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**PAID-UP BRINE, OIL, GAS AND
MINERAL LEASE**

THIS BRINE, OIL, GAS AND MINERAL LEASE (this "Lease") made and entered into this hereinafter called "Lessor" (whether one or more) and San Luis Energy, LLC, a Texas limited liability corporation, hereinafter called "Lessee", whose address is 5851 San Felipe, Suite 755, Houston, Texas 77057.

1. Lessor, in consideration of Ten Dollars (\$10.00) and other good and valuable consideration in hand paid, receipt of which is hereby acknowledged, of the royalties herein provided and of the agreements of the Lessee herein contained, hereby grants, leases and lets, exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling, mining and operating for and producing oil, gas and all other minerals, including but not limited to brine (as defined in Paragraph 18); conducting exploration, geologic and geophysical tests and surveys; producing and removing said minerals by drainage, extraction, forced subterranean movement, pumping or other means; injecting gas, waters, brine and other fluids, air and other gaseous substances into subsurface strata; laying pipelines, establishing and utilizing facilities for the disposition of brine and storing oil; building roads, bridges, tanks, power stations, electric transmission lines, telephone lines, power lines and other structures on, over, and across lands owned or claimed by Lessor adjacent or contiguous to necessary or desirable to Lessee in operations to produce, save, take care of, measure, treat, transfer, process, store, transport and own said minerals and other products manufactured therefrom; and for utilizing all appliances or structures, equipment, easements, and privileges which may be necessary, useful, or convenient to or in connection with any operations conducted by Lessee on the leased premises or on any land pooled or unitized with or on any contiguous or adjacent lands, the following described land in Cass County, Texas, to wit:

Notwithstanding any particular description, it is nevertheless the intention of Lessor to include within this Lease, and Lessor does hereby grant, lease and let, not only the land expressly described but also any and all other land owned or claimed by Lessor in the herein named survey or surveys, or in adjoining surveys, and adjoining the herein described land up to the boundaries of the abutting landowners, such lands together with the expressly described land being hereinafter referred to as "said land." For the purpose of determining the amount of any bonus or other payment hereunder, said land shall be deemed to contain net mineral acres, whether actually containing more or less. Lessor agrees to execute any supplemental instrument(s) requested by Lessee for a more complete or accurate description of said land or instrument(s) to perfect title deficiencies.

2. Subject to the other provisions herein contained, this Lease shall remain in force for a term of five (5) years from this date (called "primary term"), and as long thereafter as (a) oil, gas or other mineral is produced from or injected into, or drilling operations are conducted on, the land included in this Lease or land with which said land or any part thereof is pooled, or (b) this Lease is maintained by virtue of some other provision hereof.

3. This is a PAID-UP LEASE. In consideration of the down cash payment, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term.

In the event Lessee obtains an approved permit from the Texas Railroad Commission to drill or complete a well for oil or gas on lands covered herein or pooled therewith; Lessee will pay to Lessor, within 90 days of receipt of the approved permit, a one-time bonus payment of \$125 per Lessor's net mineral acres set out under Paragraph 1 above.

4. Subject to the provisions of Paragraphs 5 and 11, the royalties to be paid by Lessee are: (a) on oil and on other liquid hydrocarbons saved at the well, 12.5% of that produced and saved from said land, same to be delivered at the wells or to the credit of Lessor in the pipeline to which the wells may be connected with Lessor's interest in either case bearing its proportion of any expense for treating oil to make it marketable as crude and Lessee having the option, at any time or from time to time, to purchase Lessor's oil at the well, paying therefore the lawful market price on the date of purchase for oil of like grade and gravity prevailing for the field nearest where such oil is produced; (b) on gas, including casing head gas and all gaseous hydrocarbon substances, produced from said land and sold by Lessee 12.5% of the amount realized from such sale thereof, after deduction of a proportionate part of the production, severance and other excise taxes and the cost incurred by Lessee in delivering, processing, compressing, or otherwise making such gas or other substances merchantable; (c) on gas, including casing head gas and all gaseous hydrocarbon substances, produced from said land and used off said land by Lessee and not benefiting Lessor, the market value at the mouth of the well of 12.5% of the gas so used off said land; and (d) on all other minerals mined, produced, saved and marketed or injected, an annual payment to be determined by multiplying \$32.00 by the number of Lessor's net mineral acres set out under Paragraph 1 above, the first payment to be made on the anniversary date of this Lease next ensuing after the Lessee is first engaged in such activity (exclusive of testing wells), and continuing on each anniversary date thereafter so long as such activity continues. If at any time while there is a well or wells on the said land or land pooled therewith and such well or wells are shut-in, and this Lease is not being maintained otherwise as provided herein, this Lease shall nevertheless remain in force and effect following the shutting-in of the well(s), whether it be during or after the primary term (unless released by Lessee), and it shall be considered that the well or wells are producing from the land covered by this Lease. When the Lease is continued in force in this manner and the well or wells are shut-in for a period of at least one hundred and eighty (180) consecutive days, Lessee shall pay or tender as an advanced annual royalty to the parties who at the time of such payment would be entitled to receive royalty hereunder if the well were producing, or deposit to their credit \$1.00 per net mineral acre for the acreage then held under this Lease. In lieu of making any payment to Lessor under the provisions of this Paragraph 4, Lessee may pay or tender for deposit to the credit of Lessor at address above the sum so payable, which shall, for all purposes of this Lease, be considered to be a payment to Lessor. The first payment of such sum shall be made on or before either: (1) one hundred and eighty (180) days from the date such well or wells are shut-in; (2) one hundred and eighty (180) days from the effective date for inclusion of said land or a portion thereof within a unit on which is located a shut-in well; or (3) one hundred and eighty (180) days from the date this Lease ceases to be otherwise maintained as provided herein, whichever is the later date, and it shall be considered that production is being produced from said land in paying quantities within the meaning of Paragraph 2 hereof for one (1) year from the date of such payment, and in like manner subsequent advance annual royalty payments may be made or tendered and it will be considered that production is being produced from said land in paying quantities within the meaning of said Paragraph 2 during any annual period for which such royalty is so paid or tendered; such

advanced annual royalty payment shall be credited against any royalty accruing to the owners thereof on any production from said land during any annual period for which such advanced annual payment has been made. Lessee's failure to pay or tender or to pay or tender properly or timely any such sum as royalty shall render Lessee liable for the amount due but it shall not operate to terminate this Lease. All royalty interests, whether owned by the undersigned, shall be paid out of the royalty as provided for in said Lease.

5. Lessee shall have the right but not the obligation without any further approval from Lessor, at any time and from time to time, to pool all or any part of said land or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this Lease, either before or after the commencement of production, whenever Lessee at its sole discretion deems it necessary or proper to do in order to develop or operate prudently said lands, whether or not similar pooling authority exists with respect to such other lands or interests or to comply with the orders, rules and regulations of any Regulatory Body having jurisdiction. The term "Regulatory Body" shall include any governmental officer, tribunal, or group (civil or military) issuing orders governing the drilling of wells or the production of minerals. The unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed 80 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 1280 plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the term "horizontal completion" means a well in which the horizontal component of the gross completion interval in the reservoir is at least one hundred (100) feet. The unit formed by such pooling for producing minerals other than oil or gas shall not exceed three thousand two hundred (3,200) acres for each well, plus a tolerance of ten percent (10%) thereof provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any Regulatory Body.

In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling, completion, injection 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, completion, injection, or reworking operations on the leased premises, except that the production of oil and gas on which Lessor's royalty is calculated shall be that proportion of the total unit production of oil and gas which the net acreage covered by this Lease and included in the unit bears to the total gross acreage in the unit. Lessor's royalty for all minerals other than oil and gas shall be calculated as set forth in Paragraph 3 above based on the Lessor's net mineral acres include in such pooled unit. Pooling in one or more instances 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, so long as the total acreage therein does not exceed the maximum herein specified. Also; each such drilling or production unit, when limited to any one or more formations and to any one or more of the minerals therein or produced therefrom, may from time to time be enlarged and extended by Lessee to include additionally any other formation or formations and any other mineral or minerals therein or produced therefrom. 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 accordingly. Any unit created by Lessee under this Paragraph 5 may also be revised so as to conform with an order of a Regulatory Body issued after the unit was originally established; such revision is effective as of the effective date of such order. Lessee may place and use on each unit created hereunder common measuring and reworking tanks for production from such unit. 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.

6. If, at the expiration of the primary term, oil, gas or other mineral is not being produced from said land or land pooled therewith but Lessee is then engaged in operations for drilling, mining, injecting, treating, processing, or reworking of any well or mine thereon or shall have completed a dry hole thereon within one hundred eighty (180) days prior to the end of the primary term, this Lease shall remain in force so long as operations on said well or for the drilling or reworking of an additional well 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 production, so long thereafter as oil, gas or other mineral is produced from or injected into said land or land pooled therewith. If, after the expiration of the primary term of this Lease and after oil, gas or other mineral is produced from said land or land pooled therewith, production thereof should cease from any cause, this Lease shall not terminate if Lessee commences operations for drilling or reworking within one hundred eighty (180) days after the cessation of such production, but shall remain in force and effect so long as such operations are prosecuted with no cessation of more than one hundred eighty (180) consecutive days, and if they result in the production of oil, gas or other mineral, so long thereafter as oil, gas or other mineral is produced from or injected into said land or land pooled therewith. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land and within two hundred (200) feet of and draining said land, Lessee agrees to drill such offset wells as a reasonably prudent operator would drill under the same or similar circumstances or to partially release this Lease as to such productive interval within one hundred eighty (180) days following first production in paying quantities by such adjacent well. The judgment of the Lessee, when not fraudulently exercised, in carrying out the purpose of this Lease shall be conclusive.

7. Lessee shall have free use of oil, gas, brine and ground water from said land, except potable water from Lessor's wells and tanks, for all operations hereunder including repressuring, pressure maintenance, injection, cycling and secondary recovery operations, processing, treating, and manufacturing of minerals from said land or from Lessee's operations on other lands in the area and the royalty shall be computed after deducting any so used. Any structures and the royalty shall be computed after deducting any so used. Any structures and facilities placed on said land by Lessee for operations hereunder and any well or wells on said land drilled or used for the injection of salt water or other fluids on said land may also be used for injection of salt water or other fluids from Lessee's operations on other lands in the same area. Lessee shall have the right at any time during or after the expiration of this Lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipelines below ordinary plow depth, and no well shall be drilled within two hundred (200) feet of any residence or barn now on said land without Lessor's consent.

8. The rights of either party hereunder may be assigned or sublet in whole or in part and the provisions hereof shall extend to the heirs, representatives, sublessees, successors, and assigns, but no change or division in ownership of the land or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee. No such change or division in the ownership of the land or royalties shall be binding upon Lessee for any purpose until such person acquiring any interest has furnished Lessee with the instrument or instruments or certified copies thereof, constituting the chain of title from the original Lessor. Lessee, at its sole discretion, may accept non-certified copies of court documents and real estate recordings in lieu of original or certified copies to establish change of ownership. An assignment or sublease of this Lease, in whole, or in part, shall, to the extent of such assignment or sublease, relieve and discharge Lessee of any obligations hereunder, and, if Lessee, assignee or sublessee of part or parts hereof shall fail to comply with any provision of this Lease, such default shall not affect this Lease insofar as it covers a part of said land upon which Lessee, any assignee or any sublessee thereof shall not be in default. Should more than six parties become entitled to royalties hereunder, Lessee may require the appointment of a single agent to receive payment for all and may withhold payment until such appointment has been made.

9. When drilling or other operations are delayed or interrupted by storm, flood or other act of God, fire, war, rebellion, insurrection, riot, strikes, differences with workmen, unavailability of material or equipment, failure of carriers to transport or furnish facilities for transportation, some order, requisition or necessity of the government or as a result of any cause whatsoever beyond the control of the Lessee, the time of such delay or interruption shall not be counted against Lessee, anything in this Lease to the contrary notwithstanding. All express or implied covenants of this Lease shall be subject to all Federal and State laws, Executive orders, rules or regulations 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 if such failure is the result of, any such law, order, rule or regulation. If from such causes Lessee is prevented from conducting drilling or reworking operations on, or producing oil or gas from said land or land pooled therewith, the time while Lessee is so prevented shall not be counted against Lessee, and this Lease shall be extended for a period of time equal to that during which such Lessee is so prevented from conducting drilling or reworking operations on, or producing oil or gas from said land or land pooled therewith, notwithstanding any other provision hereof.

10. The breach by Lessee of any obligation 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. 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 sixty (60) days after receipt of notice in which to commence the compliance with the obligations imposed by virtue of this instrument. After the discovery of oil, gas or other mineral in paying quantities on said land, Lessee shall reasonably develop the acreage retained hereunder, but in discharging this obligation it shall in no event be required to drill more than one (1) well per forty (40) acres, plus an acreage tolerance not to exceed ten per cent (10%) of forty (40) acres of the area retained hereunder and capable of producing oil in paying quantities, one (1) well per one thousand two hundred eighty (1280) acres, plus an acreage tolerance not to exceed ten per cent (10%) of one thousand two hundred eighty (1280) acres of the area retained hereunder and capable of producing gas in paying quantities or a horizontal completion and one (1) well per three thousand two hundred (3,200) acres, plus an acreage tolerance not to exceed ten per cent (10%) of three thousand two hundred (3,200) acres of the area retained hereunder and capable of producing minerals other than oil or gas.

11. Lessor hereby warrants and agrees to defend the title to said land and interest therein, and agrees that Lessee, at its option, may discharge any tax, mortgage, or other lien upon said land or interest in the event of default of payment by Lessor, and in the event Lessee does so, it shall be subrogated to such lien with the right to enforce the same and apply royalties accruing hereunder toward satisfying the same. Without impairment of Lessee's rights under the warranty in the event of failure of title, it is agreed that, if Lessor owns an interest in said land or interest therein less than the entire fee simple estate, whether stated herein above as a whole or partial interest, then the difference between the bonus and/or royalties paid by Lessee to Lessor and the amount discovered to be the correct bonus and/or royalties owed to Lessor shall be reimbursed in a timely manner to Lessee upon notification of such discrepancy. Should it be discovered that any or all of the leased premises are being held by production as of the effective date of this Lease, all bonus payment(s) issued to Lessor by Lessee shall be reimbursed to Lessee within 60 days upon notification of such discovery and a release of lease shall be filed in the appropriate county or counties. Should any one or more of the parties named herein above as Lessors fail to execute this Lease, it shall nevertheless be binding upon the party or parties executing the same.

12. Lessee, its successors and assigns, shall have the right at any time to surrender this Lease, in whole or in part, to Lessor or Lessors heirs, representatives, successors and assigns by delivering or mailing a release thereof to the Lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon Lessee shall be relieved from all obligations, express or implied, of this agreement as to the acreage so surrendered, and thereafter the advance annual royalties payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

13. Notwithstanding the termination of this Lease as to a portion of the lands covered hereby, Lessee shall nevertheless continue to have the right of ingress and egress from said lands still subject to this Lease, (called "retained lands"), for all purposes described and allowed hereunder, together with easements, rights-of-way, roads, pipelines and other facilities on, over and across all the lands originally covered by this Lease, for access to and from the retained lands, and for the gathering or transportation of oil, gas and other minerals produced from such retained lands.

14. Option To Extend Primary Term For Paid-Up Leases: Lessee is hereby given the option to extend the primary term of this lease for an additional FIVE (5) years from the expiration of the original primary term hereof. This option may be exercised by Lessee at any time during the original primary term by paying the sum of (\$35.00) per net mineral acre to Lessor or to the credit of Lessor mailed to Lessor at the above address, (which address is Lessor's agents and shall continue as the depository regardless of changes in ownership of said land.) This payment shall be based upon the number of net mineral acres covered by this lease and not at such time being maintained by other provisions hereof. This payment may be made by the check or draft of Lessee mailed or delivered to Lessor or to said bank at any time during the original primary term hereof. If such bank (or any successor bank) should fail, liquidate or be succeeded by another bank, or for any reason fail or refuse to accept payment, Lessee shall not be held in default for failure to make such payment until thirty (30) days after Lessor's delivery to Lessee of a proper recordable instrument naming another bank as agent to receive such payment. If, at the time this payment is made, various parties are entitled to specific amounts according to Lessee's records, this payment may be divided between said parties and paid in the same proportion. Should this option be exercised as herein provided, it shall be considered for all purposes as though this lease originally provided for a primary term of ten (10) years.

15. No royalty or payment, other than the payment provided in Paragraph 4(d), shall be payable by Lessee to Lessor with respect to all minerals other than oil and gas produced or removed from the leased premises or with respect to any product, products, or minerals extracted from such minerals by Lessee, or with respect to such minerals produced from the leased premises, nor shall Lessee in any event be liable to Lessor for failure to protect the leased premises from drainage or removal of such minerals and its contents, including but not limited to brine. The sums payable to Lessor under the provisions of Paragraph 4(d) are to be made by Lessee in lieu of any royalty with respect to all minerals other than oil and gas produced or removed from the leased premises and any product or products extracted from such minerals and in complete compensation for any drainage or removal of such minerals from the land hereinbefore mentioned.

16. If the mineral or royalty interest of any person named as Lessor under the land covered by this Lease has heretofore been reduced by the conveyance of a nonparticipating mineral interest or nonparticipating royalty interest by him, or by his predecessor in title, each payment to be made under the provisions of Paragraph 4 to that particular person named as Lessor may be reduced proportionately. Each owner of such nonparticipating mineral interest, or nonparticipating royalty interest, executing this Lease, or a counterpart thereof, agrees to accept such payment and in satisfaction of damages, if any, which he may sustain by drainage or removal of oil, gas or other minerals from the land covered by this Lease.

17. So long as each payment which Lessee is obligated to make in accordance with this Lease is made, Lessee shall not be obligated, whether or not there has previously been production from or injection into land covered hereby or on acreage pooled therewith (or any part thereof) or from or into any well located within one-half mile of the land covered hereby, either expressly or impliedly, to drill or operate on land covered by this Lease any well for the production of oil, gas or other minerals or for the injection thereof into said land.

18. The term "brine" as used in this lease shall mean subterranean salt water and all other chemical substances produced with or extracted therefrom, including but not limited to bromine, magnesium, potassium, lithium, boron, chlorine, iodine, calcium, strontium, sodium, sulfur, barium, solution gas, and all other chemical elements, compounds or products produced with or extracted from such salt water, except salt water produced incidentally to the production of oil or gas, unless such brine is saved, used or sold for the purpose of extracting the chemical substances therein.

19. It is agreed and understood that a Memorandum of Oil, Gas and Mineral Lease will be filed of record for the purpose of providing record notice of the existence of this Lease in lieu of recording the executed original. Said Memorandum of Oil, Gas and Mineral Lease shall be recorded in the records of Cass County, Texas, within a reasonable period of time by Lessee and upon request by Lessor, a copy thereof will be furnished to Lessor.

IN WITNESS WHEREOF, this instrument is executed as of the date

above written. LESSOR: