



Wednesday, April 07, 2010

Richard L. Oliver  
31050 Quail Hollow  
Homeland, CA 92548

Re: Lots 2, 3, 4, 5, 6, 7; SE/4 NW/4  
of Section 27-17N-22W in Ellis County, OK

Dear Mr. Oliver:

Pursuant to our recent agreement, we have enclosed for your inspection and execution a 3 years Paid-up Oil and Gas Lease covering your 13.11 net mineral acres. Terms of the agreement are for \$102.00/acre bonus and rentals providing for a 3/16th royalty in the event of production.

Due to difficulties and fees encountered by both Lessor and Lessee when leases and drafts are processed through banks as a "Collection Item" it is our preference that you hold your draft, execute, notarize and return to us the original Oil and Gas Lease in the provided stamped envelope. Upon receipt of your executed oil and gas lease we will send you a check to replace the draft in the amount of \$1,336.99 within 30days of receipt of your executed oil and gas lease.

**Please follow these instructions for the proper execution of this document:**

1. Sign all original documents (Oil & Gas Lease, and any requested Affidavit's, etc.) that may be enclosed, in the presence of a Notary Public. Make sure your name is signed exactly as typed. Please make any markings to the documents within the existing margins.
2. Make sure the appropriate Social Security / Tax I.D. Number is included; if the number is already typed on the lease, verify that it is correct.
3. Make sure the Notary Public completes the state, county, date and commission number portion of the acknowledgment, and uses their Notary Seal.
4. Please return the original oil and gas lease including any curative items that have been requested or provided. Hold your draft as security until we replace the draft with a check.
5. All copies are for your records.

Finally, please note and understand that we are working under a strict timeline therefore please return the executed Oil and Gas Lease as soon as possible. Your prompt attention and cooperation in this matter is greatly appreciated. If you have any questions, please do not hesitate to contact me.

Sincerely,



Jay Brannon

MN/clc

encls.

PROSPECT CODE: 714

PROSPECT NAME: Black Kettle

**First American Bank**

P.O. Box 5629  
Norman, OK 73070-5627

VOID IF NOT DEPOSITED WITHIN 25 DAYS HEREOF.

**NOT A CASH ITEM**

April 07, 2010

Upon approval of title but not longer than 30 days after arrival at collecting bank.

Pay To The

Order Of Richard L. Oliver

\$1,336.99

One Thousand Three Hundred Thirty Six and 99/100

DOLLARS

With Exchange

Payments of Oil and Gas Lease Bonus Consideration, of Section 27-17N-22W, Ellis County, OK; (Black Kettle prospect)

The drawer, payee and endorers hereof, and the grantors of the lease or mineral deed described hereon, do hereby constitute and appoint the collecting bank (First American Bank) escrow agent to hold this draft for the time above specified subject alone to acceptance of payment hereof by drawee, within said time, and without any right of the drawer, payee or endorers hereof, or said grantors, to recall or demand return of this draft prior to the expiration of the above specified time, and there shall be no liability whatsoever on the collecting bank for refusal to return the same prior to such expiration.

To J.C. Land Management, Inc. Lease Acquisition Account

**First American Bank****(Main Branch)****P.O. Box 5629****Norman, OK 73070-5627****ATTENTION: COLLECTIONS**

  
Day Brannon  
Landman

Detach at the perforation, keep bottom portion for your records

**J.C. Land Management, Inc.****P.O. Box 721080****Norman, OK 73070****(405) 310-2500**

PROSPECT:	Black Kettle		
Lease Number	4727		
LESSOR:	Richard L. Oliver		
LEASE DATE:	April 07, 2010		
SHORT LEGAL DESC.:			
Section/Township/Range	27-17N-22W		
COUNTY:	Ellis	STATE:	OK
TOTAL DRAFT AMOUNT:	\$1,336.99		

**OIL AND GAS LEASE**

Black Kettle

(PAID UP)

Lease #: 4727

AGREEMENT, Made and entered into this 7th day of April, 2010, by and between Richard L. Oliver; 31050 Quail Hollow, Homeland, CA 92548, Party of the first part, hereinafter called lessor (whether one or more), and Blue Dolphin Production, LLC; 609 S. Kelly Ave., Ste. F1, Edmond, OK 73003-7501, party of the second part, hereinafter called lessee.

WITNESSETH, That the said lessor, for and in consideration of Ten and More (\$10.00) DOLLARS, cash 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 rights therein, situated in the County of Ellis, State of OK, described as follows, to-wit:

**Township 17N, Range 22W, Section 27**

Lots 2, 3, 4, 5, 6, 7; SE/4 NW/4, including all accretion and riparian rights appurtenant thereto.

and containing 188.75 acres more or less.

It is agreed that this lease shall remain in force for a term of Three (3) years from April 07, 2010 (herein called primary term) and so long thereafter as oil or gas, or either of them, is produced from said land by the lessee.

In consideration of the premises the said lessee covenants and agrees:

1st. To deliver to the credit of lessor free of cost, in the pipe line to which it may connect its wells, the 3/16th part of all oil (including but not limited to condensate and distillate) produced and saved from the leased premises.

2nd. 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, 3/16th 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 3/16th 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 so sold or used and the well or 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 here-under, 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.

3rd. To pay lessor for gas produced from any oil well and used off the premises, or for the manufacture of casing-head gasoline or dry commercial gas, 3/16th of the gross proceeds, at the mouth of the well, received by lessee for the gas during the time such gas shall be used, said payments to be made monthly. 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.

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.

If said lessor owns a less interest in the above described land 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.

Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for its operations thereon, except water from wells of lessor.

When requested by the lessor, lessee shall bury his pipe lines below plow depth.

No well shall be drilled nearer than 200 feet to the house or barn now on said premises, without the written consent of the lessor.

Lessee shall pay for all damages caused by its operations to growing crops on said land.

Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

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 or portions arising subsequent to the date of assignment.

All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules and 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 such failure is the result of any such Law, Order, Rule or Regulation.

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.

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.

Lessor specifically grants lessee the right to conduct geophysical operations on the lands covered by this lease and acknowledges lessee will own the seismic data resulting from said geophysical operations and is free to utilize the seismic data for its sole and exclusive benefit. Lessor hereby grants and conveys to Lessee any and all rights in and to existing wellbores located on the lands described above, including the right to re-enter said wellbore(s) and utilize same for Lessees benefit.

If at any time within the primary term of this lease and while the same remains in force and effect, lessor receives any bona fide offer, acceptable to lessor, to grant an additional lease (top lease) covering all or part of the aforementioned lands, lessee shall have the continuing option by meeting any such offer to acquire such top lease. Any offer must be in writing, and must set forth the proposed lessee's name, bonus consideration and royalty consideration to be paid for such lease and include a copy of the lease form to be utilized which form should reflect all pertinent and relevant terms and conditions of the top lease. Lessee shall have fifteen (15) days after receipt, from lessor, of a complete copy of any such offer to advise lessor in writing of its election to enter into an oil and gas lease with lessor on equivalent terms and conditions. If lessee fails to notify lessor with the aforesaid fifteen (15) day period of its election to meet any such bona fide offer, lessor shall have the right to accept said offer. Any top lease granted by Lessor in violation of this provision shall be null and void.

Lessor hereby warrants and agrees to defend the title to the lands herein described, and 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.

IN TESTIMONY WHEREOF, we sign this the \_\_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_\_

Richard L. Oliver

STATE OF \_\_\_\_\_ } (ACKNOWLEDGEMENT FOR INDIVIDUAL)  
COUNTY OF \_\_\_\_\_ } SS.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by  
Richard L. Oliver

Notary Public  
My Commission expires: \_\_\_\_\_  
Commission Number: \_\_\_\_\_