OIL & GAS LEASE

THIS AGREEMENT made this 2nd day of May, 2011 between BRIAN SCOTT HANNING, TRUSTEE OF THE BRIAN SCOTT HANNING LIVING TRUST DATED NOVEMBER 4, 2010, whose address is PO BOX 52012, IRVINE, CALIFORNIA 92619 herein called lessor (whether one or more) and DHA, L.I.C., 500 West Wall Street, Suite 300, Midland, Texas 79701, lessee;

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of 1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and or the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, emploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata, laying ripalines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the following described land in <u>EDDY</u> County, New

Township 19 South, Range 26 East, N.M.P.M.

Section 07: LOT 1, LOT 2, E2NW, NE4 AND E2SE

Said land is estimated to comprise 398.85 acres, whether it actually comprises more or less.

cer's Revised 1994 New Mexico Form 342P, Paid-up

- 2. Subject to the other provisions herein contained, this lease shall remain in force for a term of three (3) years from this date (called "primary term") and as long thereafter as oil or gas is produced from said land or from land with which said land is pooled.
- 3. The royalties to be paid by lessee are: (a) on oil, and other liquid hydrocarbons saved at the well, ONE-FOURTH (1/4) of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipeline to which the wells may be connected; (b) on gas, including casinghead gas or other gasous substance produced from said land and used off the premises or used in the manufacture of gasoline or other products, the market value at the well of ONE-FOURTH (1/4) of the gas used, provided that on gas sold on or off the premises, the royalties shall be ONE-FOURTH (1/4) of the amount realised from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, lesses may pay or tender an advance shut-in royalty equal to \$1.00 per net acre of lessor's gas acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered, this lease shall not terminate and it shall be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party of parties who at the time of such payment would be entitled to receive the royalties which would be paid under this parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing. The payment or tender of royalties and shut-in royalties may be made by check or draft. Any timely payment or tender of shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties or amounts, shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made if lesses shall correct such error within 30 days after lesses has received written notice thereof by cartified mail from the party or parties entitled to receive payment together with such written instruments (or certified copies thereof) as are necessary to enable lesses to make proper payment. The amount realised from the sale of gas on or off the pracises shall be the price established by the gas sales contrant entered into in good faith by lesses and gas purchaser for such term and under such conditions as are customary in the industry. "Price" shall mean the net amount received by such case and under such conflictions as are customary in the limitary. Frite-shall mean the net amount cleaves by lesses after giving effect to applicable regulatory orders and after application of any applicable price adjustments specified in such contract or regulatory orders. In the event lesses compresses, treats, purifies, or dehydrates such gas (whether on or off the lessed premises) or transports gas off the lessed premises, lesses in computing royalty heraunder may deduct from such price a reasonable charge for each of such functions performed.
- 4. This is a paid-up lease and lessee shall not be obligated during the primary term hereof to commence or continue any operations of whatsoever character or to make any payments hereunder in order to maintain this lease in force during the primary term; however, this provision is not intended to relieve lessee of the obligation to pay royalties on actual production pursuant to the provisions of Paragraph 3 hereof.
- 5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lesse, the land covered by it or any part or horison thereof with any other land, lesses, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico or by any other lawful authority for the pool or area in which said land is situated, plus a tolerance of ten percent. Lesses shall file written unit designations in the county in which the premises are located and such units may be designated from time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the net oil or gas acreage in the land covered by this lease included in the unit boars to the total number of surface sores in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the texns of this lease. Any pooled unit designated by leases, as provided herein, may be dissolved by leases by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.
- 6. If at the expiration of the primary term there is no well upon said land capable of producing oil or gas, but lessee has commenced operations for drilling or reworking thereon, this lesse shall remain in force so long as operations are prosecuted with no cessation of more than 60 consecutive days, whether such operations be on the same well or on a different or additional well or wells, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land. If, after the expiration of the primary term, all wells upon said land should become incepable of producing for any cause, this lease shall not terminate if lessee commences operations for additional drilling or for reworking within 60 days thereafter. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.
- 7. Lessee shall have free use of oil, gas and water from said land, except water from lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lesse to remove all property and fixtures placed by lessee right at any time during or after the expiration of this lease to remove all property and fixtures placed by lesser on said land, including the right to draw and remove all casing. When required by lesser, lesses will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stowes and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.
- 8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall

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ATTN SMANTHA DURHAM ARRINGTON OIL & GAS OPER LLC P O BOX 2071 MIDLAND TX 79702

extend to their heirs, executors, administrators, successors and assigns; but no change in the ownership of the land or in the ownership of, or rights to receive, regulaties or shut-in regulation, however accomplished shall operate to enlarge the obligations or diminish the rights of lesses; and no such change or division shall be binding upon lesses for any purpose until 30 days after lesses has been furnished by certified mail at lesses's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the riginal lessor. If any such change in ownership occurs through the death of the owner, lesses may, at its option, y or tender any regulation or shut-in regulates in the name of the deceased or to his estate or to his heira, scutor or administrator until such time as lesses has been furnished with evidence satisfactory to lesses as to me persons entitled to such sums. An assignment of this lesse in whole or in part shall, to the extent of such assignment, relieve and discharge lesses of any obligations herounder and, if lesses or assignee or part or parts hereof shall fail or make default in the payment of the proportionate part of royalty or shat-in regulaty defrom such lesses or assignee or fail to comply with any of the provisions of this lease, such default shall not affect this lease insofar as it covers a part of said lands upon which lesses or any assignee thereof shall properly comply or make such payments.

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- 9. Should lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeurs, or by any Redoral or state law or any order, rule or regulation of governmental authority, then while so prevented, lessee's duty shall be suspended, and lessee shall not be liable for failure to comply therewith; and this lesse shall be extended while and so long as lessee is prevented by any such cause from conducting drilling or reworking operations or from producing oil or gas hereunder; and the time while lessee is so prevented shall not be counted against lessee, anything in this lesse to the contrary notwithstanding.
- 10. Lessor hereby warrants and agrees to defend the title to said land and agrees that lessee at is option may discharge any tax, mortgage or other lien upon said land, and in the event lessee does so it shall be subrogated to such lien with the right to enforce same and to apply royalties and shut-in royalties payable hereunder toward satisfying same. Without impairment of lessee's rights under the warranty, if this lesse covers a less interest in the oil and gas in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not) then the royalties, shut-in royalty, and other payasnts, if any, accruing from any part as to which this lesse covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lesse, hears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as lessors fail to execute this lesse, it shall nevertheless be binding upon the party or parties executing the same.
- 11. Lessee, its or his successors, heirs and assigns, shall have the right at any time to surrender this lesse, in whole or in part, to lessor or his heirs, successors, and assigns by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and thereafter the shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

THE ERIAL SCOTT MANNING

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

TATE OF

THIS instrument was acknowledged before me on the day of , 2011 by BRIAN SCOTT MANNING, TRUSTES

OF THE BRIAN SCOTT MANNING LIVING TRUST DATED NOWENGER 4, 2010.

Notary Public, State of

My Commission Expires:

Reace See attached California Acknowledgment.

ACKNOWLEDGMENT

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State of California County of LOS ANGLE	LES		
On May 5, 2011	before me, _	Ronald (3. Patton, Notary Public
		(insert	name and title of the officer)
personally appeared Brian	Scott Manning	Trusta	<u>.</u>
subscribed to the within instrume his/her/their authorized capacity person(4), or the entity upon beh	ent and acknow (iee); and that b half of which the	ledged to n y his/ her/th person /s)	be the person (8) whose name(e) is/are- ne that he/she/they-executed the same in eir signature(s) on the instrument the acted, executed the instrument. he State of California that the foregoing
WITNESS my hand and official s	seal.		
Signature Rould F	attor	(Seal)	COMMED & MOTION Commission of 1785935 Motiony Public on Comformic Los Angeles County MyClamin Spiess Inn 17, 2012
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Exhibit "A"

ADDENDUM TO OIL AND GAS LEASE

Exhibit "A" to that certain Oil and Gas Lease ("Lease") dated 2nd day of May, 2011, by and between Brian Scott Manning, Trustee, The Brian Scott Manning Living Trust dated November 4, 2010, as Lessor, and DHA, L.L.C., as Lessee, attached to and made a part hereof, covering the lands described in said Lease. Notwithstanding anything contained herein to the contrary, wherever the following provisions or those made to the Lease and initialed by the parties are inconsistent with the printed portions of the subject Lease, the following provisions and those initialed by the parties shall control and apply:

- 1. SHUT-IN ROYALTIES: Only a well capable of producing gas in paying quantities may be shut-in. Lessee may perpetuate this Lease by the payment of shut-in royalties only in cases where there is a lack of market to sell said gas, no pipeline is available to transport gas to market or where governmental restrictions prohibit Lessee to market and sell said gas. Lessee shall not maintain this Lease by the payment of shut-in royalties for a period greater than two (2) consecutive years, or a total of twenty-four (24) cumulative months, without Lessor's prior written consent. The failure to pay any shut-in royalty as herein provided, or the failure to commence actual production in paying quantities from any shut-in well on or before the expiration of the shut-in periods allowed under this paragraph, shall cause the automatic termination of this Lease insofar as same shall cover the land included within the proration unit upon which shut-in well is established, whether or not this lease remains within its primary term at the time.
- 2. POOLING: In the event a portion of the land leased herein is pooled with other lands so as to form a pooled unit or units, operations on or production from such unit or units shall maintain this Lease in force only as to the land included in such unit or units. A copy of each written unit designation filed pursuant to Paragraph 5 of the Lease shall be provided to Lessor.
- 8. DEFINITIONS:
 - a. As used herein, the term "minerals" shall mean oil, gas and other hydrocarbon substances;
 - b. As used herein, the term "drilling" or "drilling operations" shall mean the actual operation of drilling in the ground with equipment capable of prosecuting same to a depth necessary to adequately test one or more of the potential oil and/or gas bearing formations in the area;
 - c. As used herein, the term "production" shall mean an amount of oil and/or gas which yields a profit to Lessee after deducting all operating and marketing costs associated with the amount of oil and/or gas produced from the leased lands;
- 4. RETAINED ACREAGE: Subject to the provisions as herein provided, at the expiration of the primary term hereof, this Lease shall terminate as to all of the leased lands, save and except the lands then assigned to a proration unit upon which there is located a well producing oil and/or gas in paying quantities. Further, as to each such unit, this Lease shall terminate as to all depths one hundred (100) feet below the deepest zone or stratum then producing in a well Lessee has theretofore drilled thereon or on lands pooled therewith, which zone or stratum is to be identified from the electric log or logs of said well.
- 5. COVENANT TO DEVELOP: Lessee agrees to adequately protect the oil and gas under the leased land from drainage from adjacent lands, being those which have a common corner or corners with the leased land. For the purposes hereof, Lessee agrees that any well brought in on adjacent lands which bottom hole is located within six hundred sixty (660) feet of the leased land shall result in drainage to said land, and Lessee agrees to drill such offset wells as are reasonably necessary to protect the leased land.
- Lessor shall have the right to inspect and copy all records of Lessee relating to the amount, value and sale of the oil or gas produced from the leased land.
- 7. RELEASE ON TERMINATION: Within thirty (30) days after this Lease terminates for any reason, as to any or all of the leased land, Lessee shall execute and place of record in the Office of the County Clerk of the County where the land is located a release of this Lease covering such portion of the leased land upon which the lease term has terminated, and shall deliver a copy of such recorded release to Lessor.
- 8. ASSIGNMENT: Within thirty (30) days of any assignment of this Lease, Lessee shall notify Lessor in writing of said assignment and provide to Lessor a recorded copy thereof. The rights of Lessee may be assigned in whole or in part. However, no assignment of any portion of or interest in this Lease shall release or discharge Lessee or any other assignor from any liability or obligation to Lessor under this Lease with reference to the portion or interest assigned, including, but not limited to, the payment of associated royalties and the obligation to plug and abandon any well on the assigned premises which ceases to produce and restore said premises to as near its original condition as practicable upon lease termination.

DAMAGES: Upon request, Lessee shall pay to Lessor, at Lessor's address of record, for all damages resulting from Lessee's operations on the lessed land.
 WARRANTY OF TITLE: This Lesse is made without warranty of title, either express or implied.

AGREED TO AND ACCEPTED BY:

LESSOR:

LESSEE:

THE BRIAN SCOTT MANNING LIVING TRUST DATED NOVEMBER 4, 2010

DHA, L.L.C.

Brian Scott Manning, Trystee

Name: Monty W. Kastner VV Title: Attorney-in-Fact

RECEPTION NO: 1105197 STATE OF NEW MEXICO. COUNTY OF EDDY RECORDED 05/18/2011 3:13 PM BOOK 0853 PAGE 1228 OF LIGHT DARLENE ROSPRIM, COUNTY CLERK

