

29302

OIL AND GAS LEASE
(PAID-UP)

THIS AGREEMENT is made the 21st day of March, 2011, between WINSTON PARTNERS, LTD., whose address is 4 MERISTEM, 601 Carlson Parkway, Suite 800, Minnetonka, Minnesota 55305 (hereinafter referred to as "Lessor"), and MARSHALL & WINSTON, INC., whose address is P. O. Box 50880, Midland, Texas 79710-0880 (hereinafter referred to as "Lessee"), as follows:

WITNESSETH

1. Lessor, in consideration of Ten Dollars and No/100 (\$10.00) and other valuable consideration, of the royalties herein provided, and of Lessee's agreements herein, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling for and producing oil, gas and other hydrocarbons, laying pipelines, building tanks, power stations, telephone lines and other structures thereon to produce, save, take care of, treat, transport and own said products, the following described land in Lea County, New Mexico:

Township 15 South, Range 34 East
Section 26: N/2 SE/4

For determining the amount of any payment hereinafter provided, said land is estimated to comprise 80.0 acres, whether there be more or less. Each tract, if more than one, shall be presumed to cover the number of acres shown for that tract.

2. Subject to the other provisions hereof, this lease shall be for a term of six (6) months from this date (hereinafter referred to as "primary term") and as long thereafter as oil or gas is produced in paying quantities from said land or from land pooled therewith.

3. The royalties to be paid by Lessee to Lessor are:
a. On oil one-fourth (1/4th) of that produced and saved from said land, the same to be delivered monthly free of cost to Lessor at the wells, or to the credit of Lessor into the pipeline to which the wells may be connected.

b. On gas, casinghead gas and all their derivatives, elements, component parts and marketable attributes, one-fourth (1/4th) of the market value at the place where the gas or the element involved is sold or utilized, payable monthly. Provided, however, that if the gas or gas and condensate is discovered on said land, Lessee shall promptly notify Lessor of such discovery, and Lessor shall have the option to take in kind and separately market its said royalty share of all gas and condensate produced, in lieu of receiving its stated fraction of market value of said products.

c. All oil and gas proceeds payable to Lessor under this lease shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting or any similar charge in marketing the oil and gas produced hereunder.

d. While there is a gas well on this lease (classified as such by appropriate governmental authority) capable of producing in paying quantities but gas is not being sold or used, and this lease is not then otherwise being held in force, Lessee shall pay or tender as royalty to the owner of such royalty direct to the address below, on or before sixty (60) days after the date on which such well is shut in, and annually thereafter, the sum of \$80.00 per well for each shut-in gas well, and if such payment is made, it will be considered that gas is being produced within the meaning of Paragraph 2 hereof, provided, that this lease may not be extended by payment of such annual shut-in gas well payments in excess of two (2) annual periods.

4. It is specifically provided that this is a paid-up lease during the term set out above as "primary term" and there shall be no obligation or liability on the Lessee to make any shut-in royalty payment or other payment during said primary term, and without any such payment this lease shall remain in force and effect during said primary term.

5. Lessee may, at any time, execute and deliver to Lessor and place of record a release or releases covering any portion or portions of the above described premises and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered.

6. If prior to discovery of oil or gas on said land Lessee should drill a dry hole or dry holes thereon, or if after discovery of oil or gas the production thereof should cease from any cause, this lease shall not terminate if Lessee commences additional drilling or reworking operations within sixty (60) days thereafter. If, at the expiration of the primary term, oil or gas is not being produced on said land but Lessee is then engaged in drilling or reworking any well, this lease shall remain in force so long as such drilling or reworking is prosecuted continuously and with due diligence; and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land in paying quantities.

7. Lessee may at any time during the term of or within six (6) months after the expiration of this lease remove all property and fixtures, including casing, placed by Lessee on said land.

8. 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. No change in the ownership of the land or assignment of rentals or royalties shall be binding on Lessee until after Lessee has been furnished with a written transfer or assignment or a copy thereof.

9. After the discovery of oil, gas or other hydrocarbons in paying quantities on said premises or on directly offsetting lands, Lessee shall reasonably develop the acreage retained hereunder.

10. All expressed and implied covenants of this lease shall be subject to all otherwise applicable federal and state laws, executive orders and rules or regulations, and this lease shall not be terminated in whole or in part nor Lessee held liable for damages for failure to comply therewith if compliance is prevented by or if such failure is the result of any such law, order, rule or regulation.

11. This lease is granted without warranty of title, either express or implied, and covers only Lessor's present interest in said land. If Lessor owns an interest in said land less than the entire fee simple estate, the royalties and rentals to be paid Lessor shall be reduced proportionately.

12. Lessee is hereby granted the right to consolidate or unitize this lease, the land covered by it or any part or parts thereof as to all strata or any stratum with any other contiguous land, lease, leases or part thereof as to all strata or any stratum for the production of oil or gas. Consolidation in one or more instances shall not exhaust the right of Lessee to consolidate this lease or portion of the oil and gas estate into other or different units. Units consolidated for oil hereunder shall not exceed forty (40) acres plus a tolerance of ten percent (10%) thereof, and units consolidated for gas hereunder shall not exceed six hundred forty (640) acres plus a tolerance of ten percent (10%) thereof; provided that if any federal or state law, executive order, rule or regulation shall prescribe a spacing pattern for the development of the field or allocate a producing allowable in whole or in part on acreage per well, then any such units may embrace as much additional acreage as may be so prescribed or as may be used in such allocation or allowable. Lessee shall file written unit designation in the county in which said land is located. Drilling or reworking operations and production on any part of the consolidated acreage shall be treated for all purposes hereof as if such drilling or reworking operations were upon or such production were from the land described in this lease, whether the well or wells be located on the land covered by this lease or not. The entire acreage consolidated into a unit shall be treated for all purposes, except the payment of royalties on production from the consolidated unit, as if it were included in this lease. In lieu of the royalties herein provided, Lessor shall receive on production from a unit so consolidated only such portion of the royalty stipulated herein as the amount of its acreage placed in the unit, or his or its royalty interest therein, on an acreage basis, bears to the total acreage so consolidated in the particular unit involved. Provided, however, that if any such consolidation less than all

of the land covered hereby is included in a unit created pursuant to this paragraph, and if this lease as to the leased land lying outside the boundary of such unit is not otherwise maintained in force by some other provision hereof, then this lease will terminate as to all land not included in such consolidated unit, effective at the end of the primary term hereof.

13. Lessee agrees to furnish Lessor, at the request of Lessor, free of charge, one legible copy of any and all well or lease data, information or reports concerning any well, proposed well or any transaction affecting the leased premises when such data, information or reports become available, including, but not limited to, acoustical, electrical, gamma ray, neutron, spectral or any other type log, drilling reports, completion reports, potential tests, drill stem tests, plugging and abandoning reports, processed seismic data, assignments, drilling opinions, division order opinions or any other title opinions that affect title to said lands. All such data, information and reports shall, when requested and available, be mailed direct to Lessor at the address set out above.

14. At the end of the primary term, if Lessee is engaged in drilling operations or if Lessee has completed a well on the leased premises either as a dry hole or a commercial producer within one hundred eighty (180) days prior to the expiration of the primary term, this lease shall remain in effect so long as operations are commenced and prosecuted with a cessation of no more than one hundred eighty (180) days between the completion of one well on said land as a well capable of producing oil and/or gas in paying quantities or a dry hole and commencement of drilling of the next well on said land. Completion shall be considered the date the well reaches total depth. Commencement shall be considered the date a rig capable of reaching total depth is placed on location.

As used herein, the term "proration unit" means a tract allocated by the appropriate governmental regulatory body to a well, which tract is of such size as to entitle the well to a full allowable. Anything herein to the contrary notwithstanding, this lease will terminate at the end of the primary term or at the end of any continuous development program as herein provided as to the following:

(a) Each proration unit on which a dry hole has been drilled, and each undrilled proration unit; and

(b) All horizons below 100 feet below the deepest depth drilled on each proration unit.

15. At the end of the primary term or any extensions allowed hereunder and at the request of Lessor, Lessee agrees to prepare and deliver a release of all lands and horizons not earned under this lease.

This instrument may be executed in any number of counterparts with the same force and legal effect as if all executions were of one single instrument.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

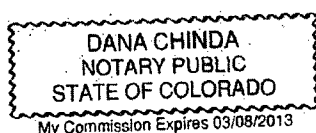
WINSTON PARTNERS, LTD.

By: Steven M. Wyman
Steven M. Wyman, Partner

By: Frederick Winston
Frederick Winston, Partner

STATE OF Colorado
TEXAS
COUNTY OF MIDLAND Denver

This instrument was acknowledged before me on this 28 day of March, 2011, by STEVEN M. WYMAN, Partner of WINSTON PARTNERS, LTD., a partnership, on behalf of said partnership.




[Signature]
Notary Public, State of Texas

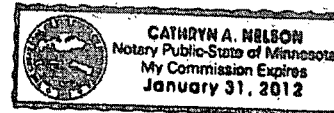
Colorado

STATE OF MINNESOTA

COUNTY OF HENNEPIN

This instrument was acknowledged before me on this 21st day of March, 2011,
by FREDERICK WINSTON, Partner of WINSTON PARTNERS, LTD., a partnership, on
behalf of said partnership.


Notary Public, State of Minnesota



STATE OF NEW MEXICO
COUNTY OF LEA
FILED

APR 04 2011

at 9:34 O'CLOCK AM
and recorded in Book 1723
Page 298
Pat Chappelle, Lea County Clerk
By JA Deputy



29302

36303

LEASE EXTENSION AGREEMENT

STATE OF NEW MEXICO

COUNTY OF LEA

THIS Agreement, dated the 21st day of September, 2011, by and between WINSTON PARTNERS, LTD., whose address is % MERISTEM, 601 Carlson Parkway, Suite 800, Minnetonka, Minnesota 55305 (hereinafter referred to as "Lessor"), and MARSHALL & WINSTON, INC., whose address is P. O. Box 50880, Midland, Texas 79710-0880, (hereinafter referred to as "Lessee"),

WITNESSETH:

WHEREAS, Lessor is the present owner of all or an undivided interest in and to the minerals and Lessee is the present owner of an interest in and to the leasehold in that certain Oil and Gas Lease dated March 21, 2011, being recorded in Book 1723, Page 298 of the Official Records of Lea County, New Mexico, covering the following described lands:

Township 15 South, Range 34 East
Section 26: N/2 SE/4

AND, WHEREAS, it is the desire of the Lessor and Lessee to extend the primary term of said Lease as hereinafter provided;

NOW, THEREFORE, for and in consideration of the sum of Ten and No/100 Dollars (\$10.00), and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is agreed that the words and figures "six (6) months" appearing in Paragraph 2 of said Lease are hereby deleted from said Lease and in lieu thereof there are hereby substituted therefore the words and figure "one (1) year".

Except as amended hereby, said Lease shall remain unchanged, and for the consideration above recited: (a) Lessor and Lessee ratify, confirm and adopt said Lease as hereby amended and acknowledge that same is valid, subsisting and in full force and effect, and (b) Lessor does hereby grant, lease and let the lands described in said Lease to Lessee, its successors, sublessees and assigns, upon all and singular the terms and provisions of said Lease as amended hereby.

This Agreement shall be binding upon and shall inure to the benefit of the respective heirs, successors, legal representatives, sublessees or assigns of the parties hereto.

EXECUTED this the 28th day of September, 2011, effective, however as of September 21, 2011.

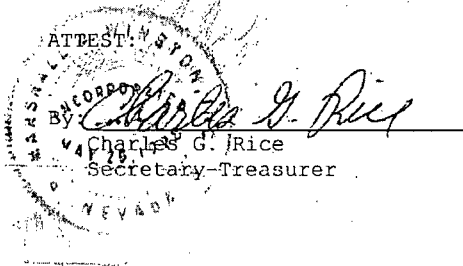
LESSOR

WINSTON PARTNERS, LTD.

By: Steven M. Wyman
Steven M. Wyman, Partner

By: Frederick Winston
Frederick Winston, Partner

LESSEE



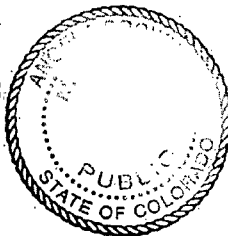
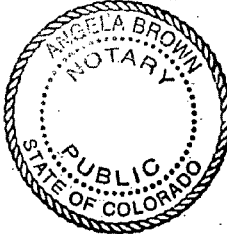
MARSHALL & WINSTON, INC.

By: Tom M. Brandt
Tom M. Brandt
President

STATE OF COLORADO

COUNTY OF DENVER

This instrument was acknowledged before me on this 28th day of September, 2011, by STEVEN M. WYMAN, Partner of WINSTON PARTNERS, LTD., a partnership, on behalf of said partnership.

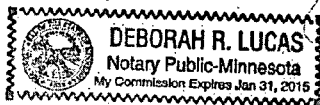


[Signature]
Notary Public
State of Colorado
Exp 9-28-2014-B

STATE OF MINNESOTA

COUNTY OF HENNEPIN

This instrument was acknowledged before me on this 23rd day of September, 2011, by FREDERICK WINSTON, Partner of WINSTON PARTNERS, LTD., a partnership, on behalf of said partnership.



[Signature]
Notary Public
State of Minnesota

STATE OF TEXAS

COUNTY OF MIDLAND

This instrument was acknowledged before me on this the 5th day of October, 2011 by TOM M. BRANDT, President of MARSHALL & WINSTON, INC., a Nevada corporation, on behalf of said corporation.



[Signature]
Notary Public, State of Texas