

181482

Form 88-590 (First Printing November 1984) O-811

Mailing Address: 2601 N.W. Expressway, Suite 801W, Oklahoma City, OK 73112

OIL AND GAS LEASE  
(PAID UP)

AGREE (E.L.T. Made and entered into the 10th day of January, 2003 by and between  
Judy Bledsoe, a married woman in dealing in her separate property, 746 W. 100 South, Shelbyville, TN 46176 party of the first  
 part hereinafter called Lessor (whether one or more) and Clary Petroleum Corporation party of the second  
 part hereinafter called Lessee

WITNESSETH That the said Lessor for and 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 unto the said Lessor for the purpose of investigating, exploring, prospecting, drilling and operating for and producing oil and all gas of whatever nature or kind including all associated hydrocarbons produced in a liquid or gaseous form also including sulphur produced in association with oil or gas hereinafter sometimes collectively referred to as "oil and gas" injecting gas waters other fluids and other gaseous substances into subsurface strata laying pipelines storing oil building tanks power stations telephone lines and other structures and things thereon to produce save take care of treat process store and transport said oil and gas and other products manufactured therefrom the following described land together with any reversionary rights and after-acquired interest therein situated in the County of Lurline State of Nevada to wit

Section 15 S/2 SE/4  
 Section 22 N/2 NE/4  
 Section 23 W/2 NE/4 E/2 NW/4 NW/4 NW/4, NE/4 SW/4

of Section XXXX Township 27 North Range 52 East and containing 400 acres more or less.  
 It is agreed that this lease shall remain in force for a term of Five (5) years from date (herein called primary term) and as 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  
 1<sup>st</sup> 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<sup>nd</sup> To pay Lessor for gas of whatever 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 at expiration of the primary term hereof) when gas is not being sold or used and the well or 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 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

If Lessee shall on or before any shut in payment date make a bona fide attempt to pay or deposit a shut in payment to a royalty owner entitled thereto under this lease according to Lessee's records at the time of such payment and if such payment or deposit shall be erroneous in any regard Lessee shall be obligated to pay to such royalty owner the shut in payment properly payable for the period involved but this lease shall be maintained in the same manner as if such erroneous payment or deposit had been properly made provided that Lessee shall correct such erroneous payment within thirty (30) days following receipt by Lessee of written notice from such royalty owner of the error accompanied by any documents and other evidence necessary to enable Lessee to make proper payment

3<sup>rd</sup> To pay Lessor for gas produced from any oil well and used off the premises or for the manufacture of casing head gasoline or dry commercial gas one-eighth (1/8) of the gross proceeds at the mouth of the well received by Lessee for the 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 terms of this lease or any extension thereof or an 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 Drilling operations or mining operations shall be deemed to be commenced when the first material is placed on the leased premises or when the first work other than surveying or staking the location is done thereon which is necessary for such operations

Lessee is hereby granted the right at any time and from time to time to utilize 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 Open a zone up 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 hereinafter provided and except that in calculating the amount of any shut in gas royalty only that part of the acreage originally leased and then actually embraced by the 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 the acreage placed in the unit or the royalty interest therein on an acreage basis bears to the total acreage in the unit

If Lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein with the right to use it in whole or as whole or partial interest 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 others

When requested by the Lessor Lessee shall bury the pipeline in low place depth  
 No well shall be drilled nearer than 200 feet to the house or barn now or 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 drill and remove casing

Any structures and facilities placed on the leased premises by Lessee for operations hereunder and any well or wells on the leased premises drilled or used for the injection of salt water or other fluids may also be used for Lessee's operations on other lands in the same area

If the estate of either party hereon 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 assigns or assigns in law nothing in division in ownership of the land or royalties shall change 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 of a true copy of the lease 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 of the land subsequent to the date of assignment

All covenants or implied covenants of this lease shall be subject to all Federal and State Laws Executive Orders Rules and Regulations and the lease shall not be terminated in whole or in part but shall be subject to termination for failure to comply with the covenants of the lease in whole or in part if such failure is the result of any such Law Order Rule or Regulation

This lease shall be subject to termination by either party at any time by the holder of the interest and shall be binding on their assigns notwithstanding any term of the lease above printed may not join in the recitation thereof The word "Lessor" is used in this lease means the party or parties who receive 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 notice to the Lessor or by placing a release of record in the proper county

Lessee hereby warrants and agrees to defend the title to the lands herein described and agrees that the Lessor 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 TESTIMONY WHEREOF we sign this the 21 day of January, 2003

Judy Bledsoe  
 SSN. [REDACTED]

BOOK 359 PAGE 398

ACKNOWLEDGEMENT

STATE OF Indiana  
COUNTY OF Shelby

This instrument was acknowledged before me on the 21 day of January, 2003  
by Judy Blodsoe

Marcia Adams  
Notary Public

My commission expires 8-30-08

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

This instrument was acknowledged before me on the \_\_\_\_\_ day of \_\_\_\_\_, 2003  
by \_\_\_\_\_

\_\_\_\_\_  
Notary Public

My commission expires \_\_\_\_\_

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

This instrument was acknowledged before me on the \_\_\_\_\_ day of \_\_\_\_\_, 2003  
by \_\_\_\_\_

\_\_\_\_\_  
Notary Public

My commission expires \_\_\_\_\_

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

This instrument was acknowledged before me on the \_\_\_\_\_ day of \_\_\_\_\_, 2003  
by \_\_\_\_\_

\_\_\_\_\_  
Notary Public

My commission expires \_\_\_\_\_

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

This instrument was acknowledged before me on the \_\_\_\_\_ day of \_\_\_\_\_, 2003  
by \_\_\_\_\_

\_\_\_\_\_  
Notary Public

My commission expires \_\_\_\_\_

CORPORATE ACKNOWLEDGEMENT

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

This instrument was acknowledged before me on the \_\_\_\_\_ day of \_\_\_\_\_, 2003  
by \_\_\_\_\_ of \_\_\_\_\_

\_\_\_\_\_  
Notary Public

My commission expires \_\_\_\_\_

BOOK 359 PAGE 398  
OFFICIAL RECORDS  
RECORDED AT THE REQUEST OF  
*Clear Petroleum*  
2003 MAR 25 PM 2:05

EUREKA COUNTY NEVADA  
M. REBALEATI, RECORDER  
FILED  
FEE \$16.00

181482

COPY