

OIL AND GAS LEASE

THIS AGREEMENT made and entered into this ____ day of November, 2013, by and between:

THE CITY OF NORMAN, OKLAHOMA, a Municipal Corporation, party of the first part, hereinafter called Lessor, and

BARON EXPLORATION COMPANY, 107 S. Broadway, Edmond, Oklahoma 73034, party of the second part, hereinafter called Lessee.

1. WITNESSETH that said Lessor, in consideration of **Ten Dollars and/or other valuable consideration**, 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 exclusively unto the said Lessee, for the sole and only purpose of exploring by geophysical and other methods, mining and operating for oil (including but not limited to distillate and condensate), gas (including casinghead gas and helium and all other constituents), and for laying pipe lines and building tanks, power stations and structures thereon, to produce, save and take care of said products, all that certain tract of land, together with any reversionary or accretion rights therein, situated in the County of Cleveland, State of Oklahoma, described as follows, to wit:

Government Lots 10 & 12, together with accretion lands, insofar as same lies within the W/2 NE/4 and E/2 NW/4 of section 18-8N-2W, Cleveland County, Oklahoma, containing 160 acres, more or less,

together with all rights and interests in and to adjoining and adjacent streets, gores, strips of land and right-of-ways, it being the intent hereof that all Lessor's interest now owned or hereafter acquired in the W/2 NE/4 & E/2 NW/4 of section 18-8N-2W, be covered by and included in this lease, containing 160 acres, more or less.

2. Subject to the provisions below, it is agreed that this Lease shall remain in force for a term of THREE (3) years from date herein, (herein called primary term) and as long thereafter as oil and gas, or either of them, is produced from said land by the Lessee.
3. Lessee will have one year from the execution hereof by Lessor in which to commence actual drilling of a well on the leased premises, otherwise this lease will terminate in its entirety.
4. Lessor owns all surface rights to the leased premises. In consideration of the mutual benefits to Lessor and Lessee, Lessor hereby leases and grants to Lessee that portion of the leased premises as depicted on survey attached hereto as Exhibit A, and made a part

hereof, as an exclusive drilling and production operations site. Lessee's access to the operations site shall be through public entrance at Lessor's Compost Facility. In addition, Lessor grants a pipeline right-of-way going east from the operations site through Lessor's Compost Facility following such route as designated by Lessor which route is depicted on plat attached hereto as Exhibit B and made a part hereof. Prior to Lessee's entry upon the operations site, Lessee shall make rental payment to Lessor of \$300 and continue paying Lessor the \$300 rental monthly, or, at Lessee's option, \$3,600 annually. Such rental payments shall continue until Lessee has ceased operations at the operations site and turned over possession of such site to Lessor. Lessee shall not remove gravel or rock from the operations site without consent of Lessor. Up to four wellbores may be drilled on the operations site, one of which may be either an oil and gas producer or a water disposal well for on-site produced water.

5. In consideration of the premises the said Lessee covenants and agrees:
 - a. To deliver to the credit of Lessor, free of cost, in the pipe line to which it may connect its wells, the three-sixteenths (3/16) part of all oil (including but not limited to condensate and distillate) produced and saved from the leased premises.
 - b. To pay Lessor for gas of whatsoever 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, three-sixteenths (3/16) 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 three-sixteenths (3/16) of the actual amount received by the lessee, said payments to be made monthly. During any period (whether before or after expiration of the primary term hereof) when gas is not being sold or used and the 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 next ensuing after the expiration of ninety (90) days from the date such well is shut in and thereafter on the anniversary date of this lease during the period such well is shut in, to the royalty owner. When such payment or tender is made it will be considered that gas is being produced within the meaning of the entire lease. Notwithstanding any other provision to the contrary, this Lease shall not terminate because of a failure to properly or timely make shut-in gas well payments unless Lessor shall have given Lessee written notice of such failure to properly or timely make such shut-in gas well payment and Lessee shall have failed for a period of thirty (30) days after receipt of such notice to tender such late payment or such payment in the proper amount.
 - c. To pay Lessor for gas produced from any oil well and used off the premises or for the manufacture of casinghead gasoline or dry commercial gas, three-sixteenths (3/16) of the gross proceeds at the mouth of the well received by lessee for gas during the time such gas shall be used, said payments to be made monthly.

6. In addition to the \$300.00/month payments for entry upon and lease of the operations site and the three-sixteenths (3/16) part royalty payment for oil and gas, the Lessee agrees to pay a one-time bonus payment to the Lessor of \$150.00/acre for a total one-time payment of \$24,000.
7. If the Lessee shall commence to drill a well or commence reworking operations on an existing well within the term of this lease or any extension thereof, or on 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.
8. Lessee is hereby granted the right at any time and from time to time to unitize 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. Operations upon 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 below provided, and except that in calculating the amount of any shut in gas royalties, only the part of the acreage originally leased and then actually embraced by this 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 his acreage placed in the unit, or his royalty interest therein on an acreage basis bears to the total acreage in the unit.
9. If said Lessor owns a less interest in the land described on the signature page attached hereto than the entire and undivided fee simple estate therein, 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.
10. Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for its operations thereon.
11. At the expiration of the primary term this lease shall terminate as to all acreage located outside of drilling and spacing unit or units upon which production has been established or drilling operations have been commenced.

12. 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. However, no change or division in ownership of the land or royalties shall enlarge 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 or a true copy thereof. In case Lessee assigns this Lease in whole or in part, Lessee shall be relieved of all obligations with respect to the assigned portion arising subsequent to the date of assignment.
13. All express or implied covenants of this Lease shall be subject to all Federal and State Laws, Executive Orders, Rules and Regulations, including all rules and regulations of the City of Norman, and this Lease shall not be terminated in whole or in part nor Lessee held liable in damages for failure to comply therewith if compliance is prevented by or such failure is the result of any such Law, Order, Rule or Regulation.
14. This Lease shall be effective as to each Lessor on execution hereof as to his or her interest and shall be binding on those signing, notwithstanding some of the Lessors above named may not join in the execution hereof. The word Lessor as used in this Lease means the party or parties who execute this Lease as Lessor, although not named above.
15. 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 release thereof to Lessor or by placing a release of record in the proper County.
16. Lessor agrees that the Lessee 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.
17. It is agreed between the Lessor and Lessee that all oil and gas or other proceeds accruing to the Lessor under this Lease or by state law shall be without deduction, made by itself or an affiliate, the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and marketing the oil, gas or other products produced hereunder to transform the product into marketable form; however any such cost which results in enhancing the value of the already marketable oil, gas, or other products to receive a better price may be deducted from Lessor's share of production so long as they are based on Lessee's actual cost of enhancements by any third party and so long as such costs are incurred through arms' length transactions. Notwithstanding any language in this Lease to the contrary, royalty shall not be computed on value or volumes greater than or less than that received by Lessee.
18. Upon the expiration of the primary term hereof, this lease shall automatically terminate and expire as all leasehold rights below 100 feet below the stratigraphic equivalent of the base of the deepest formation or common source of supply (whichever is deeper) penetrated by the deepest well drilled under the terms of this lease. If within the primary

term of this lease, Lessee shall commence operations to drill or rework a well under the terms of this lease, the Lessee shall have the right to drill such well to completion and/or complete reworking or completion operations with reasonable diligence and dispatch and this lease shall terminate only as to those depths below 100 feet below the stratigraphic equivalent of the base of the deepest formation or deepest common source of supply penetrated in such well, if it is the deepest well drilled under the terms of this lease.

19. As further consideration for the mutual covenants and conditions contained herein, Lessor agrees that Lessee shall have no liability for any injuries, damages, nuisances, pollution, and environmental problems which were caused or may result from prior oil and gas operations or other activities previous to the date hereof, and to fully effectuate same, Lessor hereby releases Lessee from any and all claims that Lessor might otherwise have a result of any prior activities or operations on or relating to the lease premises, Lessor agrees that it will indemnify Lessee from any and all claims, liability, and/or losses associated therewith, to the extent provided by law, and Lessor covenants that it will not file any suit, administrative action, or complaint against Lessee relating thereto.

APPROVED by _____ this ____ day of November 2013.

Baron Exploration Company

State of Oklahoma

County of Cleveland

The foregoing instrument was acknowledged before me this ____ day of November, 2013, by _____.

In Witness whereof, I have hereunto set my official signature and affixed by official seal the day and year first above written.

Commission expires: _____

Notary Public

APPROVED this ____ day of November, 2013, by the Norman City Council.

Mayor Cindy Rosenthal

Attest:

Brenda Hall, City Clerk

Approved as to form and legality this ____ day of November, 2013.

City Attorney