

OIL AND GAS LEASE

(Paid-up)

THIS AGREEMENT made and entered into this 18th day of January, 2004, by and between

IDA LORETTA CONNALLY sole heir/devisee of Joe Connally, who
715 W 5th St was sole heir/devisee of Mildren E.
Wray, CO 80758-1510 Connally

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Oklahoma County Clerk
Carolynn Caudill

party of the first part, hereinafter called "Lessor" (whether one or more),

and Baron Exploration Company, 107 S. Broadway, Edmond, Oklahoma 73034, party of the second part, hereinafter called "Lessee".

WITNESSETH that said Lessor, in consideration of **Ten and More Dollars**, cash in hand paid, receipt of which is hereby acknowledged, and of the covenants and agreements hereinafter contained on the part of Lessee to be paid, kept and performed, has granted, demised, leased and let and by these presents does grant demise, lease and let 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:

West 126' of the SE/4 S/2 SE/4 NE/4, and the East 39' of the SW/4 S/2 SE/4 NE/4 of section 17-12N-4W, together with all rights and interests in and to adjoining and adjacent streets, avenues, boulevards, alleys, roads, parks, gores, easements, vacated lands, strips of land and right-of-ways, and being part of the

NE/4 of Section SEVENTEEN (17), Township 12 North, Range 4 West, containing 1.2500 gross acres, more or less.

THERE SHALL BE NO DRILLING ON THE LEASED PREMISES.

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

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

1. To deliver to the credit of Lessor, free of cost, in the pipe line to which it may connect its wells, the one-eighth (1/8) part of all oil (including but not limited to condensate and distillate) produced and saved from the leased premises.
2. To pay Lessor for gas of whatsoever nature or kind (with all of its constituents) produced and sold or used off the leased premises or used in the manufacture of products therefrom, one-eighth (1/8) of the gross proceeds received for the gas sold, used off the premises or in the manufacture of products therefrom, but in no event more than one-eighth (1/8) of the actual amount received by the lessee, said payments to be made monthly. During any period (whether before or after expiration of the primary term hereof) when gas is not being sold or used and the wells are shut-in and there is no current production of oil or operations on said leased premises sufficient to keep this lease in force, Lessee shall pay or tender a royalty of One Dollar (\$1.00) per year per net royalty acre retained hereunder, such payment or tender to be made on or before the anniversary date of this lease next ensuing after the expiration of ninety (90) days from the date such well is shut in and thereafter on the anniversary date of this lease during the period such well is shut in, to the royalty owners. When such payment or tender is made it will be considered that gas is being produced within the meaning of the entire lease.
3. To pay lessor for gas produced from any oil well and used off the premises or for the manufacture of casinghead gasoline or dry commercial gas, one-eighth (1/8) of the gross proceeds at the mouth of the well received by lessee for gas during the time such gas shall be used, said payments to be made monthly.

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

Lessee is hereby granted the right at any time and from time to time to unitize the leased premises or any portion or portions thereof as to all strata or any stratum or strata, with any other lands as to all strata or any stratum or strata, for the production primarily

of oil or primarily of gas, with or without distillate. However, no unit for the production primarily of oil shall embrace more than 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. Lessee shall file written unit designations in the county in which the leased premises are located. Operations upon and production from the unit shall be treated as if such operations were upon or such production were from the leased premises, whether or not the well or wells are located thereon. The entire acreage within a unit shall be treated for all purposes as if it were covered by and included in this Lease, except that the royalty on production from the unit shall be as below provided, and except that in calculating the amount of any shut in gas royalties, only the part of the acreage originally leased and then actually embraced by this Lease shall be counted. In respect to production from the unit, Lessee shall pay Lessor, in lieu of other royalties thereon, only such proportion of the royalties stipulated herein as the amount of his acreage placed in the unit, or his royalty interest therein on an acreage basis bears to the total acreage in the unit.

If said Lessor owns a less interest in the above-described land than the entire and undivided fee simple estate therein, 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.

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 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.

IN WITNESS WHEREOF, we sign this the 28th day of January, 2004.

LESSOR:

LESSOR:

Ida Loretta Connally

Ida Loretta Connally

IDA LORETTA CONNALLY

SS#

SS#

STATE OF

Colorado

) ss

COUNTY OF

Yuma

On this 28th day of January, 2004, before me, a Notary Public in and for said County and State, personally appeared

IDA LORETTA CONNALLY

known to me to be the identical person who executed the within and foregoing instrument and acknowledged to me that she executed the same as her free and voluntary act and deed, for the uses and purposes therein set forth.

Kathryn J. Enophy
Notary Public

My Commission Expires: 3-5-2005

417 Franklin
Wray, Co. 80758