

PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT ("Agreement") is dated this 25 day of August, 2010, by and between YESO ENERGY, INC. ("Yeso"), P. O. Box 2248, Roswell, New Mexico 88201, and CHICA ENERGY, LLC ("Chica"), 3003 McPherson Road, Roswell, New Mexico 88201 (collectively "Sellers"), and JUDAH OIL, LLC ("Judah") (Buyer"), P. O. Box 568, Artesia, New Mexico 88211-0568.

For and in consideration of Ten Dollars (\$10.00) and other good and valuable consideration, Buyer and Sellers agree to the purchase and sale of the Subject Property described below under the following terms:

1. **Property Being Sold.** Subject to the terms and conditions of this Agreement, Sellers agree to sell and convey and Buyer agrees to purchase and accept the Subject Property for the Purchase Price as defined hereinafter. The "Subject Property" shall include the following:

(a) **Leaseholds.** All of Sellers' right, title and interest in all oil and gas leasehold interest, oil, working interests, operating rights, record title interests and all other interests under, in or useful in connection with oil, gas or mineral leases, and interests in rights to explore for and produce oil, gas or other minerals ("Leases"), described in Exhibit "A", which when delivered and assigned hereunder shall represent all of Sellers' right, title and interest in the Leases, except as to any interests otherwise reserved herein.

(b) **Permits.** All of Sellers' right, title and interest in all permits and licenses of any nature owned, held or operated in connection with operations for the exploration and production of oil, gas or other minerals to the extent the same are used or obtained in connection with the Leases ("Permits").

(c) **Equipment.** All of Sellers' right, title and interest in all personal property, well bores, casing, surface equipment and down-hole equipment used or obtained in connection with the Leases and Wells.

2. **Consideration.** As consideration for the Subject Property, Buyer will undertake the following:

(a) Judah will obtain necessary bonding for the wells described in Exhibit "A," including any additional bonding required for SWD wells.

(b) Yeso and/or Chica, with regulatory approval, will transfer operatorship of all wells to Judah.

(c) The following provisions will apply to Lease No. 1 (Dow "B") in the event it is successfully permitted as a salt water disposal ("SWD") well:

(1) Sellers shall convey all of their right, title and interest in the Dow "B" to Judah.

(2) Sellers shall receive the sum of \$50,000.00 upon the issuance of a SWD permit to Judah.

(3) Sellers will reserve a fee of \$.05 per barrel of water disposed into the SWD as reported to the Oil Conservation Division.

(4) Sellers will reserve an overriding royalty of ten percent (10%) of the net (after state and federal taxes or fees) revenue attributable to oil collected by the SWD operations and sold.

(5) In the event Buyer, at its discretion, elects to sell the Dow "B" SWD wellbore and any approved permit therefor without any SWD facilities and/or disposal systems installed, Sellers will receive the equivalent of twenty percent (20%) of the net sales proceeds received by Buyer.

(6) In the event Buyer constructs a full SWD system and operates the SWD system for a minimum of one and one-half (1 1/2) calendar years and subsequently sells the system to a third party not associated with this agreement, Sellers shall receive twenty percent (20%) of the sale proceeds, less that portion of the costs of permitting, construction and conversion prorated over 18 equal monthly installments from the date the disposal well

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began accepting produced water for commercial injection purposes to the date of sale. Example: If Buyer sells the Dow "B" for \$100,000 one year after injection commenced and incurring expenses of \$50,000 for equipping the well, Sellers' share of the proceeds would be calculated as follows: 20% (100,000) - (50,000/18 x 6).

(7) If Buyer sells all or a portion of the SWD system after 1 1/4 years after the well commences commercial operations, Sellers will receive no portion of the sales proceeds, but any transfer or sale of all or a portion of the SWD well will be subject to the per barrel disposal fee and overriding royalty provided for in (2) and (3) above.

(d) Judah will become operator of record of the Gulf McKay No. 1 well located in the SE/4 SW/4 Section 34, Township 18 South, Range 32 East, N.M.P.M., Lea County, New Mexico. Buyer is not purchasing any portion of the leasehold rights therein. Buyer disclaims all liability for the condition of said lease, including any preexisting environmental conditions.

(e) In the event Judah, in its sole discretion, decides to permit any well located on Lease No. 3 for SWD purposes, Sellers will support the application. Sellers will assign any rights-of-way of which it is the owner of record.

(f) The following provisions will apply to Lease No. 3 in the event a wellbore located thereon is successfully permitted as a SWD well:

(1) Sellers will obtain the transfer of the operating rights and operatorship of Lease No. 3 directly to Judah.

(2) Sellers will receive an amount of \$50,000.00 for each wellbore permitted as a SWD well. Said amount will be payable upon final approval of the permits necessary to operate as a SWD well.

(3) Sellers will reserve a fee of \$.05 per barrel of water disposed into the SWD as reported to the State of New Mexico.

(4) Sellers will reserve an overriding royalty of ten percent (10%) of the net (after state and federal taxes or fees) revenue attributable to oil collected by the SWD operations and sold.

(5) In the event Buyer, in its discretion, elects to sell any SWD wellbore and permits for same without any facilities and/or disposal systems installed, Sellers will receive \$50,000.00 for each wellbore assigned to any third party not a party to this agreement.

(6) In the event Buyer elects to construct a full SWD system and operate the SWD system for a minimum of one and one-half (1 1/2) calendar years and subsequently sell this system to a third party not associated with this agreement, Sellers will not receive any compensation relative to the sell price, but any transfer or assignment will be made subject to Sellers' disposal fee and overriding royalty reserved in (3) and (4) above.

3. Due Diligence Inspections and Closing.

(a) Until the Closing Date, Buyer shall have the right to conduct due diligence inspections of the Subject Property, including reviews and inspections of the physical conditions of the Subject Property. Buyer and the employees and agents of Buyer shall access the Subject Property at Buyer's sole risk, cost and expense at reasonable times, and shall have the right to conduct production tests, equipment inspection, environmental audits and any other investigation of the Subject Property on prior notice to Sellers and upon agreement with Sellers as to the time and place of such actions.

(b) Sellers shall provide to Buyer the following title information to the extent that it is in the possession of Sellers:

(1) All title opinions, abstracts of title or title status reports in the possession of or held for or on behalf of Sellers. Sellers have no obligation to update or supplement any abstract or title opinions for the Leases or any part thereof.

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- (2) All rental and royalty payment records in the possession of Sellers.
- (3) All tax payment records in the possession of Sellers.

(c) The conveyance of the Subject Property to Buyer shall be effective August 11, 2010 at 7:00 a.m. ("Effective Date"). Closing shall occur on or before August 31, 2010 (the "Closing Date") unless postponed by agreement of the parties. Unless otherwise agreed, the Closing shall be held at Currier Abstract Company ("Agent"), Artesia, New Mexico. At the Closing, the following shall occur:

(1) Sellers shall execute, acknowledge and deliver an Assignment, Conveyance and Bill of Sale.

(2) Any ad valorem, property, production, severance and similar taxes and assessments, if any, based on or measured by the ownership of property or the production of oil or gas or the receipt of proceeds therefrom on the Subject Property shall be prorated between Sellers and Buyer as of the Effective Date.

4. Representations, Warranties and Covenants of Sellers. Sellers represent and warrant to Buyer as of the date hereof and will represent and warrant at the Closing and, as applicable, covenants with Buyer, as follows:

(a) Taxes and Royalties. All due and payable ad valorem, property, production, severance and similar taxes and assessments based on or measured by the ownership of property or the production of oil and/or gas or the receipt of proceeds therefrom on the Subject Property, which became due prior to the Effective Date, have been properly paid. All leasehold royalties, lease rentals, shut-in rentals and all other amounts based on or measured by the ownership of property or production of oil, gas or associated liquid hydrocarbons have been properly paid except those amounts due on production not sold as of the Effective Date.

(b) Title. Sellers shall take or cause to be taken all actions necessary to deliver the Subject Property free and clear of all liens, mortgages and security interests.

5. Representations and Warranties of Buyer. Buyer represents and warrants to Sellers as of the date hereof and will represent and warrant at the Effective Date, as follows:

(a) Corporate Authority. Buyer is duly organized and in good standing under the laws of the State of Texas, is duly qualified to carry on its business in the State of New Mexico, and has all the requisite power and authority to enter into and perform this Agreement and carry out the transactions contemplated under this Agreement.

(b) Bonding. Buyer possesses all bonds required by the Bureau of Land Management or the Oil Conservation Division of the State of New Mexico to operate the Subject Property.

(c) Obligation to Close. Buyer shall take or cause to be taken all actions necessary or advisable to consummate the transactions contemplated by this Agreement and to assure that as of the Purchase Closing it will not be under any material company, legal, governmental or contractual restriction that would prohibit or delay the timely consummation of such transactions.

6. Files and Records. Sellers will make available to Buyer all title memoranda and other information available in Sellers' files relating to the Subject Party (collectively "Data").

7. Costs and Revenues Before and After Closing. Sellers shall be responsible for the payment of all costs and expenses incurred in the operation of the Subject Property prior to the Effective Date. Subject to the other provisions hereof, Buyer shall be responsible for all costs, liabilities and expenses incurred in the ownership and operation of the Subject Property from and after the Effective Date. The proceeds from the sale of hydrocarbons produced from the Subject Property prior to the Effective Date, if any, shall be the property of Sellers. The proceeds from the sale of hydrocarbons produced after the Effective Date shall be the property of Buyer. Adjustments shall be made to the Purchase Price to account for such costs and revenues in the Preliminary Settlement Closing Statement and the Final Settlement Statement.

8. Miscellaneous.

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(e) **Further Assurances.** Sellers agree to execute any documents which they have the authority to execute, whether before or after the Closing, to aid Buyer in clearing or perfecting title and ownership to the Subject Property, and to facilitate the receipt of the proceeds of the sale of the production therefrom and attributable thereto. Buyer shall make any request for execution of such document in writing and shall provide Sellers with a copy of the document and an appropriate explanation of its significance and purpose.

(b) **Notices.** All communications required or permitted under this Agreement shall be in writing and shall be deemed made when actually received, or if mailed by registered or certified mail or Federal Express, postage or fees prepaid, addressed as set forth below, shall be deemed made three (3) days after such mailing. Either party may, by written notice to the other, change the address for mailing such notices. Faxes may be sent for convenience but must be followed up with mailing on any important notice issues.

Notices to Sellers: YESO ENERGY, INC.
P. O. Box 2248
Roswell, New Mexico 88201

CHICA ENERGY, LLC
3003 McPherson Road
Roswell, New Mexico 88201

Notices to Buyer: JUDAH OIL, LLC
P. O. Box 568
Artesia, New Mexico 88211-056

(c) **Counterparts.** This Agreement may be executed in any number of counterparts, which taken together shall constitute one instrument and each of which shall be considered an original. The parties agree that facsimile or electronic execution of this Agreement (but not of the assignment documents) shall be considered as originally executed documents.

(d) **Law Applicable.** This Agreement shall be governed by and construed in accordance with the laws of the State of New Mexico. The prevailing party in any dispute hereunder shall be entitled to recover its attorneys fees and costs.

Sellers:

YESO ENERGY, INC.

By: *H.E. Haas*
Its: *President*

CHICA ENERGY, LLC

By: *Julie ...*
Its: *...*

Buyer:

JUDAH OIL, LLC

By: *[Signature]*
Its: *Member / Manager*

[Handwritten initials]

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EXHIBIT "A"

The following lands are located in Eddy County, New Mexico:

1. Dow "B" 28 Federal No. 1. United States Oil and Gas Lease LC 029420-B, underlying the following described lands:
Township 17 South, Range 31 East, N.M.P.M.
Section 28: S/2
LIMITED IN DEPTH to depths below the base of the San Andres formation.
2. Dalton Federal No. 1. United States Oil and Gas Lease NM 14840, underlying the following described lands:
Township 17 South, Range 29 East, N.M.P.M.
Section 29: SE/4 NE/4, NW/4 SE/4
3. Doc Slavin Federal Lease. United States Oil and Gas Lease LC 029395-B, located on the following described lands:
Township 17 South, Range 31 East, N.M.P.M.
Section 29: S/2

and wellbores for Doc Slavin Nos. 1 and 2 wells, and all right, title and interests in any other wellbores located on said lands and in which Sellers possess any legal and equitable interest.