

LEASE AGREEMENT

THIS LEASE AGREEMENT made and entered into this 12th day of Sept., 2006, by and between the City of Norman, Oklahoma, a municipal corporation, hereinafter referred to as "Lessor", and Sand Express, Inc., an Oklahoma corporation, hereinafter referred to as "Lessee".

WITNESSETH:

1. **RECITATIONS.** Lessee agrees to lease from Lessor the real estate and premises hereinafter described for the purposes of operating a sand mine, and kindred business activities on said land, and for the terms, uses and purposes and in accordance with all the provisions hereof.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained to be kept and performed by each of the parties hereto, it is mutually agreed as follows:

2. **LAND COVERED BY THIS LEASE.** The real estate and premises covered by this lease is more particularly described as Lot Ten (10), Section Eighteen (18), Township Eight (8) North, Range Two (2) West of the Indian Meridian, Norman, Cleveland County, Oklahoma which is more particularly described on Exhibit "A" attached hereto and made a part hereof (the "Leased Premises").

3. **TERM OF LEASE.** Lessor does hereby lease, demise and let, according to the provisions hereof, possession of the real estate and premises described on Exhibit "A", attached hereto and made a part hereof, for a period of twenty-six (26) years (the "Lease Term"), commencing on the date of this Lease as set forth above.

4. **USES.** The above described land is let to Lessee by Lessor for the purpose of operating a sand mine or related purposes.

5. **OPERATION OF SAND MINE.** In consideration of the use, occupancy and possession to the above described property for operation of a sand mine, by which Lessee will enter upon the above described land and take and remove sand therefrom in such quantities as it desires, and, in connection therewith, dredge and stock pile sand thereon and locate, maintain and operate such machinery, equipment and other personal property as may be expedient for such purpose. Lessee agrees to keep an accurate account of the volume of sand removed by it from said land and pay to Lessor a royalty as

hereinafter described. Lessee agrees to furnish Lessor with a copy of the aforesaid account on or before the 10th day of each month evidencing the amount of sand removed during the preceding calendar month. Lessor shall have the right to inspect the records at reasonable times to verify the amount of sand removed by it. In consideration of the above, Lessee agrees to pay and Lessor agrees to accept a royalty of one dollar (\$1.00) per cubic yard of sand removed provided that the royalty shall be adjusted in direct proportion to the increase or decrease in the cost of living as reflected in the "Consumer Price Index for All Urban Consumers, United States Averages" compiled by the Bureau of Labor Statistics, of the United States Department of Labor; provided, that royalty paid hereunder shall never be less than one dollar (\$1.00) per cubic yard of sand removed. Royalty shall be adjusted and established for each year during the term hereof as provided commencing on the date of the Lease as set forth above and in a like day of each successive year thereafter.

6. **LESSOR'S RESPONSIBILITIES.** Lessor hereby reserves the rights for existing and future oil and gas drilling operations and Lessee shall make all reasonable effort to accommodate any and all drilling operations.

7. **LESSEE'S RESPONSIBILITIES.** Lessee shall be solely responsible for the conduct and management of the above-described property as a sand mine, and shall furnish and supply all equipment, tools, and labor necessary for the proper conduct of such businesses without cost to Lessor and shall maintain said property during the term hereof at its sole expense.

Lessee shall assure compliance with the provisions of all Federal, State, and City Regulations related to the use of sand property.

8. **CESSATION OF SAND MINING.** In the event Lessee ceases to operate or use the premises for a sand mine or related purposes, then in such event this Lease Agreement shall automatically terminate and the Lessor shall be entitled to immediate possession of said premises.

9. **INSURANCE.** Lessee agrees at its sole expense to carry public liability and property damage insurance covering its activities upon the leased land with Lessor named as party insured in an amount not less than \$1,000,000.00 and furnish Lessor with a memorandum of such insurance contract.

10. **INGRESS AND EGRESS.** Lessor grants to Lessee the right of ingress and egress in the subject property on the roadway which runs from South Chautauqua Street to the premises, as shown on Exhibit "A", attached hereto and made a part hereof. The right of ingress and egress shall remain in effect during the term of the Lease Agreement.

11. **DEFAULT.** In the event either party hereto should default in the performance of any obligation hereunder on its part to be performed, the other party agrees to give such defaulting party five (5) days notice in writing of such default. Should such default not be corrected within five (5) days after the giving of such notice, then and in that event, the party giving such notice shall have the right and option to terminate this Lease or pursue such other remedy as provided by law, including the right on the part of Lessor to re-enter and take possession of the premises and collect damages resulting from such default. If either party is compelled to resort to proceedings at law to protect its rights hereunder, the party ultimately determined to be at fault shall pay all costs and expenses of such litigation including a reasonable attorney fees in a sum to be fixed by the Court, in addition to all other cost and damages according to law.

Any notice given hereunder by either of the parties hereto shall be considered as having been legally given when deposited in the United States Post Office with postage thereon fully prepaid, addressed as follows:

TO THE LESSOR: The City of Norman, Oklahoma
 Office of the City Manager
 Post Office Box 370
 Norman, Oklahoma 73070

and

TO THE LESSEE: Sand Express, Inc.
 Post Office Box 6592
 Norman, Oklahoma 73070.

12. **TERMINATION AND EXTENSION.** This Lease shall not be considered renewed or extended unless the same be in writing and signed by the parties hereto, and in the event Lessee continues in possession after the termination date hereof, it shall be considered a month-to-month tenancy.

At the end of the term of this Lease or any extended term hereof, Lessee shall return the Leased Premises to Lessor in substantially the same condition as existed at the commencement of the Lease Term and remove all of its tools, equipment, and personal property therefrom.

13. **BINDING EFFECT.** This Lease Agreement shall be binding upon the parties hereto and their respective successors and assigns.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be executed the day and year first above written.

“LESSOR”

CITY OF NORMAN, OKLAHOMA,
a municipal corporation,

By: Harold Haralson
Harold Haralson, Mayor

ATTEST:

Mary Hatley
City Clerk

APPROVED AS TO FORM AND LEGALITY BY THE OFFICE OF THE
CITY ATTORNEY

By: Jeff Harley Bryant
Jeff Harley Bryant

“LESSEE”

SAND EXPRESS, INC.,
an Oklahoma corporation,

By: Jeanie Baker
Jeanie Baker, President

ATTEST:

John S. Followwell
Secretary

EXHIBIT "A"

Proposed Sand Express Lease

A tract of land being part of the Northwest Quarter (NW1/4) Section Eighteen (18), Township 8 North (T8N), Range 2 West (R2W) of the Indian Meridian, Cleveland County Oklahoma, Containing 92.57 Acres more or less and Being more particularly described a follows:

Beginning at the NE corner of said NW1/4; of said section Eighteen (18);

THENCE south along said east line of said NW/4, S 00° 17' 56" E a distance of 1332.31 feet;

THENCE S 25° 35' 03" W a distance of 171.64 feet;

THENCE S 0° 00' 00" E 998.46 feet, to the intersection of government accretion lot 10;

THENCE southwest along the parcel line of said government accretion lot 10; S 49° 12' 20" W a distance of 711.31 feet;

THENCE along the parcel line of said government accretion lot 10; N 40° 47' 40" W a distance of 1970.35 feet;

THENCE N 36° 00' 01" W a distance of 483.06 feet;

THENCE N 53° 59' 59" E a distance of 635.17 feet;

THENCE N 47° 55' 49" E a distance of 1010.85 feet;

THENCE N 88° 57' 52" E a distance of 913.10 feet;
to the point of beginning.