

OIL AND GAS LEASE

Prepared by:

J. Nelson Wood  
Attorney at Law  
P.O. Box 828  
Mt. Vernon, IL 62864

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THIS AGREEMENT made this 17 day of April, 2013 between **Patricia P. Dutiel 6160 E Hawthorne St Tucson, AZ 85711**, herein the "Lessor" (whether one or more) and **WOOD ENERGY, INC., P.O. Box 828, Mt. Vernon, Illinois 62864**, herein the "Lessee".

WITNESSETH:

1. Lessor, for and in consideration of {ten and 00/100 dollars (\$10.00)}, and other valuable consideration, in hand paid, the receipt of which is hereby acknowledged, and of the covenants and agreements of Lessee hereinafter contained, hereby grants, demises, leases and lets, exclusively unto Lessee for the purpose of investigating, exploring (by geologic and geophysical tests and surveys and other methods), prospecting, drilling, mining and operating for and producing oil and other liquid hydrocarbons, natural gas, except coalbed methane gas, and their constituent elements, including injecting gas, waters, other fluids and air into subsurface strata, including the further right to inject water from other wells on adjoining lands and within the field development, laying pipelines, storing oil, building tanks, electric transmission lines, telephone lines, ponds, towers, roads and structures thereon to produce save, take care of, treat, process, store, transport and own said oil, other liquid hydrocarbons, gases, and their constituent elements, together with the right to ingress and egress thereto or to other land under lease to Lessee, the following described land in **Hamilton County**, State of Illinois, (hereinafter the "leased premises") to-wit:

**Township 4 South, Range 7 East of the 3<sup>rd</sup> P.M.**

**Section 32: SE/4 NE/4**

and containing **40** acres, more or less. This lease covers and includes herein any lands which may underlie roads, right-of-way, or any easements, adjoining the lease premises. For the purpose of making any payment based on acreage, the leased premises and its constituent parcels shall be deemed to contain the acreage above stated whether they actually contain more or less. This Lease shall cover all the interest in the lease premises now owned by or hereafter vested in Lessor. Subject to the other provisions herein contained, this Lease shall remain in force for a term of **five (5) years** from the date of acknowledgment of this instrument (called "primary term"), and as long thereafter as oil, other liquid hydrocarbons, gas or their respective constituent elements, or any of them is produced from the lease premises or land with which the leased premises is pooled, or this Lease is otherwise maintained in effect pursuant to the provisions hereto. Lessor hereby grants to Lessee the right and option to extend the primary term of the Lease for an additional period of three years by paying or tendering to Lessor on or before the date of this Lease would otherwise expire the sum of **\$350.00** per net mineral acre owned by Lessor, which payment or tender represents full consideration for the extended primary term. Should this option be exercised as herein provided, it shall be considered for all purposes as though the words "five years" herein above in this Paragraph 2 had been "eight years". The payment to extend this Lease shall be deemed to have been properly tendered if deposited in the United States mail before the expiration of the primary term, postage prepaid, return receipt requested, addressed to Lessor at the address above or such other address as Lessor shall hereafter furnish to Lessee.

2. The royalty to be paid by Lessee to Lessor are: (a) on oil, and on other liquid hydrocarbons saved at the well, **17.5%** of that produced, saved and sold from the leased premises, the same to be delivered at the wells or to the credit of Lessor into the pipeline to which the wells may be connected; (b) on gas, including casinghead gas and all other gaseous substances, produced from the leased premises and sold or used off the leased premises or in the manufacture of gasoline or other products therefrom, the market value at the mouth of the well of **17.5%** of the gas so sold or used; provided that on gas sold at the well the royalty shall be **17.5%** of the amount realized from such sale; and (c) if at any time while there is a gas well or wells on the leased premises (and for the purpose of this clause (c) the term "gas well" shall include wells capable of producing natural gas, condensate, distillate or any gaseous substance and wells classified as gas wells by governmental authority) and if such well or wells are shut in or production therefrom is not being sold by Lessee, and if this Lease is not continued in force by some other provision hereof, then it shall nevertheless continue in force for a period of 90 days from the date such well or wells are shut in or production therefrom is not being sold by Lessee, and before the expiration of any such 90-day period, Lessee or any assignee hereunder may pay or tender an advance annual royalty payment of one dollar (\$1.00) per acre, and if such payment or tender is made, this Lease shall continue in force and it shall be considered that gas is being produced from the leased premises within the meaning of paragraph 2 hereof for one year from the date such payment is made, and in like manner subsequent advance annual royalty payments may be made or tendered and this Lease shall continue in force and it will be considered that gas is being produced from the leased premises within the meaning of said paragraph 2 during any annual period for which such royalty payment is so paid or tendered. Lessee's failure to pay or tender or to properly or timely pay or tender any such sum as royalty shall render Lessee liable for the amount due but it shall not operate to terminate this lease. However, this Lease cannot be perpetuated for a period of more than thirty-six (36) consecutive months beyond the primary term under the provisions hereof providing for payment of shut-in gas payments in lieu of actual production.

3. In the event of production, royalty proceeds derived from the sale thereof, subject to other terms and conditions set forth herein, shall commence to be paid to Lessor on or before one hundred twenty (120) days after the end of the month that first production occurs. Subsequent thereto, payment shall be made no later than sixty (60) days after the end of the calendar month in which subsequent production is sold. If payment is not timely made as set forth herein, Lessee shall pay interest to Lessor beginning on the expiration of the time limit at the rate charged on loans to depository institutions by the New York Federal Reserve Bank plus 2% in the event said rate is less than 2%. Interest payments shall not be required where payment for production is beyond the time limits because there is (i) a dispute concerning title that would affect distribution of payments; or (ii) a reasonable doubt exists that Lessor does not have clear title to the interest in the proceeds of production; or (iii) there exists a requirement in a title opinion that places in issue the title, identity, or whereabouts of the Lessor that has not been satisfied by the Lessor after a reasonable request for curative information has been made by Lessee. Lessee shall provide to the purchaser of production, evidence of title as to Lessor's interest in sufficient time so as to allow said purchaser to make a determination of Lessor's title and to allow payment within the 120 day time frame set forth herein.

4. Lessee is hereby granted the right, but not the obligation, to pool or unitize this Lease, as to the leased premises, or any part thereof, with any other land, lease or leases or parts thereof, as to any or all depths or zones, and as to any or all substances covered by this Lease. No unit for the production of oil that does not involve a horizontal completion shall embrace more than 80 contiguous acres plus a tolerance of 10% thereof; and units pooled for gas and condensate or for oil which involve a horizontal completion shall not exceed 640 contiguous acres plus a tolerance of 10% thereof; provided, however, that if any Federal or State law, Executive order, rule or regulation shall permit a spacing pattern for the development of the field or allocate a producing allowable on acreage per well, then any such units may embrace as much additional acreage as may be permitted or as may be used in such allocation or allowable. For the purpose of the foregoing, the term "horizontal completion" means an oil well in which the horizontal component of the gross completion interval in the reservoir exceeds the vertical component thereof. In exercising its pooling rights hereunder, Lessee shall execute in writing and file of record an instrument identifying and describing the pooled acreage and stating the effective date of pooling. Such units may be designated either before or after the completion of wells. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling, or reworking operation on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by the Lease and included in the unit bears to the total gross acreage in the unit, but only to the extent such proportion

of unit production is sold by Lessee. Pooling in one or more instance shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority. In making such a revision, Lessee shall file of record 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 hereunder shall thereafter be adjusted according. In the absence of production [in paying quantities] from a unit, or upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. Pooling hereunder shall not constitute a cross-conveyance of interests.

5. If, prior to discovery of oil, other liquid hydrocarbons, gases or their respective constituent elements, or any of them, on the leased premises or on land pooled therewith, Lessee should drill and abandon a dry hole or holes thereon, or if, after discovery of oil, other liquid hydrocarbons, gases or their respective constituent elements, or any of them, the production thereon should cease from any cause, this Lease shall not terminate if Lessee commences additional drilling or reworking operations within one hundred eighty (180) days thereafter. If, at the expiration of the primary term, oil, other liquid hydrocarbons, gases or their respective constituent elements, or any of them, is not being produced on the leased premises, or land pooled therewith, but Lessee is then engaged in operations for drilling, or reworking of any well or wells thereon, this lease shall remain in force so long as such operations or said additional operations are commenced and prosecuted (whether on the same or successive wells) with no cessation of more than one hundred eighty (180) consecutive days, and if they result in the production, so long thereafter as oil, other liquid hydrocarbons, gases or their respective constituent elements, or any of them, is produced from the leased premises or land pooled therewith. In the event a vertical or horizontal well or wells producing oil or gas paying in quantities should be brought in on adjacent land with production capacity and within three hundred thirty feet (330 ft.) of the leased premises, Lessee agrees to drill such offset wells as a reasonably prudent operator would drill under the same or similar circumstances. The judgment of the Lessee, when not fraudulently exercised, in carrying out the purposes of this Lease shall be conclusive.

6. Lessee may use, free of cost, any oil, gas and water and/or other substances produced on the leased premises except water from Lessor's wells and ponds, for all operations hereunder, including repressuring, pressure maintenance, cycling, and secondary recovery operations, and the royalty shall be computed after deducting any so used. Lessee shall have 180 days after the expiration of this Lease to remove all property and fixtures placed by Lessee on the leased premises, including the right to draw and remove all casing. Any personal property or fixtures of Lessee not removed within the time limit so provided shall thereupon become the property of Lessor.

7. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to their heirs, executors, administrators, successors, and assigns, but no change or division in ownership of the leased premises or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee or require the installation of separate measuring tanks. No such change or division in such ownership shall be binding upon Lessee for any purpose until 45 days after Lessee shall have been furnished by registered U. S. mail at Lessee's principal place of business with the instrument or instruments, or certified copies thereof, evidencing same. An assignment of this Lease by Lessee, in whole or in part, shall, to the extent of such assignment, relieve and discharge Lessee of any obligations hereunder, and, if assignee of part of parts hereof shall fail to comply with any provision of this Lease, such default shall not affect this Lease insofar as it covers the part of said lands retained by Lessee or another assignee. If [eight] or more parties become entitled to royalty hereunder, Lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating an agent to receive payment for all.

8. Lessee's obligations under this Lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction. When drilling or other operations are delayed or interrupted as a result of acts of God, fire, storm, flood, war, rebellion, insurrection, riot, strike, other acts which are legally deemed force majeure, or an order, rule, regulation, requisition, statute, municipal law, ordinance, executive order, or necessity of government, (whether federal or state), the time of such delay or interruption shall not be counted against Lessee.

9. Lessor hereby agrees that Lessee, at its option, may discharge any tax, mortgage or other lien upon the leased premises, either in whole or in part, and in the event Lessee does so, it shall be subrogated to such lien with the right to enforce same and apply royalties accruing hereunder toward satisfying same. When required by state, federal or other law, Lessee may withhold taxes with respect to rental, royalty and other payments hereunder and remit the amounts withheld to the applicable taxing authority for the credit of Lessor. In the event of failure of title, it is agreed that if Lessor owns an interest in the oil and gas and like minerals underlying the leased premises less than the entire fee simple estate, whether or not this Lease purports to cover the whole or a fractional interest, then the royalties to be paid Lessor shall be reduced proportionately.

10. The undersigned Lessor, for themselves and their heirs, successors, and assigns, hereby surrender, release and waive all rights of homestead in the premises herein described, insofar as said right of homestead may in any way affect the purpose for which this Lease is made as recited herein.

11. In the event Lessor considers that operations are not at any time being conducted in compliance with this Lease, Lessor shall notify Lessee in writing of the facts relied upon as constituting a breach hereof, and Lessee, if in default, shall have 60 days after receipt of such notice in which to commence compliance with the obligations imposed by this Lease. No litigation shall be initiated by Lessor with respect to any breach by Lessee hereunder during such 60-day period. In the event the matter is litigated and there is a final judicial determination that a breach or default has occurred, this Lease shall not be forfeited or canceled in whole or in part unless Lessee is given a reasonable time after said judicial determination to remedy the breach or default and Lessee fails to do so. In the event a final judicial determination is rendered against Lessee and in favor of Lessor, as provided herein, then Lessee shall be liable to Lessor for Lessor's reasonable attorney fees incurred in obtaining the judicial determination. A final determination shall be a court decision which is either not appealed or for which appeals have been exhausted.

12. In lieu of recording this Lease in its entirety, the Lessee is authorized to execute and record a memorandum or notice thereof on behalf of both Lessor and Lessee for purposes of providing record notice in the county where the leased premises is located.

13. All operations by Lessee, or Lessee's operator, hereunder shall be conducted (a) in a diligent and workmanlike manner in accordance with the standard of prudent industry practices in like operations, (b) in accordance with all material federal, state and local laws and regulation concerning the same and (c) in compliance with all applicable rules and regulation of the Department of Natural Resources of the State of Illinois.

14. If, after the expiration of the primary term of this Lease; any idle production well is located on the leased premise or on lands pooled therewith; such idle well has not had commercial production for the last 24 consecutive months; this Lease is not considered to be in force by reason of the shut-in well provisions of paragraph 3 hereof; and Lessee is not prevented from conducting operations on such idle well by reason of the force majeure provisions of paragraph 9 hereof, then the well shall be considered to be abandoned. Upon the abandonment of any well drilled on the leased premises, Lessee shall (a) cause such well to be plugged and abandoned in conformance with the rules and regulation of the Department of Natural Resources of the State of Illinois, (b) reasonably restore the surface of the leased premises used for said well to the condition which existed before the well was drilled, and (c) exercise all reasonable diligence to set the casing cut off at least 36 inches below the normal surface of the leased premises, all at Lessee's expense.

15. It is the intent of the parties to this Lease to include any interest in oil and gas minerals that are subsequently discovered to be owned by Lessor on this date, whether correctly described in this lease ,in Hamilton County, Illinois.

16. It is agreed by the parties, this lease excludes the extraction of coal and/or coal bed methane gas.

17. The terms and conditions of this Lease shall be binding upon and inure to the benefit of the heirs, successors and assigns of the parties to the Lease.

IN WITNESS WHEREOF, signed the day and year first above written.

LESSOR:

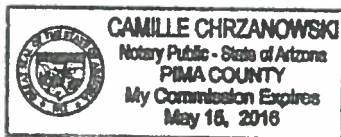
x   
Patricia P. Dutiel

LESSEE:

WOOD ENERGY, INC.

By:   
J. Nelson Wood, President

STATE OF Arizona )  
COUNTY OF Pima ) SS



I, the undersigned, a Notary Public, in and for said County, in the State aforesaid, do hereby certify that **Patricia P. Dutiel**, personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person, and acknowledged that he/she signed, sealed and delivered the said instrument as his/her free and voluntary act for the uses and purposes therein set forth, including the release and waiver of the right of homesteads.

Given under my hand and seal this 17<sup>th</sup> day of April, 2013.

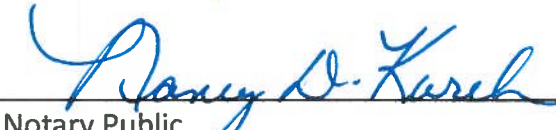
  
Notary Public

STATE OF ILLINOIS )  
COUNTY OF JEFFERSON ) SS

I, the undersigned, a Notary Public, in and for said County, in the State aforesaid, do hereby certify that **J. NELSON WOOD**, personally known to me to be the President of Wood Energy, Inc., whose name is subscribed to the foregoing instrument, appeared before me this day in person, and acknowledged that as such President he signed and delivered the said instrument writing as President of said Corporation, pursuant to authority given by the Board of Directors of said Corporation as his free and voluntary act, and as the free and voluntary act and deed of said Corporation, for the uses and purposes therein set forth.

Given under my hand and seal this 30<sup>th</sup> day of April, 2013.



  
Notary Public