hole be completed and abandoned, or the production of oil or gas should cease for any cause, Lessee's rights shall remain in full force and effect without further operations until the expiration of the primary term; and if Lessee has not resumed production in paying quantities at the expiration of the primary term, Lessee may maintain this lease by conducting additional drilling or reworking operations pursuant to Paragraph 13, using the [illegible]ation of the primary term as the date of cessation o[illegible]duction under Paragraph 13. Should the first well or any subsequent well drilled on the above-described land be completed as a shut-in oil or gas [illegible] within the primary term hereof, Lessee may resume payment of the annual rental in the same manner as provided herein on or before the rental paying date following the expiration of sixty (60) days from the date of completion of such shut-in oil or gas well and upon the failure to make such payment, this lease shall ipso facto terminate. If at the expiration of the primary term or any time thereafter a shut-in oil or gas well is located on the leased premises, payments may be made in accordance with the shut-in provisions hereof.

12. DRILLING AND REWORKING AT EXPIRATION OF PRIMARY TERM. If, at the expiration of the primary term, neither oil nor gas is being produced on said land, but Lessee is then engaged in drilling or reworking operations thereon, this lease shall remain in force so long as operations on said well or for drilling or reworking of any additional wells are prosecuted in good faith and in workmanlike manner without interruptions totaling more than sixty (60) days during any one such operation, and if they result in the production of oil and/or gas, so long thereafter as oil and/or gas is produced in paying quantities from said land, or payment of shut-in oil or gas well royalties or compensatory royalties is made as provided in this lease.

13. CESSATION, DRILLING, AND REWORKING. If, after the expiration of the primary term, production of oil or gas from the leased premises, after once obtained, should cease from any cause, this lease shall not terminate if Lessee commences additional drilling or reworking operations within sixty (60) days after such cessation, and this lease shall remain in full force and effect for so long as such operations continue in good faith and in workmanlike manner without interruptions totaling more than sixty (60) days. If such drilling or reworking operations result in the production of oil or gas, the lease shall remain in full force and effect for so long as oil or gas is produced from the leased premises in paying quantities or payment of shut-in oil or gas well royalties or payment of compensatory royalties is made as provided herein or as provided by law. If the drilling or reworking operations result in the completion of a well as a dry hole, the lease will not terminate if the Lessee commences additional drilling or reworking operations within sixty (60) days after the completion of the well as a dry hole, and this lease shall remain in effect so long as Lessee continues drilling or reworking operations in good faith and in a workmanlike manner without interruptions totaling more than sixty (60) days. Lessee shall give written notice to the General Land Office within thirty (30) days of any cessation of production.

14. SHUT-IN ROYALTIES. For purposes of this paragraph, "well" means any well that has been assigned a well number by the state agency having jurisdiction over the production of oil and gas. If, at any time after the expiration of the primary term of a lease that, until being shut in, was being maintained in force and effect, a well capable of producing oil or gas in paying quantities is located on the leased premises, but oil or gas is not being produced for lack of suitable production facilities or lack of a suitable market, then Lessee may pay as a shut-in oil or gas royalty an amount equal to double the annual rental provided in the lease, but not less than $1,200 a year for each well capable of producing oil or gas in paying quantities. If Paragraph 3 of this lease does not specify a delay rental amount, then for the purposes of this paragraph, the delay rental amount shall be one dollar ($1.00) per acre. To be effective, each initial shut-in oil or gas royalty must be paid on or before: (1) the expiration of the primary term, (2) 60 days after the Lessee ceases to produce oil or gas from the leased premises, or (3) 60 days after Lessee completes a drilling or reworking operation in accordance with the lease provisions; whichever date is latest. Such payment shall be made one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil. If the shut-in oil or gas royalty is paid, the lease shall be considered to be a producing lease and the payment shall extend the term of the lease for a period of one year from the end of the primary term, or from the first day of the month following the month in which production ceased, and, after that, if no suitable production facilities or suitable market for the oil or gas exists, Lessee may extend the lease for four more successive periods of one (1) year by paying the same amount each year on or before the expiration of each shut-in year.

15. COMPENSATORY ROYALTIES. If, during the period the lease is kept in effect by payment of the shut-in oil or gas royalty, oil or gas is sold and delivered in paying quantities from a well located within one thousand (1,000) feet of the leased premises and completed in the same producing reservoir, or in any case in which drainage is occurring, the right to continue to maintain the lease by paying the shut-in oil or gas royalty shall cease, but the lease shall remain effective for the remainder of the year for which the royalty has been paid. The Lessee may maintain the lease for four more successive years by Lessee paying compensatory royalty at the royalty rate provided in the lease of the market value of production from the well causing the drainage or which is completed in the same producing reservoir and within one thousand (1,000) feet of the leased premises. The compensatory royalty is to be paid monthly, one-half (1/2) to the Commissioner of the General Land Office and one-half (1/2) to the owner of the soil, beginning on or before the last day of the month following the month in which the oil or gas is produced from the well causing the drainage or that is completed in the same producing reservoir and located within one thousand (1,000) feet of the leased premises. If the compensatory royalty paid in any 12-month period is an amount less than the annual shut-in oil or gas royalty, Lessee shall pay an amount equal to the difference within thirty (30) days from the end of the 12-month period. Compensatory royalty payments which are not timely paid will accrue penalty and interest in accordance with Paragraph 9 of this lease. None of these provisions will relieve Lessee of the obligation of reasonable development nor the obligation to drill offset wells as provided in Texas Natural Resources Code 52.173; however, at the determination of the Commissioner, and with the Commissioner's written approval, the payment of compensatory royalties can satisfy the obligation to drill offset wells.

16. RETAINED ACREAGE. Notwithstanding any provision of this lease to the contrary, after a well producing or capable of producing oil or gas has been completed on the leased premises, Lessee shall exercise the diligence of a reasonably prudent operator in drilling such additional well or wells as may be reasonably necessary for the proper development of the leased premises and in marketing the production thereon.

(A) VERTICAL. In the event this lease is in force and effect two (2) years after the expiration date of the primary or extended term it shall then terminate as to all of the leased premises, EXCEPT (1) 40 acres surrounding each oil well capable of producing in paying quantities and 320 acres surrounding each gas well capable of producing in paying quantities (including a shut-in oil or gas well as provided in Paragraph 14 hereof), or a well upon which Lessee is then engaged in continuous drilling or reworking operations, or (2) the number of acres included in a producing pooled unit pursuant to Texas Natural Resources Code 52.151-52.154, or (3) such greater or lesser number of acres as may then be allocated for production purposes to a proration unit for each such producing well under the rules and regulations of the Railroad Commission of Texas, or any successor agency, or other governmental authority having jurisdiction. If at any time after the effective date of the partial termination provisions hereof, the applicable field rules are changed or the well or wells located thereon are reclassified so that less acreage is thereafter allocated to said well or wells for production purposes, this lease shall thereupon terminate as to all acreage not thereafter allocated to said well or wells for production purposes. Notwithstanding the termination of this lease as to a portion of the lands covered hereby, Lessee shall nevertheless continue to have the right of ingress to and egress from the lands still subject to this lease for all purposes described in Paragraph 1 hereof, together with easements and rights-of-way for existing roads, existing pipelines and other existing facilities on, over and across all the lands described in Paragraph 1 hereof ("the retained lands"), for access to and from the retained lands and for the gathering or transportation of oil, gas and other minerals produced from the retained lands.

(B) HORIZONTAL. In the event this [illegible] is in force and effect two (2) years after the expira[illegible]date of the primary or extended term it shall further terminate as to all depths below 100 fee[illegible]low the total depth drilled (hereinafter "deeper dep[illegible]n each well located on acreage retained in Paragraph 16 (A) above, unless on or before two (2) years after the primary or extended term Lessee pays an amount equal to one-half (1/2) of the bonus originally paid as consideration for this lease (as specified on page 1 hereof). If such amount is paid, this lease shall be in force and effect as to such deeper depths, and said termination shall be delayed for an additional period of two (2) years and so long thereafter as oil or gas is produced in paying quantities from such deeper depths covered by this lease.

(C) IDENTIFICATION AND FILING. The surface acreage retained hereunder as to each well shall, as nearly as practical, be in the form of a square with the well located in the center thereof, or such other shape as may be approved by the Commissioner of the General Land Office. Within thirty (30) days after partial termination of this lease as provided herein, Lessee shall execute and record a release or releases containing a satisfactory legal description of the acreage and/or depths not retained hereunder. The recorded release, or a certified copy of same, shall be filed in the General Land Office, accompanied by the filing fee prescribed by the General Land Office rules in effect on the date the release is filed. If Lessee fails or refuses to execute and record such release or releases within ninety (90) days after being requested to do so by the General Land Office, then the Commissioner at his sole discretion may designate by written instrument the acreage and/or depths to be released hereunder and record such instrument at Lessee's expense in the county or counties where the lease is located and in the official records of the General Land Office and such designation shall be binding upon Lessee for all purposes.

17. OFFSET WELLS. Neither the bonus, delay rentals, nor royalties paid, or to be paid, under this lease shall relieve Lessee of his obligation to protect the oil and gas under the above-described land from being drained. Lessee, sublessee, receiver or other agent in control of the leased premises shall drill as many wells as the facts may justify and shall use appropriate means and drill to a depth necessary to prevent undue drainage of oil and gas from the leased premises. In addition, if oil and/or gas should be produced in commercial quantities within 1,000 feet of the leased premises, or in any case where the leased premises is being drained by production of oil or gas, the Lessee, sublessee, receiver or other agent in control of the leased premises shall in good faith begin the drilling of a well or wells upon the leased premises within 100 days after the draining well or wells or the well or wells completed within 1,000 feet of the leased premises start producing in commercial quantities and shall prosecute such drilling with diligence. Failure to satisfy the statutory offset obligation may subject this lease and the owner of the soil's agency rights to forfeiture. Only upon the determination of the Commissioner of the General Land Office and with his written approval may the payment of compensatory royalty under applicable statutory parameters satisfy the obligation to drill an offset well or wells required under this paragraph.

18. FORCE MAJEURE. If, after a good faith effort, Lessee is prevented from complying with any express or implied covenant of this lease, from conducting drilling operations on the leased premises, or from producing oil or gas from the leased premises by reason of war, rebellion, riots, strikes, acts of God, or any valid order, rule or regulation of government authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended and Lessee shall not be liable for damages for failure to comply with such covenants; additionally, this lease shall be extended while Lessee is prevented, by any such cause, from conducting drilling and reworking operations or from producing oil or gas from the leased premises. However, nothing in this paragraph shall suspend the payment of delay rentals in order to maintain this lease in effect during the primary term in the absence of such drilling or reworking operations or production of oil or gas.

19. WARRANTY CLAUSE. The owner of the soil warrants and agrees to defend title to the leased premises. If the owner of the soil defaults in payments owed on the leased premises, then Lessee may redeem the rights of the owner of the soil in the leased premises by paying any mortgage, taxes or other liens on the leased premises. If Lessee makes payments on behalf of the owner of the soil under this paragraph, Lessee may recover the cost of these payments from the rental and royalties due the owner of the soil.

20. (A) PROPORTIONATE REDUCTION CLAUSE. If the owner of the soil owns less than the entire undivided surface estate in the above described land, whether or not Lessee's interest is specified herein, then the royalties and rental herein provided to be paid to the owner of the soil shall be paid to him in the proportion which his interest bears to the entire undivided surface estate and the royalties and rental herein provided to be paid to the Commissioner of the General Land Office of the State of Texas shall be likewise proportionately reduced. However, before Lessee adjusts the royalty or rental due to the Commissioner of the General Land Office, Lessee or his authorized representative must submit to the Commissioner of the General Land Office a written statement which explains the discrepancy between the interest purportedly leased under this lease and the actual interest owned by the owner of the soil. The Commissioner of the General Land Office shall be paid the value of the whole production allocable to any undivided interest not covered by a lease, less the proportionate development and production cost allocable to such undivided interest. However, in no event shall the Commissioner of the General Land Office receive as a royalty on the gross production allocable to the undivided interest not leased an amount less than the value of one-sixteenth (1/16) of such gross production.

(B) REDUCTION OF PAYMENTS. If, during the primary term, a portion of the land covered by this lease is included within the boundaries of a pooled unit that has been approved by the School Land Board and the owner of the soil in accordance with Natural Resources Code Sections 52.151-52.154, or if, at any time after the expiration of the primary term or the extended term, this lease covers a lesser number of acres than the total amount described herein, payments that are made on a per acre basis hereunder shall be reduced according to the number of acres pooled, released, surrendered, or otherwise severed, so that payments determined on a per acre basis under the terms of this lease during the primary term shall be calculated based upon the number of acres outside the boundaries of a pooled unit, or, if after the expiration of the primary term, the number of acres actually retained and covered by this lease.

21. USE OF WATER. Lessee shall have the right to use water produced on said land necessary for operations under this lease except water from wells or tanks of the owner of the soil; provided, however, Lessee shall not use potable water or water suitable for livestock or irrigation purposes for waterflood operations without the prior consent of the owner of the soil.

22. AUTHORIZED DAMAGES. Lessee shall pay the owner of the soil for damages caused by its operations to all personal property, improvements, livestock and crops on said land.

23. PIPELINE DEPTH. When requested by the owner of the soil, Lessee shall bury its pipelines below plow depth.

24. WELL LOCATION LIMIT. No well shall be drilled nearer than two hundred (200) feet to any house or barn now on said premises without the written consent of the owner of the soil.

25. POLLUTION. In developing this area, Lessee shall use the highest degree of care and all proper safeguards to prevent pollution. Without limiting the foregoing, pollution of coastal wetlands, natural waterways, rivers and impounded waters shall be prevented by the use of containment facilities sufficient to prevent spillage, seepage or ground water contamination. In the event of pollution, Lessee shall use all means at its disposal to recapture all escaped hydrocarbons or other pollutant and shall be responsible for all damage to public and private properties. Lessee shall build and maintain fences around its slush, sump, and drainage pits and tank batteries so as to protect livestock against loss, damage or injury; and upon completion or abandonment of any well or wells, Lessee shall fill and level all slush pits and cellars and completely clean up the drilling site of all rubbish thereon. Lessee shall, while conducting operations on the leased premises, keep said premises free of all rubbish, cans, bottles, paper cups or garbage, and upon completion of operations shall restore the surface of the land to as near its original condition and contours as is practicable. Tanks and equipment will be kept painted and presentable.

26. REMOVAL OF EQUIPMENT. Subject to limitations in this paragraph, Lessee shall have the right to remove machinery and fixtures placed by Lessee on the leased premises, including the right to draw and remove casing, within one hundred twenty (120) days after the expiration or the termination of this lease unless the owner of the soil grants Lessee an extension of this 120-day period. However, Lessee may not remove casing from any well capable of producing oil and gas in paying quantities. Additionally, Lessee may not draw and remove casing until after thirty (30) days written notice to the Commissioner of the General Land Office and to the owner of the soil. The owner of the soil shall become the owner of any machinery, fixtures, or casing which are not timely removed by Lessee under the terms of this paragraph.

27. (A) ASSIGNMENTS. Under the conditions contained in this paragraph and Paragraph 29 of this lease, the rights and estates of either party to this lease may be assigned, in whole or in part, and the provisions of this lease shall extend to and be binding upon their heirs, devisees, legal representatives, successors and assigns. However, a change or division in ownership of the land, rentals, or royalties will not enlarge the obligations of Lessee, diminish the rights, privileges and estates of Lessee, impair the effectiveness of any payment made by Lessee or impair the effectiveness of any act performed by Lessee. And no change or division in ownership of the land, rentals, or royalties shall bind Lessee for any purpose until thirty (30) days after the owner of the soil (or his heirs, devisees, legal representatives or assigns) furnishes the Lessee with satisfactory written evidence of the change in ownership, including the original recorded muniments of title (or a certified copy of such original) when the ownership changed because of a conveyance. A total or partial assignment of this lease shall, to the extent of the interest assigned, relieve and discharge Lessee of all subsequent obligations under this lease. If this lease is assigned in its entirety as to only part of the acreage, the right and option to pay rentals shall be apportioned as between the several owners ratably, according to the area of each, and failure by one or more of them to pay his share of the rental shall not affect this lease on the part of the land upon which pro rata rentals are timely paid or tendered; however, if the assignor or assignee does not file a certified copy of such assignment in the General Land Office before the next rental paying date, the entire lease shall terminate for failure to pay the entire rental due under Paragraph 3. Every assignee 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 assignee of the lease, including any liabilities to the State for unpaid royalties.

(B) ASSIGNMENT LIMITATION. Notwithstanding any provision in Paragraph 27(a), if the owner of the soil acquires this lease in whole or in part by assignment without the prior written approval of the Commissioner of the General Land Office, this lease is void as of the time of assignment and the agency power of the owner may be forfeited by the Commissioner. An assignment will be treated as if it were made to the owner of the soil if the assignee is:

(1) a nominee of the owner of the soil;
(2) a corporation or subsidiary in which the owner of the soil is a principal stockholder or is an employee of such a corporation or subsidiary;
(3) a partnership in which the owner of the soil is a partner or is an employee of such a partnership;
(4) a principal stockholder or employee of the corporation which is the owner of the soil;
(5) a partner or employee in a partnership which is the owner of the soil;
(6) a fiduciary for the owner of the soil; including but not limited to a guardian, trustee, executor, administrator, receiver, or conservator for the owner of the soil; or
(7) a family member of the owner of the soil or related to the owner of the soil by marriage, blood, or adoption.

28. RELEASES. Under the conditions contained in this paragraph and Paragraph 29, Lessee may at any time execute and deliver to the owner of the soil and place of record a release or releases covering any portion or portions of the leased premises, and thereby surrender this lease as to such portion or portions, and be relieved of all subsequent obligations as to acreage surrendered. If any part of this lease is properly surrendered, the delay rental due under this lease shall be reduced by the proportion that the surrendered acreage bears to the acreage which was covered by this lease immediately prior to such surrender; however, such release will not relieve Lessee of any liabilities which may have accrued under this lease prior to the surrender of such acreage.

29. FILING OF ASSIGNMENTS AND RELEASES. If all or any part of this lease is assigned or released, such assignment or release must be recorded in the county where the land is situated, and the recorded instrument, or a copy of the recorded instrument certified by the County Clerk of the county in which the instrument is recorded, must be filed in the General Land Office within 90 days of the last execution date accompanied by the prescribed filing fee. If any such assignment is not so filed, the rights acquired under this lease shall be subject to forfeiture at the option of the Commissioner of the General Land Office.

30. DISCLOSURE CLAUSE. All provisions pertaining to the lease of the above-described land have been included in this instrument, including the statement of the true consideration to be paid for the execution of this lease and the rights and duties of the parties. Any collateral agreements concerning the development of oil and gas from the leased premises which are not contained in this lease render this lease invalid.

31. FIDUCIARY DUTY. The owner of the soil owes the State a fiduciary duty and must fully disclose any facts affecting the State's interest in the leased premises. When the interests of the owner of the soil conflict with those of the State, the owner of the soil is obligated to put the State's interests before his personal interests.

32. FORFEITURE. If Lessee shall fail or refuse to make the payment of any sum within thirty 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, the School Land Board, or the Railroad Commission, or if Lessee should 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 Lessee shall knowingly violate any of the material provisions of this lease, or if this lease is assigned and the 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 under the terms of the Relinquishment Act. However, nothing herein shall be construed as waiving the automatic termination of this lease by operation 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.

33. LIEN. In accordance with Texas Natural Resources Code 52.136, the State shall have a first lien upon all oil and gas produced from the area covered by this lease to secure payment of all unpaid royalty and other sums of money that may become due under this lease. By acceptance of this lease, Lessee grants the State, in addition to the lien provided by Texas Natural Resources Code 52.136 and any other applicable statutory lien, an express contractual lien on and security interest in all leased minerals in and extracted from the leased premises, all proceeds which may accrue to Lessee from the sale of such leased minerals, whether such proceeds are held by Lessee or by a third party, and all fixtures on and improvements to the leased premises used in connection with the production or processing of such leased minerals in order to secure the payment of all royalties or other amounts due or to become due under this lease and to secure payment of any damages or loss that Lessor may suffer by reason of Lessee's breach of any covenant or condition of this lease, whether express or implied. This lien and security interest may be foreclosed with or without court proceedings in the manner provided in the Title 1, Chap. 9 of the Texas Business and Commerce Code. Lessee agrees that the Commissioner may require Lessee to execute and record such instruments as may be reasonably necessary to acknowledge, attach or perfect this lien. Lessee hereby represents that there are no prior or superior liens arising from and relating to Lessee's activities upon the above-described property or from Lessee's acquisition of this lease. Should the Commissioner at any time determine that this representation is not true, then the Commissioner may declare this lease forfeited as provided herein.

34. POOLING. Lessee is hereby granted the right to pool or unitize the royalty interest of the owner of the soil under this lease with any other leasehold or mineral interest for the exploration, development and production of oil or gas or either of them upon the same terms as shall be approved by the School Land Board and the Commissioner of the General Land Office for the pooling or unitizing of the interest of the State under this lease pursuant to Texas Natural Resources Code 52.151-52.154. The owner of the soil agrees that the inclusion of this provision in this lease satisfies the execution requirements stated in Texas Natural Resources Code 52.152.

35. INDEMNITY. Lessee hereby releases and discharges the State of Texas and the owner of the soil, their officers, employees, partners, agents, contractors, subcontractors, guests, invitees, and their respective successors and assigns, of and from all and any actions and causes of action of every nature, or other harm, including environmental harm, for which recovery of damages is sought, including, but not limited to, all losses and expenses which are caused by the activities of Lessee, its officers, employees, and agents arising out of, incidental to, or resulting from, the operations of or for Lessee on the leased premises hereunder, or that may arise out of or be occasioned by Lessee's breach of any of the terms or provisions of this Agreement, or by any other negligent or strictly liable act or omission of Lessee. Further, Lessee hereby agrees to be liable for, exonerate, indemnify, defend and hold harmless the State of Texas and the owner of the soil, their officers, employees and agents, their successors or assigns, against any and all claims, liabilities, losses, damages, actions, personal injury (including death), costs and expenses, or other harm for which recovery of damages is sought, under any theory including tort, contract, or strict liability, including attorneys' fees and other legal expenses, including those related to environmental hazards, on the leased premises or in any way related to Lessee's failure to comply with any and all environmental laws; those arising from or in any way related to Lessee's operations or any other of Lessee's activities on the leased premises; those arising from Lessee's use of the surface of the leased premises; and those that may arise out of or be occasioned by Lessee's breach of any of the terms or provisions of this Agreement or any other act or omission of Lessee, its directors, officers, employees, partners, agents, contractors, subcontractors, guests, invitees, and their respective successors and assigns. Each assignee of this Agreement, or an interest therein, agrees to be liable for, exonerate, indemnify, defend and hold harmless the State of Texas and the owner of the soil, their officers, employees, and agents in the same manner provided above in connection with the activities of Lessee, its officers, employees, and agents as described above. **EXCEPT AS OTHERWISE EXPRESSLY LIMITED HEREIN, ALL OF THE INDEMNITY OBLIGATIONS AND\OR LIABILITIES ASSUMED UNDER THE TERMS OF THIS AGREEMENT SHALL BE WITHOUT LIMITS AND WITHOUT REGARD TO THE CAUSE OR CAUSES THEREOF (EXCLUDING PRE-EXISTING CONDITIONS), STRICT LIABILITY, OR THE NEGLIGENCE OF ANY PARTY OR PARTIES (INCLUDING THE NEGLIGENCE OF THE INDEMNIFIED PARTY), WHETHER SUCH NEGLIGENCE BE SOLE, JOINT, CONCURRENT, ACTIVE, OR PASSIVE.**

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

37. APPLICABLE LAW. This lease is issued under the provisions of Texas Natural Resources Code 52.171 through 52.190, commonly known as the Relinquishment Act, and other applicable statutes and amendments thereto, and if any provision in this lease does not conform to these statutes, the statutes will prevail over any nonconforming lease provisions.

A CERTIFIED COPY
IF IT BEARS THE SEAL OF THE COUNTY CLERK
ATTEST: June 29, 2007
LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS
BY Veronica D. Baeza DEPUTY

38. EXECUTION. This oil and gas lease mu[illegible]igned and acknowledged by the Lessee before it is filed [illegible]rd in the county records and in the General Land Office of the State of Texas. Once the filing requireme[illegible] found in Paragraph 39 of this lease have been satisfied, th[illegible]ective dated of this lease shall be the date found on Page 1.

39. LEASE FILING. Pursuant to Chapter 9 of the Texas Business and Commerce Code, this lease must be filed of record in the office of the County Clerk in any county in which all or any part of the leased premises is located, and certified copies thereof must be filed in the General Land Office. This lease is not effective until a certified copy of this lease (which is made and certified by the County Clerk from his records) is filed in the General Land Office in accordance with Texas Natural Resources Code 52.183. Additionally, this lease shall not be binding upon the State unless it recites the actual and true consideration paid or promised for execution of this lease. The bonus due the State and the prescribed filing fee shall accompany such certified copy to the General Land Office.

40. PAID-UP LEASE. This is a paid-up lease and Lessor acknowledges receipt of payment in advance of annual delay rentals. Bonus consideration and annual delay rentals paid for this lease includes a total of $400.00 per net mineral acre. The amount of bonus is $398.00 per net mineral acre, and delay rentals of $1.00 per net mineral acre for each of the second and third years provided for in this lease. The bonus consideration set forth in Paragraph 1 of this lease is inclusive of paid-up annual delay rentals.

David H. Arrington Oil & Gas, Inc.

[signature]

LESSEE: David H. Arrington, President

DATE: February 9, 2007

STATE OF TEXAS
OMC Properties, Ltd.,

BY: [signature]
Individually and as Agent for the State of Texas
by Craig E. Cannon, Vice-President fo
OMC Management, Inc.,Its General Partner

STATE OF TEXAS

BY:
Individually and as Agent for the State of Texas

Date:

STATE OF TEXAS (CORPORATION ACKNOWLEDGMENT)

COUNTY OF MIDLAND

BEFORE ME, the undersigned authority, on Feb 9th, 2007, personally appeared David H. Arrington known to me to be the person whose name is subscribed to the foregoing instrument as President of David H. Arrington Oil & Gas, Inc., and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said of said corporation.

My Commission Expires

T FARRIS
My Commission Expires
May 17, 2009

[signature] Farris
Notary Public in and for the State of Texas

Notary's Printed Name

T FARRIS
My Commission Expires
May 17, 2009

STATE OF TEXAS (CORPORATION ACKNOWLEDGMENT)

COUNTY OF KENDALL

BEFORE ME, the undersigned authority, on this 20TH OF FEB day of , ~~2003~~ 2007 JKP personally appeared Craig E. Cannon known to me to be the person whose name is subscribed to the foregoing instrument, as Vice-President of OMC Management, Inc., General Partner of OMC Properties, Ltd. and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

My Commission Expires 6-19-2010

[signature]
Notary Public in and for the State of Texas

JANICE K. PFEIFFER
Notaryís Printed Name

JANICE K. PFEIFFER
Notary Public
STATE OF TEXAS
My Comm. Exp. 06-19-2010

A CERTIFIED COPY
IF IT BEARS THE SEAL OF THE COUNTY CLERK
ATTEST: June 29, 2007
LINDA McDONALD, COUNTY CLERK
CULBERSON COUNTY, TEXAS
BY [signature] DEP

EXHIBIT "A"

Attached hereto and made a part hereof that certain Oil and Gas Lease dated January 19, 2007, by and between OMC Properties, Ltd., as Surface Owner, and David H. Arrington Oil & Gas, Inc., as Lessee

SURFACE USE AGREEMENT

The parties hereto desire to mutually agree upon certain aspects of Lessee's use of the surface estate and amounts to be paid to the Surface Owner and the State of Texas for surface use and damages occasioned by Lessee's operations hereunder:

NOW, THEREFORE, in consideration of the following covenants and conditions, the parties agree as follows:

1. Lessee, its successors and assigns agree to pay Surface Owner and the State of Texas in equal shares for drill site locations, tank battery sites, roads, rights-of-way, caliche or other surface material along with any other use of the surface as set out on Surface Owners then current Rate and Damage Schedule.

2. The route of any roads constructed on the Lease must be agreed upon by Lessee and Surface Owner prior to the construction of the same. Any roads constructed hereunder shall be designed to minimize impact on the surface estate. Lessee Agrees to furnish to Surface Owner a plat reflecting all roadways used in connection with the Lease. Such roads shall be private roads for the exclusive use of Lessee, Surface Owner, the employees, agents and contractors and sub-contractors of either or both, and the Lessee's successors and assigns. No permission is granted to any other party for the use of said roads without prior written permission first granted by Surface Owner. Lessee shall maintain in good condition and repair all roads used by Lessee under the provisions of this agreement.

3. Lessee agrees to construct proper and sufficient braces at any point where fences are to be cut prior to cutting such fence. Such braces shall be constructed so that slack will not develop in the adjoining fence sections. Lessee shall install such cattleguards and gates as may be required by Surface Owner at Lessee's sole cost and expense in each fence that is cut by Lessee. At the option of Surface Owner at the termination of operations with respect to which the gates or cattleguards were constructed, any such cattleguards or gates shall remain in place and shall become the property of Surface Owner. Should Surface Owner request removal of such cattleguards or gates, Lessee shall at its sole cost and expense, remove same and restore the area to its prior condition. No perimeter fences shall be cut or gates installed without prior written approval of the Surface Owner.

Upon termination of the Lease, Lessee shall furnish a plat reflecting the location of all cattleguards. A gap gate of usual ranch construction will be placed next to the cattleguards and gap gates. In the event that Lessee fails to promptly install such gap gates, Surface Owner may do so at Lessee expense and Lessee shall promptly pay the invoice for such construction. Surface Owner reserves the right to hire said work done and the invoice of said work will be sent to and paid directly by Lessee.

4. Written approval must be obtained from Surface Owner prior to the construction of any drilling pad. Drilling Pads will be designed to minimize the impact of drilling operations on the surface. This includes minimizing the size of the pad and the amount of cut-and-fill required. After completion, the drilling paid will be down-sized to the minimum area necessary for prudent operations.

5. Lessee agrees that all sumps, pits and related drilling and production facilities will be enclosed to minimize danger to persons and livestock. Lessee shall install a 4 foot high fence that is capable of turning livestock around each productive well, and around any related production facilities. Lessee shall post on each such fence a sign stating the name of the Operator, well name and location. The fence shall be installed as soon as practicable after the completion of the well, but no later than sixty (60) days after completion. Tank batteries constructed on the Leased Lands shall be constructed of materials (painted, coated or buried as necessary) to withstand the operating environment with earthen berms of sufficient size to contain any spill that might occur. Said berms shall comply with the rules and regulations of the Railroad Commission of Texas or such other governmental authority having jurisdiction.

Prior to construction of the reserve pit, the topsoil will be scraped off to a depth of six inches and piled beyond the pit area. Topsoil is herein considered to be the zone of aerated soil above a continuous rock layer. If less than six inches of topsoil exists at the site, then all topsoil will be removed down to the rock layer and stored beyond the pit area. Unlined earthen pits shall not be constructed or used for storage of disposal of waste.

The reserve pit shall be designed for normal operations and lined with an impermeable liner. Upon completion of drilling operations, the pit will be dewatered. When the pit has dried satisfactorily: 1) the pit shall be deep buried, the remaining wall be levelled evenly across pit area, 2) the topsoil spread back over pit area, and 3) the location shall be re-seeded with grass blend approved by the Surface Owner in accordance with provisions herein.

6. Lessee agrees that at such time as a drilling pad or tank battery site ceases to be used as such (subject to the allowance of time provided in the oil and gas lease covering the land to drill or rework using such locations) it will remove any surfacing (such as caliche) placed thereon, re-seed with native grasses in re-seeding season, and restore the site to the maximum extent practicable to its original condition.

On or before five (5) months from the date of the completion of a well, either as a producer or a dry hole, or such later time as Surface Owner may, in writing, authorize, Lessee agrees to have completed all repair and clean-up work hereinabove required and shall furnish Surface Owner written notice that said work has been done. Mud pits shall be buried and restored as soon as practicable, but only after such have dried. If requested by Surface Owner, Lessee shall remove all drilling mud from the mud pits and from lands covered by the lease. Such mud pits when restored shall also be re-seeded as provided in Paragraph 4 above.

7. Surface Owner reserves the right to approve the location of any installation of utility lines, either new or extensions of old lines, to any drilling or producing location.

8. Lessee shall have no right to use surface water found on the Lease. Lessee shall not use natural surface waters or subsurface waters found in beds of creeks, streams and rivers. Furthermore, Lessee shall not use water from wells, water pipelines, ponds or tanks of the Surface Owner. Lessee shall not use potable water found on or under the Leased Land for repressuring, pressure maintenance, cycling and/or secondary recovery operations. It is expressly understood and agreed that fresh water from the assigned lands shall not (a) be moved by any method, manner or device across, over or under any boundary of the Lease, nor (b) be injected into any well on the Lease or elsewhere for secondary recovery purposes and/or any other purpose.

9. Upon receiving the written consent of Surface Owner, Lessee may drill water wells on the Leased lands solely for the purpose of conducting its operations on the Leased Lands. All water wells drilled by Lessee, its successor or assigns, on the above described land will be properly cased, capped, plainly marked and properly identified, and upon termination of their use by Lessee, shall be left for the use of Surface Owners, their successors and/or assigns.

10. The operations of Lessee on the Lease shall be conducted in such manner that the Lessee shall prevent the contamination of any and all waters in, under or on said lands, whether in surface tanks or any other type of storage, in creek beds or river beds, or in all surface and subsurface waterbearing strata or formations by virtue of Lessee's drilling, development and production operations. Lessee shall prevent contamination of the lands covered by the Lease from salt water or other contaminating substances flowing over or seeping onto such land because of Lessee's operations. At Surface Owners request, Lessee shall remove the contaminated soils and replace it with soils that have been approved by the Surface Owner.

11. Salt water shall not be disposed of on the Lease or on other land in which the Lessor own an interest or any part thereof, without the prior written consent of Surface Owner. All salt water is to be injected into formations located below the depth of the deepest formation bearing potable water as indicated by the Texas Water Commission or governmental authority having jurisdiction.

Salt water from producing oil and/or gas wells situated on the Lease, may be used for repressuring, pressure maintenance, cycling, and/or secondary recovery operations on the Lease and may be moved from the lease.

Disposal of salt water produced from the lease, secondary recovery operations or the removal of salt water from the Leased Lands shall be done in strict compliance with the rules and regulations of the Railroad Commission of Texas or other governmental authority having jurisdiction.

12. When requested by Surface Owner, the Lessee shall bury all pipelines below plow depth. Both buried and above-ground steel flowlines are acceptable. However, if Lessee selects any other material for flowlines, Surface Owner approval must be obtained first. Lessee further agrees that all pipelines and flowlines shall be adequately marked and identified so as to not interfere with the Surface Owners operations.

13. In the construction of roads, tank batteries, and drilling locations and such other operations as may be carried on by Lessee under the Lease, Lessee, its successors and assigns shall construct terraces of adequate size and quality wherever necessary and at all cuts made in a canyon or hillside so as to prevent erosion.

14. Lessee, its agents, servants, employees, contractors, and sub-contractors shall avoid whenever possible the operation of vehicles of any type whatsoever over ranch land and all roads when such roads or lands are muddy or soft, and shall repair promptly any damage or ruts unavoidably incurred by reason of Lessee's use thereof.

15. Lessee agrees that all right-of-ways shall be seeded with a native grass blend approved by the Surface Owner to prevent erosion. Lessee further agrees that rights-of-way shall be adequately marked, identified and kept free from brush so as to not interfere with Surface Owners operations and to facilitate periodic inspections of any right-of-way. Rights-of-way shall be used for the transportation of produced hydrocarbons and periodic inspection. Lessee may not use the rights-of-way as roads for operations of Lessee's wells and equipment.

16. It is provided, understood and agreed that the Lease does not cover nor include any right or privilege of hunting by any method on the lands covered by the lease, nor of fishing on such lands, all such hunting and fishing rights being expressly reserved to the Surface Owner. Lessee agrees that none of Lessee's officers, agents, servants, employees, representatives or contractors will bring any dog and/or firearm or fishing tackle upon the Leased Land. If Lessee, its successors or assigns, or the employees, agents, contractors or subcontractors of them shall be discovered on said land, or the lands contiguous thereto owned by Surface Owner, having in their possession a firearm, it shall be presumed that this clause is being violated.

17. Lessee, its successors and assigns agree to give written notice to Surface Owner thirty (30) days prior to abandonment of any oil and/or gas well drilled on the lands. Thereafter, the Surface Owner shall have the option, but not the obligation, to take of over any wellbore from the Lessee for use as a water well. In the event the Surface Owner elects to take over such wellbore, the Surface Owner shall give Lessee written notice of its intention to take over the wellbore and convert it to a waterwell. If such event occurs, Lessee shall plug and abandon the wellbore in accordance with the rules and regulations of the Railroad Commission of Texas or such other governmental authority having jurisdiction to the base of the lowest fresh water bearing strata. At such point, the Lessee shall turn over the wellbore to the Surface Owner.

Should Surface Owner take over the wellbore for conversion, Lessee its successors and assigns shall not be relieved from its obligation to properly abandon and restore the drillsite as set out herein. Lessee also agrees to leave in the wellbore a minimum diameter casing of 5 _" to a depth below the fresh water strata described above.

18. Consents and approvals required under this Agreement shall not be un-reasonably withheld.

EXHIBIT "B"

Attached hereto and made a part hereof that certain Oil and Gas Lease dated January 19, 2007, by and between OMC Properties, Ltd. and David H. Arrington Oil & Gas, Inc.

ENVIRONMENTAL RIDER

Lessor and Lessee agree as follows:

1. DEFINITIONS

A. Defined terms used in this Rider shall, unless otherwise noted, have the same meaning as set out in the lease.

B. Terms defined elsewhere in this Rider shall have the meanings given in that definition.

C. Terms defined as plural shall include the singular: terms defined as singular shall include the plural.

D. As used herein, the terms set forth below shall have the following meaning:

"Building" means any permanent or temporary structure located on the Lease, together with all fixtures attached thereto and all personal property situated therein.

"Cleanup" means performance of the following in strict conformity with Environmental Laws: (a) assessment and monitoring of Contamination, (b) removal of Contamination, (c) remediation of Contamination, and (d) containment of Contamination to prevent the release or discharge or further release or discharge of Contamination. Cleanup shall not be deemed complete until a certificate of closure or other indication of satisfaction issued by the Governmental Authorities having or asserting jurisdiction over Lessor, the Lessee, the Property, the Cleanup and the Contamination, or any of them, or (in the event such Government Authorities do not issue such certificates or indications of satisfaction) the issuance of an opinion by an environmental consultant acceptable to Lessor that the levels of Hazardous Materials in, on or under, or that affect or that may affect, the Property are below the maximum levels allowed by Environmental Law.

"Contamination" means the presence, disposal, discharge, migration or release or Hazardous Materials in, on, under, from, or to the Leased Premises, the Building or the real property upon which the Building is located; provided, however, in no event shall the term "Contamination" include the presence, disposal, discharge, migration of Hazardous Materials in, on under from or to the Property which is not a violation of or does not result in liability or required remedial action under, any Environmental Law or under the terms of this Rider.

"Environmental Law" means any and all state, federal and local statutes, rules, regulations and ordinances relating to the protection of human health or the environment as now existing or hereafter amended together with all similar federal, state and local environmental statutes and ordinances and the rules and regulations, orders and decrees now or hereafter promulgated thereunder.

"Governmental Authority" means any agency, department, commission, board, bureau or instrumentality, or any of them, which exercises jurisdiction over the Property or any part thereof, including, without limitation, the United States, the State of Texas, and the County of Culberson, Texas, and any political subdivision of any of the foregoing.

"Hazardous Materials" means and includes any and all hazardous or toxic substances, pollutants, contaminants, materials or waste defined by or listed under any of the Environmental laws; except it shall not mean and include any and all substances or materials used in the drilling, stimulation, completion, and/or workover of oil and/or gas wells and/or the production of oil and/or gas and any other lawful related use even if such substance or material is defined by or listed under any of the Environmental laws.

appear, intervene, or otherwise appropriately assert and protect Lessor's interest with respect thereto. In the event Lessee fails to promptly initiate and diligently pursue any Cleanup required under the terms of this Lease, and in any event within fifteen days after written notice to Lessee from Lessor or any Governmental authority, Lessor may terminate the Lease and pursue Lessor's remedies for default under the terms of the Lease, at law or in equity.

E. Lessee agrees to indemnify, defend, and hold harmless the Lessor, its officers and each of Lessor's employees, agents, attorneys, heirs, personal representatives, successors and assigns, from and against any and all claims, demands, losses, damages, liabilities, causes of action, judgements, penalties, fines, forfeitures, costs and expenses, including without limitation, reasonable attorneys' fees, court costs, consultant fee, expert fees, cleanup costs and disbursements, of any and every kind or character, known or unknown, fixed or contingent, in tort or in contract (including, but not limited to, losses resulting from the decrease in the value of the Property and damages for the loss of, or restrictions on the use of, the Building) in connection with or arising out of (1) the breach of any covenants by Lessee as set forth in this Rider, (2) the failure of Lessee to perform any obligation required in this Rider, (3) any violation by Lessee of any Environmental Laws affecting the Property, (4) the removal of Hazardous Materials from the Property as required under any Environmental Laws, (or if removal is prohibited by any Environmental Laws, the taking of whatever action as may be required by such Environmental Laws) or by the terms of this Rider, (5) any Regulatory Actions, (6) any Third Party Claims, (7) the imposition or recording of liens on the Property pursuant to any Environmental Laws; each of the foregoing limited, however, to situations arising out of or occasioned by operations conducted by or on behalf of Lessee. Lessee's obligations under this Paragraph E shall include, without limitation, and whether foreseeable or unforeseeable, any and all costs incurred in connection with any investigation of site conditions, and any and all costs of any required or necessary repair, Cleanup, detoxification, or decontamination of the Property (including, without limitation, the soil and ground water on or under the Property), and the preparation and implementation of any closure, remedial action, or other required plans in connection therewith. Lessees' obligations under this Paragraph E shall survive the expiration or termination of the lease. For purposes of the indemnity provisions hereof, any acts or omissions of Lessee, or by employees, agents, assignees, guests, invitees, contractors, or subcontractors of Lessee or actions of any other persons for or on behalf of Lessee (whether or not they are negligent, intentional, willful, or unlawful), shall be strictly attributable to Lessee.

F. Lessor, at Lessor's option may participate in, and control, any action for which indemnity is required under this Rider and may appoint Lessor's own counsel.

G. Any breach of or default in the terms of this Article by Lessee shall be considered a material breach of terms of the Lease and shall entitle Lessor to exercise any and all rights and remedies to which it may be entitled under the terms of the Lease, at law or in equity. Without limiting any other provision of this Lease, or being limited thereby, if Lessee shall cause or suffer the generation, storage, treatment, disposal, discharge or dumping of, Hazardous Materials upon or from the Property or any other contamination or threat thereof otherwise than as hereby expressly permitted, Lessor shall be entitled to immediate injunctive relief to terminate any such activity and, additionally, Lessor shall have the following rights and options: 1) to require Lessee to perform a Cleanup in accordance with the following: (i) the Cleanup shall be at Lessee's sole cost, risk and expense; (ii) the term of the Lease, anything in the Lease to the contrary notwithstanding, shall be extended to the date when Cleanup has been completed and certificate furnished to Lessor as specified in the definition of Cleanup; (iii) Lessee shall consult with and obtain Lessor's consent and agreement to the individuals or entities retained to perform the Cleanup; (iv) Lessor shall be entitled to inspect the Cleanup as it progresses; and (v) Lessor shall be entitled to inspect records of Lessee relating to the Cleanup at all reasonable times; or 2) Lessor may conduct the Cleanup in accordance with the following: (i) The term of the Lease, anything in the Lease to the contrary notwithstanding, shall be extended to the date when Cleanup has been completed and certificate furnished to Lessor as specified in the definition of Cleanup; (ii) Lessee shall be entitled to inspect the Cleanup as it progresses; (iii) Lessee shall be entitled to inspect records of Lessor relating to the Cleanup at all reasonable times; and (iv) Lessee shall be obligated jointly and severally to bear and pay to Lessor the reasonable and actual costs and expenses, direct and indirect, of the Cleanup, including but not limited to, investigation, laboratory fees and other costs specified in Paragraph D above.

"Property" means collectively, the Leased Premises, together with all improvements now or hereafter situated thereon, and the Buildings or any part of either thereof, and all fixtures and personal property situated in, on or under the Leased Premises or the Buildings.
"Regulatory Actions" means any claim, action or proceedings brought or instigated by any Governmental Authority in connection with any Environmental Law applicable to the Property or the operations conducted thereon.

"Regulatory Actions" means any claim, action, or proceeding brought or instigated by any Governmental Authority in connection with any Environmental Law applicable to the Property or the operations conducted thereon.

"Third-Party Claims" means any third-party litigation, claims, or proceedings, other that Regulatory Actions, arising by virtue on any Contamination of the Property or any violation of Environmental Laws.

2. LESSEE COVENANTS AND INDEMNITIES

A. Subject to the provisions of Article 3.F hereof, Lessee shall at all times and in all respects strictly comply with all Environmental Laws. Lessee, its employees, contractors, agents, licensees, invitees and guests shall not cause or permit any Hazardous Materials to be brought upon or kept or used on or about the Property in violation of any Environmental Law or which results in any Contamination of the Property. Further, Lessee shall exercise reasonable care to prevent anything that will cause Lessee, Lessor or the Property to be in violation of any Environmental Laws or subject Lessee, Lessor or the Property to any Cleanup, Regulatory Actions, or Third-Party Claims.

B. Lessor shall have the right at any time and without notice to Lessee, to enter and inspect the Property and conduct any testing, sampling, borings and analyses that Lessor deems necessary to insure Lessee's compliance with the terms of this Rider.

C. If at any time Lessee shall become aware, or have reasonable cause to believe, that as a result of operations conducted by or on behalf of Lessee any Hazardous Material has come to be located in, on or under the Property, or if Lessee shall become aware or have reason to know of existing, pending, or threatened (1) Regulatory Actions, (2) Third-Party Claims, (3) Contamination of the Property or (4) investigations or inquiries relating to the Property by any Governmental Authority in connection with any Environmental Laws or Hazardous Materials, Lessee shall immediately give written notice of same to Lessor. In addition, Lessee shall immediately notify Lessor in writing of any reports made to any Governmental Authority arising out of or in connection with any Hazardous Materials in, on, under or which may be removed from the Property. Lessee shall also supply to Lessor as promptly as possible, and in all events within five business days after Lessee first receives or sends the same, copies of all claims, reports, complaints, notices, warnings, or asserted violations relating in any way to the Property, or Lessee's use thereof. Lessee shall promptly deliver to Lessor copies of all manifests reflecting the disposal of all Hazardous Materials removed from the Property.

D. In the course of any Cleanup, or in the event Lessee is required to remove Hazardous Materials from the Property pursuant to this to any provision of this Lease, or by any Governmental Authority, then such Hazardous Materials shall be handled, removed, used or disposed in strict compliance with all Environmental Laws. Upon expiration or earlier termination of the term of the Lease, Lessee shall cause all Hazardous Materials to be removed from the Property and to be transported for use, storage, or disposal in strict compliance with all applicable Environmental Laws. In the event Contamination of the Property occurs then the Contamination shall be immediately remediated by Lessee and all Hazardous Materials shall be removed from the Property in strict compliance with all Environmental Laws, at Lessee's sole cost and expense; PROVIDED, HOWEVER, in no event shall Lessee take any remedial action in response to the presence of any Hazardous Materials in, on, or under the Property, nor enter into any settlement agreement, consent decree, or other compromise in respect to any Regulatory Action or Third-Party Claim without first notifying Lessor of Lessee's intention to do so and affording Lessor ample opportunity to

3. GENERAL PROVISIONS

A. Any amount to be paid under any provision of this Rider by Lessee to Lessor shall be a demand obligation owing jointly and severally by Lessee to Lessor. In the event Lessee fails to pay to Lessor upon demand any amount which Lessee is obligated to pay Lessor pursuant to this Rider, the failure to pay such amounts may, at Lessor's option exercised in Lessor's sole discretion, be deemed an event of default under the Lease whereupon Lessor may exercise any and all remedies afforded Lessor by the Lease. Lessee agrees to pay to Lessor, Lessor's collection costs and expenses, including any additional amount for attorneys' fees, if the amounts due hereunder are not paid by Lessee when due.

B. Lessors rights under this Rider shall be in addition to all rights of Lessor under the Lease. Payments by Lessee under this Rider shall not reduce Lessee's obligations and liabilities under the Lease.

C. This Rider shall be binding upon Lessee and its assigns and shall inure to the benefit of and be enforceable by Lessor, Lessor's heirs, personal representatives and assigns; PROVIDED, HOWEVER, that Lessee shall not assign or delegate his obligations hereunder. This Rider shall continue in force notwithstanding termination of the Lease until expiration of all the statutes of limitation prescribed by Environmental Laws.

D. Lessor agrees to protect, defend, indemnify and hold Lessee and its agents and employees free and harmless from and against all damages, claims, costs, expenses and liabilities of every kind and character whatsoever arising out of or in connection with said Lease or this Rider, lands personal property, equipment, fixtures, facilities and improvements, including any such liabilities arising under environmental laws, statues, regulations or rules arising prior to and before the tenancy of Lessee under this Lease or any prior lease.

E. This Rider shall be governed by and construed and interpreted in accordance with the laws of The United State of America and The State of Texas.

F. If any provision of this Rider is determined to be invalid by any court of competent jurisdiction or to be in violation of any applicable law, such invalidity or violation shall have no effect on any other provision of this Rider (which shall remain valid and binding and in full force and effect).

F. Notwithstanding anything to the contrary contained herein, it is understood and agreed by Lessor and Lessee that the provisions of this Rider shall apply only to the activities on the Leased Premises of Lessee and its employees, agents, assignees, guests, invitees, contractors and subcontractors. Lessee shall not be responsible for the actions of any third parties whose presence on the Leased Premises is not authorized by Lessee.

OMC PROPERTIES, LTD.
RATE AND DAMAGE SCHEDULE

January 19, 2007

A. WELL LOCATIONS

$3,000.00 per drill site, including tank battery site if located on drillsite

B. TANK BATTERY

$2,000.00 per tank battery site if located off drill site

C. ROAD CONSTRUCTION AND RANCH ROAD USE

$5.00 per rod for use of existing roads
$10.00 per rod for new roads constructed

D. ELECTRIC LINES AND FLOWLINES

$10.00 per rod for all powerlines and flowlines

E. PIPELINE CONSTRUCTION

$30.00 per rod for all rights-of-way for pipeline construction

F. CALICHE

$4.00 per cubic yard for caliche

G. WATER

$1.00 per barrel

2

File No. MF-108187

Oil & Gas Lease

Date Filed: 8.7.07

Jerry E. Patterson, Commissioner

By ZBK

DAVID H. ARRINGTON OIL & GAS, INC.

P.O. BOX 2071, MIDLAND, TEXAS 79702
OFF (432) 682-6685
FAX (432) 682-4139

March 15, 2007

Texas General Land Office
Attn: Drew Reid
1700 N. Congress Ave., Suite 600
Austin, TX 78701-1495

RE: Texas State Oil & Gas Lease for
Edward M. Slack, Jr.
Waronker Family Land Trust, LLC
OMC Properties, Ltd.

Dear Mr. Reid:

Please find enclosed three (3) Oil and Gas leases, as reference above, along with our check #23832 in the combined amount of $47,300.00, as bonus and filing fee for the same.

The two Ward County leases, Waronker Family Land Trust, LLC and Edward M. Slack, Jr., were the subject of discussion between you and our representative, Greg Lang, in December 2006

Should you find everything in order with the leases and payment, we request you expedite their return to our office for recording in the property county land records.

Questions regarding this transaction should be addressed to the letterhead address or to the undersigned at 432.682.6685/Ext. 341.

Thank you for your cooperation in this matter.

Very truly yours,

David H. Arrington Oil & Gas, Inc.

TFarris

Terri M. Farris

/Enclosures

20.61.2

DAVID H. ARRINGTON OIL & GAS   P.O. BOX 2071, MIDLAND, TEXAS 79702 432/682-6685

INVOICE	DATE	DESCRIPTION	NET
LCJAN0702	01/29/07		32,100.00
LCJAN0703	01/29/07		3,100.00
LCJAN0705	01/29/07		12,100.00

3

07032255

File No. MF-108187

Letter + Fee

Date Filed: 3.19.07

Jerry E. Patterson, Commissioner

By

3.19.07

attn Drew Reip

121

X

VENDOR 0011431 CHECK 23832 DATE 02/07/07 47,300.00

August 2, 2007

Attn: Terri M. Farris
David H. Arrington Oil & Gas, Inc.
P.O. Box 2071
Midland, TX 79702

Re: Relinquishment Act Lease **MF-108187**
160 acres out of Section 30, Block 45,
Culberson County, Texas

Dear Ms. Farris:

The certified copy of the Relinquishment Act lease covering the above referenced tracts has been approved and filed in our records under Mineral File number **M-108187. Please refer to this number when making payments to the State and in all future correspondence concerning the lease. Failure to include the mineral file number may delay processing of any payments towards the lease.**

Your remittance of **$32,125.00,** has been applied as the state's portion of the cash bonus **$32,000.00,** along with a processing and filing fee in the amount of **$125.00**. Please let me know if you should have any questions.

Sincerely,

Drew Reid by ms

Drew Reid
Minerals Leasing
Energy Resources
(512) 475-1534

MS/DR

4

File No. MF 108187

GLO letter

Date Filed: 8.2.07

Jerry E. Patterson, Commissioner

By VBK