

ORDER FOR PAYMENT

OFF#

Date: July 27, 2007

Lessee/Grantee shall, subject to its approval of title, make payment as indicated herein by check within 30 days of Lessee/Grantee's receipt of this Order For Payment and the executed Agreement associated herewith. No default shall be declared for failure to make payment until 10 days after written notice from payee of intention to declare such default. The right to receive this payment shall not be assigned, whether as collateral or otherwise.

If the Agreement referenced herein covers less than the entire undivided interest in the oil and gas or other rights in such land, then the dollar amount listed herein shall be paid to the payee only in the proportion which the interest in said lands covered by the Agreement bears to the entire undivided interest therein. Further, should Lessor/Grantor own more or less than the net interest defined herein, Lessee/Grantee may increase or reduce the dollar amount payable hereunder proportionately.

For collection, the original copy herein must be forwarded along with the associated Agreement to Lessee/Grantee at the address below. A copy is to be retained by payee.

PAYEE:
(Lessor/Grantor)

Address:

The amount of

This payment

Agreement T:

Covering the

Gross Acres:

Completed by:

Randy Wright, Agent

Acknowledged and accepted by:

Lessor/Gran

SS#/Tax ID

Lessor/Gran

SS#/Tax ID#

Forward to Lessee/Grantee: R. L. Powell
730 Prince George Parish
Knoxville, Tennessee 379

FOR OFFICE USE ONLY

Date Received:	Date Due:
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Document # _____
 Project: _____ AFE#: _____
 Approved by: _____ Date: _____
 Date Paid: _____ Check # _____

OIL AND GAS LEASE
(Paid-Up)

THIS AGREEMENT
hereinafter
Tennessee

between
and
of

between
of, Knoxville,
Tennessee

WITNESSETH:

1. That the said Lessor, for and in consideration of Ten and More Dollars, cash in hand paid, receipt and adequacy of which are hereby acknowledged, and of the royalties herein provided and of the agreement of the Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee the land covered hereby for the purpose of investigating, exploring, prospecting, drilling (either horizontally, vertically or directionally), developing, operating, producing, marketing, and transporting oil and gas along with all hydrocarbon and non-hydrocarbon substances (including sulphur) produced in association therewith. The term "oil" as used herein includes condensate and all other liquid hydrocarbon. The term "gas" as used herein includes, but is not limited to, helium, carbon dioxide, and other commercial gases as well as hydrocarbon gases such as casinghead gas, hydrogen sulfide gas, coalbed methane gas, gob gas, and all natural gas originating, produced, or emitted from coal formations or seams, and any related, associated, or adjacent rock material. Lessor further grants, leases and lets exclusively unto Lessee said land for the purposes of injecting gas, water, other fluids, air and any other substances into subsurface strata, conducting all types of recovery operations, establishing and utilizing facilities for the disposition of salt water and other waste materials, conducting geological and geophysical surveys and explorations, laying pipelines, storing leased substances, building roads, bridges, tanks, power lines, telephone lines and any other structures and things thereon to produce, save, take care of, process, store and transport said leased substances and other products manufactured therefrom, and housing and otherwise caring for its employees, together with such rights and easements in said land necessary or useful in Lessee's oil and gas operations on said land or adjoining lands, together with the right to transport through or over the property hereby leased any and all oil and gas produced by Lessee, its successors and assigns, from other property including the right of way and easements to lay, construct, use, maintain, operate, change, replace and remove pipeline or pipelines for such transportation and with the right to cross any adjacent or contiguous lands of Lessor by use of existing roads or otherwise in order to have ingress and egress to and from said land to carry out such purposes. For the same consideration paid, Lessor agrees that Lessee's right to use, maintain, operate, change, replace and/or remove pipeline or pipelines, and transport any and all oil and gas production from the leased premises and other property as produced by Lessee, its successors and assigns, shall survive the expiration and/or termination of this Oil and Gas Lease and this right shall continue in full force and effect for so long thereafter as any pipeline installed hereunder is used or remains on said land. The land covered hereby is located in the District of Lost River, County of Hardy, State of West Virginia, described as follows, to wit:

SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF FOR DESCRIPTION.

Tax Map #: _____ Parcel #'s: _____
On the North by lands of _____
On the East by lands of _____
On the South by lands of _____
On the West by lands of _____
and being the same land conveyed to Lessor by _____

by deed dated _____, recorded in Deed Book (s) _____, Page(s) _____
In said County, said land (hereinafter called the land) being estimated to comprise 321.52 acres whether more or less, which acreage figure may be relied upon by Lessee in calculating any payments hereunder. Notwithstanding the above specific description, it is nevertheless the intention of Lessor to include within this lease, and Lessor does hereby lease all lands now owned, claimed, or hereafter acquired by Lessor up to the boundaries of any abutting landowner (including any vacancies). Together with any and all of Lessor's interest in any lands underlying lakes, streams, roads, easements and right-of-ways which cross or adjoin the land, including all land added thereto by accretion.

2. It is agreed that this lease shall remain in force for a term of **Five (5) years** from the above date (herein called the primary term) and as long thereafter as oil and gas, or either of them, are produced or capable of being produced from the land or lands with which the land is pooled, consolidated, or unitized hereunder, or this lease is continued in force by any other provision hereof.

3. Lessee agrees to deliver to the credit of Lessor into the pipeline or storage tanks to which the well may be connected, one-eighth (1/8) part of all oil produced and saved from the land, or, from time to time, at the option of the Lessee, the market price at the well of such one-eighth (1/8) part of all oil produced and saved from the land. Lessee shall

pay Lessor for gas produced and saved from the land, a royalty equal to one-eighth (1/8) of the net proceeds realized from the sale thereof, computed at the wellhead. Lessor shall pay a proportionate part of all ad valorem, excise, occupation, depletion, privilege, severance, processing, production or other taxes now or hereafter levied, or assessed or charged on oil or gas produced from the Land. During any period (whether before or after expiration of the primary term hereof) when gas is not being so sold or used and the well or wells are shut-in and there is no current production of oil or operations on the land (or lands with which all or part of the Land is pooled) sufficient to keep this lease in force, Lessee shall pay or tender a royalty of Two Hundred Fifty Dollars (\$250.00) per year for each shut-in gas well, 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 owners. When such payment or tender is made, it will be considered that gas is being produced within the meaning of the entire lease.

4. This is a **PAID-UP LEASE**. In consideration of the cash payment as described in Paragraph 1. hereof, Lessor agrees that Lessee shall not be obligated except as otherwise provided for herein, to commence or continue any operations during the primary term. Whenever used in this lease the word "operations" shall mean operations for any of the following: drilling, testing, completing, reworking, recompleting, deepening, plugging back or repairing of a well in search for or in an endeavor to obtain production of oil, gas, sulphur or other minerals, production of oil, gas, sulphur or other mineral, whether or not in paying quantities.

5. If at the expiration of the primary term no oil or gas is being produced on the land or on lands pooled, consolidated, or unitized therewith, but Lessee is then engaged in drilling operations or reworking operations thereon (or on acreage pooled, consolidated, or unitized therewith) this lease shall remain in force so long as such operations or additional operations (whether on the same well or on different wells successively) are commenced and prosecuted with reasonable diligence and dispatch with no cessation of more than one hundred twenty (120) consecutive days and, if they result in the production of oil and gas, so long thereafter as any oil or gas is produced thereunder from the land.

6. Lessee is hereby granted the right at any time and from time to time, as recurring right either before or after production, to pool, consolidate, and unitize the land 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 of oil or gas. However, no unit for the production primarily of oil shall embrace more than 80 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 fields 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 or declarations of pooling in the county in which the land is located. Operations upon and production from the unit shall be treated as if such operations were upon or such production were from the land, 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 the 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 that part of the acreage originally leased and then actually embraced by this lease shall be counted. With respect to the 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 Lessor's acreage hereunder which is placed in the unit, or his royalty interest therein on an acreage basis, bears to the total acreage in the unit.

7. Lessee shall, without cost, have the right to use oil, gas and water produced from or stored on the land for Lessee's operations, except the Lessee shall not be entitled to use water from Lessor's domestic water well and Lessee, when requested in writing by any Lessor owning an interest in the surface, shall bury, if reasonable and practical, all pipelines crossing cultivated land off the well sites below ordinary plow depth. Lessee agrees that no well shall be drilled within two hundred (200) feet of any occupied residence located on the land as of the date of this lease without the Lessor's consent. Lessee shall pay Lessor for all actual damages directly caused by Lessee's drilling operations on the land to Lessor's growing crops, trees, and fences. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed in, on or under the land by Lessee, including the right to draw and remove all casing and pipelines.

8. The rights of each party hereunder may be assigned in whole or in part and the provisions hereof shall extend to their heirs, devisees, successors and assigns, but no change or division in the ownership of the land or royalties, however accomplished, shall operate to enlarge the obligations or diminish the right of Lessee; and no change or division in such ownership shall be binding on Lessee until thirty (30) days after Lessee shall have been furnished with a certified copy of a recorded instrument or instruments evidencing such change of ownership. In the event of assignment hereof in whole or in part, liability for breach of any obligation issued hereunder shall rest exclusively upon the owner of this lease, or portion thereof, who commits such breach. In the event of the death of any person entitled to any payment hereunder, Lessee may pay or tender such payments to the credit of the deceased, until such time as Lessee has been furnished with the proper evidence of the appointment and qualification of an executor or an administrator of the estate, or if there be none, then until Lessee is furnished satisfactory evidence as to the heirs or devisees of the deceased, and that all debts of the estate have been paid. If at any time two (2) or more persons become entitled to participate in any amount payable hereunder, Lessee may pay or tender such amount jointly to persons; or, at the Lessee's election, the portion or part of said amount to which each participant is entitled may be paid or tendered to each participant separately; and payment or tender to any such participant of its/their portion of the royalties hereunder shall maintain this lease as to such participant. In the event of an assignment of this lease as to a segregated portion of the land, the amounts payable hereunder shall be

apportioned as between the several leasehold owners ratably according to the surface area of each, and default in any payment hereunder by one shall not affect the right of other leasehold owners hereunder. If the land is now or shall hereafter be owned severally or in separate tracts, the premises nevertheless shall be developed and operated as one lease and all lease and all royalties accruing hereunder shall be treated as an entirety and shall be divided among and paid to such separate owners in the proportion that the acreage owned by each such separate owner bears to the entire leased acreage.

9. Lessee, and Lessee's successors and assigns, shall have the right at any time to surrender this lease, in whole or in part, to Lessor, or Lessor's heirs or successors and assigns, by delivering or mailing a release thereof to Lessor, or by placing a release thereof of record in the county in which the land is situated; thereupon, Lessee shall be relieved of all obligations, expressed or implied, of this lease as to the acreage so surrendered, and thereafter the payments payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

10. Lessor agrees that should Lessee be advised of or receive notice of an adverse claim or of defective title affecting the land covered hereby which could affect all or parts of the payments due hereunder, then Lessor expressly authorizes Lessee, at Lessee's sole discretion, and without liability, to withhold payment and delivery of all Lessor's such payments or production in kind hereunder, without interest or penalty, until such time as said adverse claim is resolved or title is cured by a final decree in a court of competent jurisdiction. Or, Lessee may file an interpleader action and pay Lessor's payments or production in kind as directed by a court of competent jurisdiction until such time as said court determines and authorizes the proper distribution of said payments or payments in kind to parties involved. Lessor agrees that in no event shall Lessee's withholding of payments or its payments made as directed by a court of competent jurisdiction constitute a default by Lessee. Lessor further agrees that Lessee shall in no event be liable for interest, conversion, penalty or wrongful withholding of such suspended amounts. In the event of production hereunder, Lessor agrees to execute a division order confirming the Lessor's interest herein.

11. The breach by Lessee of any obligations arising hereunder shall not work a forfeiture or termination of this lease, nor cause a termination or reversion of the estate created hereby, nor be grounds for cancellation hereof, in whole or in part, unless Lessor shall notify Lessee in writing of the specific facts relied upon in claiming a breach hereof, and Lessee, if in default, shall have sixty (60) days after receipt of such notice in which to commence the compliance with the obligations imposed by virtue of this instrument, and if Lessee shall fail to do so then Lessor shall have grounds for actions in a court of law or such remedy to which Lessor may be entitled.

12. Lessor hereby warrants and agrees to defend the title to the land and agrees also that Lessee at its option may discharge any tax, mortgage, or other liens or encumbrances upon the land either in whole or in part, and in the event Lessee does so, it shall be subrogated to such liens with the right to enforce same and apply payments accruing hereunder towards satisfying same. Without impairment of Lessee's rights under the above warranty in event of failure of title, it is agreed that if Lessor owns an interest in the oil or gas under the land, less than the entire fee simple estate, then the royalties, shut-in royalties, and any other payment due hereunder to be paid to Lessor shall be reduced proportionately. Failure of Lessee to reduce any such payment paid hereunder or make an overpayment of such amount due hereunder shall not impair the right of Lessee to reduce royalties payable hereunder. Lessor agrees that during the primary term of this lease, it will not grant a top lease to any third party without first giving Lessee the right to acquire such top lease on the same terms, conditions, and for the same consideration being offered by the third party.

13. Should Lessee be prevented from complying with any expressed or implied covenant of this lease, from conducting drilling or reworking operations thereon or on lands pooled therewith or from producing oil or gas therefrom or from lands pooled therewith, by reason of scarcity of, or inability to obtain or to use pipelines, equipment or material, explosions, breakage of or accident to machinery, equipment, or lines of pipe, the inability to acquire, or the delays in acquiring, at reasonable cost and after the exercise of reasonable diligence, such servitudes, rights-of-way, permits, licenses, approvals and authorizations by regulatory bodies as may be necessary in order that obligations assumed hereunder may be lawfully performed in the manner contemplated, or by market conditions which (in Lessee's sole judgement) render sales of oil or gas as unprofitable or imprudent, or by operation of force majeure, or because of any federal or state law or any order, rule or regulation of a governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and the time while Lessee is so prevented by any such cause from conducting drilling or reworking operations on, or from producing oil or gas from the land or lands pooled therewith; and the time while Lessee is so prevented shall not be counted against the Lessee, anything in this lease to the contrary notwithstanding.

14. The undersigned hereby release and relinquish all rights of dower, curtesy, or other spousal interest and homestead in the land, insofar as said right of dower, curtesy, spousal interest and homestead may in any way affect the purposes for which this lease is made as recited herein.

15. Notwithstanding any other provision herein to the contrary, Lessee shall have the right and power to pool and unitize, for horizontal drainhole wells as such wells are defined or recognized by West Virginia Oil and Gas Board, all or part of the lands covered by this lease with any other land for oil or gas to form pooled units of such size as may be permitted by the Board for the assignment of acreage to the horizontal drainhole well or wells in question. In exercising its pooling rights for horizontal drainhole wells under this paragraph, Lessee shall file of record in the county where the lands to be pooled are located a written declaration

describing the unit and stating the effective date of pooling. Lessee shall have the recurring right but not the obligation to revise any unit formed for horizontal drainhole wells by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern permitted by the Board, or to conform to any productive acreage determination made by such agency. In making such revision, Lessee shall file of record in the county where the lands are located a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable under this paragraph shall be adjusted accordingly as of the effective date for the revised unit. The effective date for any unit formed for horizontal drainhole wells under this paragraph or any revision thereof shall be the date set forth as the effective date by lessee in the written declaration that is filed of record for such unit or revision thereof.

16. This lease and all its terms, conditions and stipulations shall extend to and be binding on all successors in title of said Lessor or Lessee.

17. Prior to the expiration of the primary term of this lease, or if operations are being conducted on said lease or land pooled therewith at the expiration of the primary term in such manner as to maintain this lease in force, within thirty (30) days after the completion of a dry hole resulting from such operations, lessee may extend the primary term of this lease as to all or any part of acreage then covered hereby, for an additional Five (5) years beyond the initial primary term, by written notification of action taken and by making payment to lessor or to lessor's successor in interest, or to the credit of lessor or such successor in interest in any depository bank named herein or in any amendatory instrument in the sum of \$ 50.00 for each net acre as to which the lease is extended. If this option is exercised by lessee, the lease as extended will thereafter be treated as if the original primary term had been Ten (10) years.

18. Anything herein to the contrary notwithstanding, it is understood and agreed that this is a Non-Developmental lease and that lessee shall have no right to use the surface of the lands for any purpose whatsoever described herein without the further express written consent of the lessor.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

LESSOR:

Individual Acknowledgement

STATE OF _____

COUNTY OF _____

before me this _____ day of _____, 2007 the foregoing, and who is know to me, acknowledged before me on this day egoing, that they executed the same voluntarily on the day the same bears

My commission expires: _____

Notary Public

This Instrument Prepared by: R. L. Wright
483 Elks Lake Rd.
Hattiesburg, Ms 39401