

71316

OIL AND GAS LEASE

This Lease made this 16th day of November, 2006, by and between Donald E. McIntire and Bonnie G. McIntire, husband and wife
having an address at 845 Back Mountain Road, Winchester, VA 22602
hereinafter collectively called "Lessor" and The Keeton Group, LLC, 1021 Majestic Drive, Suite 330, Lexington, Kentucky, 40513 hereinafter called "Lessee".

WITNESSETH, That for and in consideration of the premises, and all of the mutual covenants and agreements hereinafter set forth, the Lessor and Lessee agree as follows:

LEASING CLAUSE: Lessor hereby leases exclusively to Lessee all the oil, gas and their constituents, whether hydrocarbon or non-hydrocarbon, underlying the land herein leased, together with such exclusive rights as may be necessary or convenient for Lessee, at its election, to explore for, develop, produce, measure, and market production from the Leasehold, and from adjoining lands, using methods and techniques which are not restricted to current technology, including the right to conduct geophysical and other exploration tests; to drill, maintain, operate, cease to operate, plug, abandon, and remove wells; to use or install roads, electric power and telephone facilities, and to construct pipelines with appurtenant facilities, including data acquisition, compression and collection facilities for use in the production and transportation of products from the Leasehold and from neighboring lands across the Leasehold, and such right shall survive the term of this agreement for so long thereafter as operations are continued, to use oil, gas, and non-domestic water sources, free of cost, to store gas of any kind underground, regardless of the source thereof, including the injection of gas therein and removing same therefrom, to protect stored gas, to operate, maintain, repair, and remove material and equipment.

DESCRIPTION: The Leasehold is located, all or part, in the County of Hampshire, in the State of West Virginia, in the District/Township of Gore and Bloomery and described as follows:
and is bounded formerly or currently as follows:

On the North by Lands of See Exhibit A

On the East by Lands of Attached here to

On the South by Lands of _____

On the West by Lands of _____

Including lands acquired by: instrument from _____ dated _____, and recorded in Book _____, Page _____, and described for the purposes of this agreement as containing 82.27 acres, whether actually more or less, and including all contiguous or appurtenant lands owned by Lessor.

LEASE TERM: This Lease shall remain in force for a primary term of five (5) years from November 16th, 2006, and for as long thereafter as prescribed payments are made, or for as long thereafter as operations are conducted on the Leasehold in search of production of oil, gas, or their constituents, or for as long as a well capable of production is located on the Leasehold, or for as long as extended by others provisions herein, or for as long as the Leasehold is used for the underground storage of gas of or for the protection of stored gas. If after the primary term the last producing well on the Leasehold is plugged and abandoned, the Leasehold will remain under lease for an additional period of one year from the date of plugging and abandonment, subject to the payment of Delay Rental.

~~**EXTENSION OF TERM:** Lessee may extend the primary term for one additional period equal to the primary term by paying to Lessor, at any time within the primary term, proportionate to Lessor's percentage of ownership an Extension Payment equal in amount to the annual Delay Rental as herein described, or by drilling a well on the Leasehold which is not capable of commercial production.~~

PAYMENT TO LESSOR: Lessee covenants to pay Lessor, proportionate to Lessor's percentage of ownership as follows:

(A.) **DELAY RENTAL:** To pay Lessor as Delay Rental at the rate of Two (\$2.00) dollars per net mineral acre per year payable annually in advance, beginning on November 16th, 2007, and continuing thereafter until the commencement of Royalty payments. Delay Rental paid for time beyond the commencement date of Royalty payment shall be credited upon the Royalty payment. Upon conversion to Storage, Delay Rental payment shall be reestablished.

(B.) **ROYALTY:** It is agreed that the total Royalty that will be paid by Lessee shall be one-eighth (1/8th) and that any Royalty conveyance or reservation in Lessor's chain of title shall be subtracted from the one-eighth (1/8th) royalty proved herein. To pay Lessor as Royalty, less all taxes, assessments, and adjustments on production from the Leasehold as follows:

1. **OIL:** To deliver to the credit of Lessor, free of cost, a Royalty of the equal one-eighth (1/8th) part of all oil and constituents thereof produced and marketed from the Leasehold.

2. **GAS:** To pay Lessor an amount equal to one-eighth (1/8th) of the revenue realized by the Lessee for all gas and the constituents thereof produced and marketed from the Leasehold during the preceding month. Lessee may withhold Royalty payment until such time as the total withheld exceeds fifty dollars (\$50.00).

(C.) **DELAY IN MARKETING:** In the event that Lessee does not market producible gas, oil, or their constituents from the Leasehold, Lessee shall continue to pay Delay Rental until such time as marketing is established, and such payment shall maintain this Lease in full force and effect to the same extent as payment of Royalty.

(D.) **SHUT-IN:** In the event that production of oil, gas, or their constituents is interrupted and not marketed for a period of six (6) months, and there is no producing well on the Leasehold, Lessee shall thereafter, as Royalty for constructive production, pay a Shut-In Royalty equal in frequency and amount to the Delay Rental until such time as production is re-established and said payment shall maintain the Lease in full force and effect to the same extent as payment of Royalty. During Shut-In, Lessee shall have the right to re-work, stimulate, or deepen any well on the Leasehold or drill a new well on the Leasehold in an effort to re-establish production, whether from an original producing formation or from a different formation. In the event that the production from the only producing well on the Leasehold is interrupted for a period of less than six (6) months, this Lease shall remain in full force and effect without payment of Royalty or Shut-In Royalty.

(E.) **DAMAGES:** Lessee shall remove unnecessary equipment and materials and grade, reseed and mulch the drill site area at the completion of activities, and Lessee agrees to repair any damaged improvements to the land and pay for the loss of crops or marketable timber.

(F.) **MANNER OF PAYMENT:** Lessee shall make or tender all payments due hereunder by check, payable to Lessor, at Lessor's last known address, and Lessee may withhold any payment (without interest) pending notification by Lessor of a change in address.

(G.) **CHANGES IN LAND OWNERSHIP:** Lessee shall not be bound by any change in the ownership of the Leasehold until furnished with such documentation as Lessee may reasonably require. Pending the receipt of documentation, Lessee may elect either to continue to make or withhold payments (without interest) as if such a change had not occurred.

(H.) **TITLE:** If Lessee received evidence that Lessor does not have title to all or any part of the rights herein leased, Lessee may immediately withhold payments (without interest) that would be otherwise due and payable hereunder to Lessor until the adverse claim is fully resolved.

(I.) **LIENS:** Lessee may at its option pay and discharge any past due taxes, mortgages, judgments, or other liens and encumbrances on or against any land or interest included in the Leasehold; and Lessee shall be entitled to recover from the debtor, with legal interest and cost, by deduction from any future payments to Lessor or by any other lawful means.

(J.) **LIMITATION OF FORFEITURE:** This Lease shall never be subject to civil action or other proceeding to enforce a claim of forfeiture due to Lessee's alleged failure to perform as specified herein, unless, Lessee has received written notice of Lessor's demand and thereafter fails or refuses to satisfy Lessor's demand within sixty (60) days from receipt of the notice.

UNITIZATION: Lessor grants Lessee the right to pool, unitize, or combine all or part of the Leasehold with other lands, whether contiguous or not contiguous, leased, or un-leased, whether owned by Lessee or by others, at a time before or after drilling to create drilling or production units either by contract right or pursuant to governmental authorization. Lessee is granted the right to change the size, shape and conditions of operations or payment of any unit created. Lessor agrees to accept and receive out of the production or the revenue realized from production of such unit, such proportional share of the Royalty from each unit well as the number of Leasehold acres included in the unit bears to the total number of acres in the unit. Otherwise, except for Free Gas, the drilling, operations in preparation for drilling, production from, or payment for Royalty, Shut-In Royalty, or Delay In Marketing for a well on such a unit shall have the same effect upon the terms of this Lease as if the well were located on the Leasehold.

FREE GAS: Upon approval of Lessor's written request for free gas and his execution of an Agreement for Delivery of Free Gas and Overburn Gas, one Lessor may lay a line to any producing gas well on the leased premises and take two hundred thousand (200,000) cubic feet of gas per year free of cost for domestic use in one dwelling on said lands at Lessor's own risk and subject to the use and right of abandonment of the well by the Lessee. All overburn gas shall be paid for by said Lessor at the current established retail rate in the area.

FACILITIES: Lessee shall not drill a well within 200 feet of any structure located on the Leasehold without Lessor's written consent. Lessor shall not erect any building or structure, or plant any trees within 200 feet of a well or within 25 feet of a pipeline without Lessee's written consent. Lessor shall not improve, modify, degrade or restrict roads and facilities built by Lessee without Lessee's written consent.

CONVERSION TO STORAGE: Lessee is hereby granted the right to convert the Leasehold to gas storage. At the time of conversion, Lessee shall pay Lessor's proportionate part for the estimated recoverable gas remaining in the well using methods of calculating gas reserves as are generally accepted by the natural gas industry, and Lessor shall be paid Delay Rental for as long thereafter as the Leasehold is used for gas storage or for protection of gas storage.

TITLE AND INTEREST: Lessor hereby warrants generally and agrees to defend title to the Leasehold and covenants that Lessee shall have quiet enjoyment hereunder and shall have benefit of the doctrine of after acquired title. Should any person having title to the Leasehold fail to execute this Lease, the Lease shall nevertheless be binding upon all persons who do execute it as Lessor.

LEASE DEVELOPMENT: There is no covenant to develop the Leasehold within a certain time frame, and there shall be no Leasehold forfeiture for implied covenants to produce. Provisions herein constitute full compensation for privileges herein granted.

ARBITRATION: In the event of a disagreement between Lessor and Lessee concerning this Lease, performance thereunder, or damages caused by Lessee's operations, settlement shall be determined by a panel of three disinterested arbitrators. Lessor and Lessee shall appoint and pay the fee of one each, and the two so appointed shall appoint the third, whose fee shall be borne equally by Lessor and Lessee. The award shall be by unanimous decision of the arbitrators and shall be final.

SURRENDER: Lessee may surrender and cancel this Lease as to all or any part of the Leasehold by recording a Surrender of Lease and if partially surrendered, the Delay Rental provided in the PAYMENTS clause shall be reduced in proportion to the acreage surrendered.

SUCCESSORS: All rights, duties, and liabilities herein benefit and bind Lessor and Lessee and their heirs, successors, and assigns.

ENTIRE CONTRACT: The entire agreement between Lessor and Lessee is embodied herein. No oral warranties, representations, or promises have been made or relied upon by either party as an inducement to or modification of this Lease.

ADDITIONAL PROVISIONS: NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS LEASE,

THE LOCATION OF ALL WELLS, PIPELINES, ROUTES OF INGRESS AND EGRESS SHALL HAVE THE APPROVAL OF LESSOR PRIOR TO THE COMMENCEMENT OF OPERATIONS OF WHICH SUCH APPROVAL SHALL NOT BE UNREASONABLY WITHHELD.

IN WITNESS WHEREOF, this Lease is entered into this the day and year first above written.

LESSOR Donald E. McIntire
Donald E. McIntire

LESSOR Bonnie G. McIntire
Bonnie G. McIntire

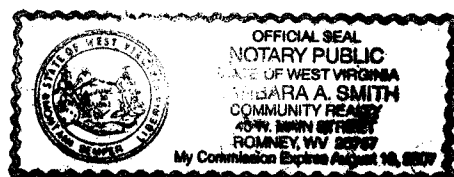
LESSOR _____

LESSOR _____

STATE OF West Virginia

COUNTY OF Hampshire

ACKNOWLEDGMENT



On this 16th day of November, 2006, before me, Barbara Smith Notary Public, came Donald E. McIntire and Bonnie G. McIntire husband & wife to

me known (or satisfactorily proven) to be the individual(s) described in, and who executed the foregoing instrument, and acknowledged that he/she/they executed the same for the purposes therein contained. In witness thereof, I hereunto set my hand and official seal.

My Commission Expires on: Aug. 19, 2007

Barbara Smith
Notary Public

Prepared by: The Keeton Group, LLC, 1021 Majestic Drive, Suite 330, Lexington, KY 40513

Richard Shea
RICHARD SHEA

Exhibit "A"

Attached thereto and made a part thereof an agreement between Donald E. McIntire and Bonnie G. McIntire, husband and wife of 845 Back Mountain Road, Winchester, VA 22602 and The Keeton Group, LLC of 3012 Merideth Circle, Lexington, Kentucky 40513, covering lands containing 82.27 acres and dated November 16th, 2005.

Including lands described and acquired as follows:

Tax Map# 05-024-017 containing 52.00 acres from Hoy O. Baker dated September 12th, 1975 and recorded in Deed Book 213 page 178

N- Roach S.
E- Kitzmiller J.
S- Reeves P.
W- Moser P.

Tax Map# 01-007-057 containing 14.27 acres from Grace M. Slaughter et al dated August 31st, 1983 and recorded in Deed Book 266 page 385

N- McIntire D.
E- Pizzini A. & Wright W.
S- Rhodes H. & Burton R.
W- Reeves P. & McIntire D.

Tax Map# 01-007-058 containing 16.00 acres from Grace M. Slaughter et al dated August 31st, 1983 and recorded in Deed Book 266 page 385

N- McIntire D.
E- Kitzmiller J.
S- Pizzini A.
W- McIntire D.

Tax Map# _____ containing _____ acres from _____, dated _____ and recorded in Deed Book _____, page _____.

N
E
S
W

SHARON H LINK
HAMPSHIRE COUNTY 02:23:31 PM
Instrument No 98118
Date Recorded 07/12/2007
Document Type OEL
Book-Page 466-324
Rec/Preserve \$5.00 \$1.00

STATE OF WEST VIRGINIA, Hampshire County Commission Clerk's Office

7/12/07 2:23pm

The foregoing Instrument, together with the certificate of its acknowledgment, was this day presented in said office and admitted to record.

Teste Sharon H. Link Clerk.