

Doc # 2004016616
Bk 9194
Pg 1000-1001
DATE 02/03/04 10:22:37
Filing Fee \$15.00
Documentary Tax \$0.00
State of Oklahoma
County of Oklahoma
Oklahoma County Clerk
Carolynn Caudill

OIL AND GAS LEASE
(PAID-UP)

AGREEMENT, Made and entered into this 15th of January
by and between Special Exploration Co., Inc.
P.O. Drawer 369
Stillwater, OK 74076 Party of the first part, hereinafter called lessor, (whether one or more
and Special Energy Corporation
P.O. Drawer 369
Stillwater, Oklahoma 74076 party of the second part, hereinafter called lessee.

WITNESSETH, That the said lessor, for and in consideration of TEN AND MORE (\$10.00) DOLLARS, cash in hand paid, receipt of which is hereby acknowledged and of the covenants and agreements hereinafter contained on the part of lessee to be paid, kept and performed, has granted, demised, leased and let and by these presents does grant, demise, lease and let exclusively unto the said lessee, for the sole and only purpose of exploring by geophysical and other methods, mining and operating for oil (including but not limited to distillate and condensate), gas (including casinghead gas and helium and all other constituents), and for laying pipe lines, and building tanks, power stations and structures thereon, to produce, save and take care of said products, all that certain tract of land, together with any reversionary rights therein, situated in the County of Oklahoma State of Oklahoma, described as follows, to wit:

SW/4 lying South and East of the old MK&T Railroad right-of-way, now being used as a Public Highway

of Section 14, Township 14 North, Range 1 East, and containing 89.28 acres, more or less.
It is agreed that this lease shall remain in force for a term of Three (3) years from date (herein called primary term) and so long thereafter as oil or gas, or either of them, is produced from said land by the lessee.

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

1st. The royalties to be paid by Lessee are: (a) on the oil and other liquid hydrocarbons, three-sixteenths (3/16ths) of that produced and saved from said land, in the same to be delivered at the wells, or to the credit of Lessor on the pipeline to which the wells had been completed; Lessee may from time to time purchase any royalty oil in his possession, paying the market price therefore prevailing for the field where produced on the date of purchase; (b) on gas and the constituents thereof produced from said land and sold or used off the premises or in the manufacture of products therefrom, the market value at the well of three-sixteenths (3/16ths) of the product sold or used. On product sold at the well, the royalty shall be three-sixteenths (3/16ths) of the gross proceeds realized from such sale, but in no event more than the three-sixteenths (3/16ths) of the actual amount received by the lessee, said payments to be made monthly.

2nd. If a well capable of producing gas is completed on the above-described land or acreage pooled herewith and is shut in, this lease shall continue in effect for a period of one year from the date such well is shut in. Lessee or any assignee may thereafter, pay or tender to Lessor as royalty, on or before one year from the date such well is shut-in, the sum of \$1.00 per acre, and, if such payment or tender is made, this lease shall continue in effect for a further period of one year. In like manner and upon like payments or tenders annually made on or before each anniversary of the shut-in date of such well this lease shall continue in effect for successive periods of twelve (12) months each. Notwithstanding any other provision to the contrary, this lease shall not terminate because of a failure to properly or timely make shut-in gas well payments.

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

Lessee is hereby granted the right at any time and from time to time to unitize the leased premises or any portion or portions thereof, as to all strata or any stratum or strata, with any other lands as to all strata or any stratum or strata, for the production primarily of oil or primarily of gas with or without distillate. However, no unit for the production primarily of oil shall embrace more than 40 acres, or for the production primarily of gas with or without distillate more than 640 acres; provided that if any governmental regulation shall prescribe a spacing pattern for the development of the field or allocate a producing allowable based on acreage per well, then any such unit may embrace as much additional acreage as may be so prescribed or as may be used in such allocation of allowable. Operations upon and production from the unit shall be treated as if such operations were upon or such production were from the leased premises whether or not the well or wells are located thereon. The entire acreage within a unit shall be treated for all purposes as if it were covered by and included in this lease except that the royalty on production from the unit shall be as below provided, and except that in calculating the amount of any shut in gas royalties, only the part of the acreage originally leased and then actually embraced by this lease shall be counted. In respect to production from the unit, Lessee shall pay Lessor, in lieu of other royalties thereon, only such proportion of the royalties stipulated herein as the amount of his acreage placed in the unit, or his royalty interest therein on an acreage basis bears to the total acreage in the unit.

If said lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties herein provided shall be paid to the lessor only in the proportion which his interest bears to the whole and undivided fee.

Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for its operations thereon, except water from wells of lessor.

When requested by the lessor, lessee shall bury his pipelines below plow depth.

No well shall be drilled nearer than 200 feet to the house or barn now on said premises, without the written consent of the lessor.

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

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

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

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

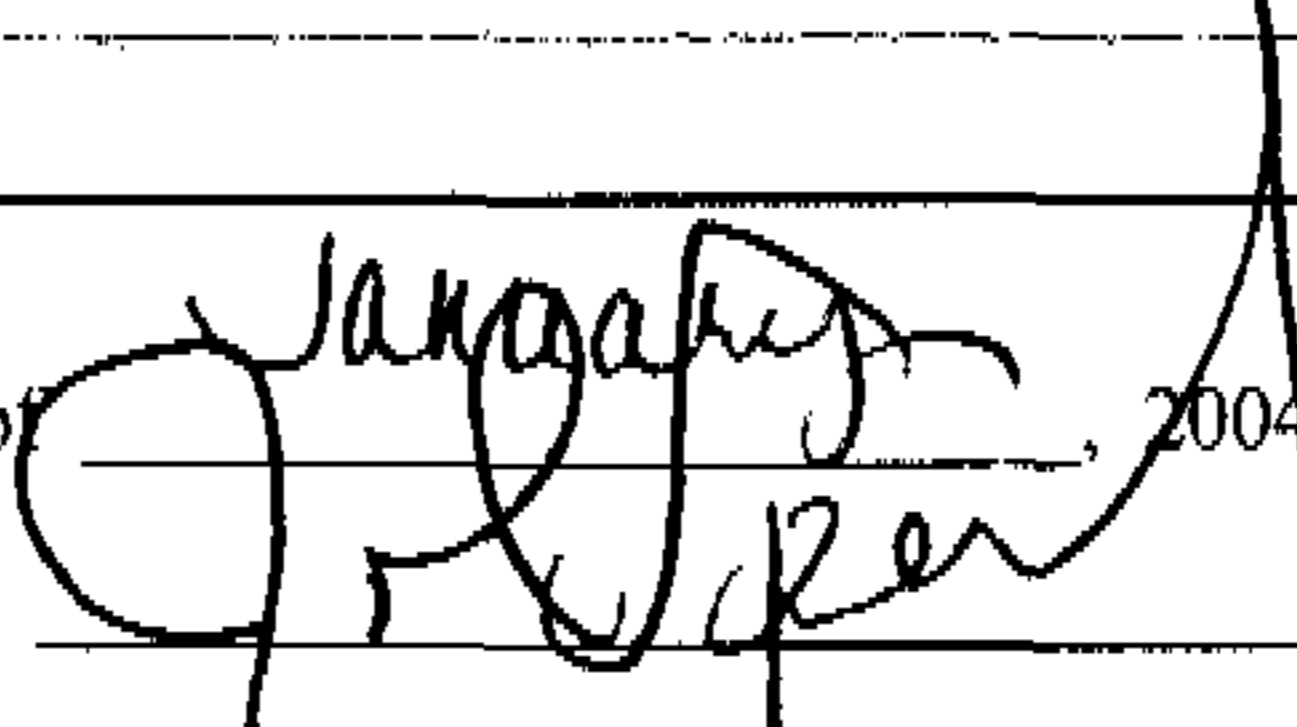
This lease shall be effective as to each lessor on execution hereof as to his or her interest and shall be binding on those signing, notwithstanding some of the lessors above named may not join in the execution hereof. The word "Lessor" as used in this lease means the party or parties who execute this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

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

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

If at any time within the primary term of this lease and while the same remains in force and effect, lessor receives any bona fide offer, acceptable to lessor, to grant an additional lease (top lease) covering all or part of the aforesaid lands, lessee shall have the continuing option by meeting any such offer to acquire such top lease. Any offer must be in writing, and must set forth the proposed lessee's name, bonus consideration and royalty consideration to be paid for such lease, and include a copy of the lease form to be utilized which form should reflect all pertinent and relevant terms and conditions of the top lease. Lessee shall have fifteen (15) days after receipt, from lessor, of a complete copy of any such offer to advise lessor in writing of its election to enter into an oil and gas lease with lessor on equivalent terms and conditions. If lessee fails to notify lessor within the aforesaid fifteen (15) day period of its election to meet any such bona fide offer, lessor shall have the right to accept said offer.

IN TESTIMONY WHEREOF this Lease is signed this 20th day of January, 2004.



Special Exploration Co., Inc.

By: John F. Special, President

Tax ID#

Tax ID#

Lessor

REC
FEB 02 2004
County Clerk
Mailroom
2/5

STATE OF OKLAHOMA)
) SS.
COUNTY OF _____)

(ACKNOWLEDGEMENT FOR INDIVIDUAL)

Before me, the undersigned, a Notary Public, in and for said County and State, on this _____ day of _____, 2003, personally appeared _____ personally known to me to be the identical person(s) who executed the within and foregoing instrument, and acknowledged to me that they executed the same as their free and voluntary act and deed, for the uses and purposes therein set forth.

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

My commission expires _____ Notary Public

STATE OF _____)
) SS.
COUNTY OF _____)

(ACKNOWLEDGEMENT FOR INDIVIDUAL)

Before me, the undersigned, a Notary Public, in and for said County and State, on this _____ day of _____, 2003, personally appeared _____ personally known to me to be the identical person(s) who executed the within and foregoing instrument, and acknowledged to me that _____ executed the same as _____ free and voluntary act and deed, for the uses and purposes therein set forth.

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

My commission expires _____ Notary Public

STATE OF _____)
) SS.
COUNTY OF _____)

(ACKNOWLEDGEMENT FOR INDIVIDUAL)

Before me, the undersigned, a Notary Public, in and for said County and State, on this _____ day of _____, 2003, personally appeared _____ personally known to me to be the identical person(s) who executed the within and foregoing instrument, and acknowledged to me that _____ executed the same as _____ free and voluntary act and deed, for the uses and purposes therein set forth.

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

My commission expires _____ Notary Public

STATE OF _____)
) SS.
COUNTY OF _____)

(ACKNOWLEDGEMENT FOR INDIVIDUAL)

Before me, the undersigned, a Notary Public, in and for said County and State, on this _____ day of _____, 2002, personally appeared _____ personally known to me to be the identical person(s) who executed the within and foregoing instrument, and acknowledged to me that _____ executed the same as _____ free and voluntary act and deed, for the uses and purposes therein set forth.

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

My commission expires _____ Notary Public

STATE OF OKLAHOMA)
) SS.
COUNTY OF PAYNE)

(ACKNOWLEDGEMENT FOR CORPORATION)

On this 20th day of January, 2004, before me, the undersigned, a Notary Public, in and for the County and State aforesaid, personally appeared John F. Special, to me known to be the identical person(s) who subscribed the name of the maker thereof to the foregoing instrument as its President, and acknowledged to me that he executed the same as his free and voluntary act and deed and as the free and voluntary act and deed of such corporation, for the uses and purposes therein set forth.

Given under my hand and seal of office the day and year last above written.

My commission expires _____

Susan Pickens Notary Public
Commission #: 01000638

