

MAGNESS Petroleum Corporation
300 W. Wall, Suite 400
Midland, Texas 79701

THIS AGREEMENT made and entered into this 13th day of January 1983 by and between
Melvin Holsing and Beverly Holsing, Husband and Wife

Hallam, Nebraska 68368
MAGNESS PETROLEUM CORPORATION and TEXAS
AMERICAN OIL CORPORATION

hereinafter called "Lessor", whether one or more, and One and no/100 hereinafter called "Lessee", Dollars

WITNESSETH: That, for and in consideration of the sum of One and no/100 Dollars hereby granted, lease and let, actively into Lessee its successors and assigns, all of the land hereinafter described, together with any reversionary rights therein for the purpose of exploring for, developing, producing and operating wells or mines of oil or gas and other hydrocarbons, and all other methods and procedures, whether similar or dissimilar, that may be produced from any well or mine on the leased premises, including primary, secondary, tertiary, cycling, pressure maintenance methods of recovery, and all other methods, whether now known or unknown, with all incidental rights therein, and to establish and utilize facilities for surface and subsurface disposal of salt water, and to construct, maintain and remove roadways, tanks, pipelines, electric power and telephone lines, power stations, machinery and structures thereon, to produce, store, transport, treat and remove all substances described above, and the products therefrom, together with the right of ingress to and from said land across any other land now or hereafter owned by Lessor. The land hereby leased is situated in the County of GAGE State of Nebraska, to wit:

Township 6 North, Range 5 East, 6th P. M.
Section 27: SE4
Township 5 North, Range 5 East, 6th P. M.
Section 10: NE4, NW4 SE4

This lease covers all of the land described above, including any interests therein that any signatory hereto has the right or power to lease, and in addition it covers, and there is hereby granted, leased and let, upon the same terms and conditions as herein set forth, all lands now or hereafter owned or claimed by Lessor, adjacent, contiguous, or a part of the tract or tracts described above, whether such additional lands be owned, claimed, limited, or otherwise, or are fenced or unfenced, and whether such lands are inside or outside of the metes and bounds description set forth above, or are in the same survey, or other survey or surveys. The bonus money paid for this lease is in gross, and not by the acre, and shall be effective to cover all such land irrespective of the number of acres contained therein, but the land included within this lease is estimated to comprise 360 acres, whether actually more or less, and such land is hereinafter referred to as the "leased premises".

1. TO HAVE AND TO HOLD the leased premises for a term of 10 years from the date hereof, hereinafter called "primary term", and as long thereafter as oil, gas or other hydrocarbons, or other minerals or leased substances, or either or any of them, are produced from the leased premises or from lands with which the leased premises are pooled or unitized.
2. Royalty On Gas: Lessee shall pay to Lessor as royalty on gas, including casinghead gas or other gaseous substances produced from said land and sold on or off the premises, 1/8 of the net proceeds at the well received from the sale thereof, provided that on gas sold off the premises or by Lessee in the manufacture of gasoline or other products therefrom, the royalty shall be the market value at the well of 1/8 of the gas so sold, as to all gas sold by Lessee under a written contract, the price received by Lessee for such gas shall be conclusively presumed to be the net proceeds at the well or the market value at the well for the gas so sold.
3. Royalty On Other Substances: Lessee shall pay to Lessor, as royalty on any substances covered by this lease other than oil and gas and the products thereof which Lessee may elect to produce, save and market from the leased premises, 1/8th of the proceeds received by Lessee from the sale thereof after deducting the processing costs, except that the royalty on sulphur shall be One Dollar (\$1.00) per long ton marketed.
4. Shut-In Gas Royalty: If at any time, or from time to time, either before or after the expiration of the primary term of this lease, there is any gas well on the leased premises or on lands with which the leased premises are pooled or unitized, and which is capable of producing in paying quantities, but which shut in before or after production therefrom, such well shall be considered under all provisions of this lease as a well producing gas in paying quantities, and this lease shall remain in force in like manner as though gas therefrom was actually being sold or used. In such event, Lessee covenants and agrees to pay Lessor, as royalty, the sum XX equal to the rental.
5. Delay Rental: If operations for drilling or mining on the leased premises, or on lands with which the leased premises are pooled or unitized, are not commenced on or before one (1) year from the date of this lease, as set forth above, this lease shall terminate to both parties unless on 1/100 before one (1) year from the date of this lease, Lessee shall pay or tender to the Lessor a rental of Three Hundred Sixty and no/100 Dollars (\$360.00), which shall cover the privilege of deferring commencement of such drilling or mining operation for a period of twelve (12) months from the expiration of said one (1) year period. In like manner and upon like payments or tenders annually, the commencement of such operations may be deferred for successive periods of the same number of months, during the primary term. Payments or tenders may be made to the Lessor or to the Lessor's credit in the Saline State Bank at Willour, Nebraska 68465 which bank or any successor thereof shall continue to be the agent for the Lessor and the Lessor's successors and assigns. If such bank or any successor thereof shall fail, liquidate, or be succeeded by another bank, or for any reason fail or cease to accept remittances for the rental paying data for any year, or shall be extended until the expiration of thirty (30) days after the Lessor shall have delivered to Lessee a reportable instrument making provision for another method of payment or tender and any depository charge shall be the liability of the Lessor. The payment or tender of rental may be made by check or draft of Lessee mailed or delivered to said bank or Lessor, or to any Lessor if more than one, on or before the rental paying date. Mailing of rental on or before the rental paying date shall be deemed a timely tender thereof and shall preclude the abandonment of this lease.
6. Drilling Operations: If Lessee should drill and abandon as a dry hole a well on the leased premises, or if after the discovery of oil, gas or other minerals, the production therefrom would cease from any cause and in either event there are no other producing wells on the leased premises or on lands with which they are pooled or unitized, or drilling or reworking operations are not being conducted thereon, this lease shall not terminate if Lessee commences reworking or additional drilling operations on the leased premises within sixty (60) days thereafter, or if it be within the primary term, Lessee commences or resumes the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of ninety (90) days from the date of such abandonment or cessation of production. If such abandonment or cessation of production occurs at any time during the last fifteen (15) months of the primary term, no rental payment or drilling operations are necessary to keep the lease in force during the remainder of the primary term. If, at the expiration of the primary term, no rental payment or drilling operations are necessary to keep the lease in force during the remainder of the primary term, but Lessee is then engaged in operations for drilling or reworking of any well, this lease shall remain in force so long as such drilling or reworking operations are prosecuted, or reworking operations on any well or additional drilling operations result in production then, as long thereafter as such production continues.
7. Pooling: Lessee is hereby granted the right, at any time and from time to time, whether before or after production, to pool this lease for the production of oil, gas or condensate, or any or either of them, as to the land covered hereby, or any zone or portion thereof, or as to any mineral or royalty interest therein, with any other lease covering the above described land or lands adjacent, contiguous, adjoining, or in the immediate vicinity thereof, or as to any zone or portion of (10%) thereof for oil, and units not exceeding six hundred forty (640) acres each plus an acreage tolerance of ten percent (10%), thereof for gas, provided that, should governmental authority herein jurisdiction prescribe or permit the creation of any drilling, spacing or proration units larger than those specified above, such units may be deemed allowable production from one well. Lessee may pool the acreage or interests above described, or to the proration units as may be authorized for obtaining the oil or gas in any one or more zones, and units so formed need not conform in size or area with the unit or units into which the lease is pooled, or combined, as to oil, or other zone, and oil units need not conform as to area with gas units. Such pooling shall be effected by the filing by Lessee of a written designation, in the county or counties in which the premises are located, identifying and describing the same cement, drilling, completion and operation of a well thereon, or the existence thereof, or the development and operation on such land, including the pooling unit. The production of oil, gas or condensate from any zone or portion of the land so shut-in gas well shall be considered and shall have the same effect, except for the payment of royalty, as production, development and operation of a well thereon, or the existence of a shut-in gas well on the leased premises, regardless of the location of the lease on the unit. Production from any unit well producing oil, gas or condensate shall be allocated to the leased premises in the proportion that the acreage of the production so allocated, to the total acreage in the unit, and other royalty provided for herein shall be calculated on the production of oil, gas or condensate so allocated. The royalty so payable on allocated production shall be in lieu of any other royalty that would accrue to Lessor from the production of oil, gas or condensate in accordance with the provisions and in the amount set forth in the unit. Shut-in gas royalty will fail to produce oil, gas or condensate in paying quantities, or in the event the production from any such well shall cease, Lessee may terminate the unit by filing for record, in the county, or counties where the land is situated, a written declaration of such termination.
8. Use Of Oil, Gas And Water For Operations: Lessee shall have the free use of oil, gas and water from the leased premises, except water from Lessor's wells and tanks, for all operations hereunder, and the royalty on oil and gas shall be computed after deducting the amount so used.
9. Removal Of Equipment: Lessee shall have the right to withdraw and remove all casing, including the right to withdraw and remove all casing, on the leased premises by Lessee, its successors, administrators, successors, and assigns, but no change or division in ownership of the land, rentals or royalties, however accomplished, tend to the heirs, executors, administrators, successors, and assigns, but no change or division in ownership of the land, rentals or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee. No change or division in ownership of the land, rentals or royalties, of whether Lessee has sold, shall be binding upon Lessee for any purpose and shall not impair the effectiveness of any payment therefor made by Lessee (irrespective of whether Lessee has either actual or constructive knowledge thereof) until sixty (60) days after such person acquiring any interest in Lessee with the instrument or instrument covered by this lease, the rentals payable hereunder shall be apportioned as between the several leasehold owners hereunder who make due payments of rentals, an assignment of this lease, in whole or in part, shall, to the extent of such assignment, relieve and discharge Lessee of all obligations hereunder.
10. Force Majeure: Lessee shall not effect the rights of other leasehold owners hereunder who make due payments of rentals, an assignment of this lease, in whole or in part, shall, to the extent of such assignment, relieve and discharge Lessee of all obligations hereunder.
11. Force Majeure: Lessee shall not be liable for any delay in its performance of any covenant or condition hereunder, express or implied, or for total or partial nonperformance thereof, due to force majeure. The term "force majeure", as used herein, shall mean any circumstance or any condition beyond the control of Lessee, including but not limited to acts of God and actions of officers or agents thereof; failure of public emergency; or the exhaustion, unavailability, or delays in delivery, and orders of federal, state or municipal governments, or officers or agents thereof; failure of transportation; or the exhaustion, unavailability, or delays in delivery, of any product, labor, service or material. If Lessee is required to cease drilling or reworking or producing operations on the leased premises by force majeure, then until such time as such force majeure is terminated and for a period of ninety (90) days after such termination, each and every provision of this lease that might operate to terminate it shall be suspended and this lease shall continue in full force and effect during such suspension period. If any period of suspension occurs during the primary term, the time thereof shall be added to such term.

12. Lessor Interest Clause. If Lessor does not own, or have the right to lease, the entire mineral interest in the land described above, then the royalties, rentals, and any other sums payable hereunder, shall be reduced and payable only in the proportion that the interest covered by this lease bears to the entire mineral interest in the above described land. If the mineral interest covered hereby is subject to an outstanding nonparticipating royalty, such royalty shall be deducted from the royalties payable to Lessor hereunder.

13. Warranty. 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 mortgage, taxes or other liens on the leased premises in the event of default of payment by Lessor, and be subrogated to the rights of the holder thereof, and such payments may be deducted from any rental or royalty that may be payable to Lessor hereunder.

14. Surrender. Lessee, its successors and assigns, shall have the right at any time, to surrender this lease, in whole or in part, by delivering or mailing a release to the Lessor or by placing a release of record in the county, or counties, in which the leased premises are situated, and thereupon, Lessee shall be relieved from all obligations, expressed or implied, of this lease as to the acreage so surrendered.

15. Parties Bound. This lease and all of the rights, obligations and conditions hereof shall be binding upon each party executing this instrument and his heirs, devisees, successors and assigns. Should any party named above as Lessor fail to execute this lease, or should any party execute this lease who is not named above as a Lessor, it shall nevertheless be binding upon the party or parties executing the same.

16. Headings For Convenience. The paragraph headings herein are for convenience only and shall not be considered or construed to limit the subject matter of this instrument.

IN WITNESS WHEREOF, this instrument is executed the day and year first above written.

Melvin Holsing
Melvin Holsing
S.S.#. 551-38-6387
Beverly Holsing
Beverly Holsing

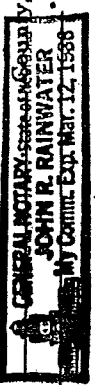
THE STATE OF Nebraska }
County of Gage }

Before me, the undersigned authority, on this day personally appeared Melvin Holsing and Beverly Holsing,
Husband and wife

known to me to be the identical person S whose name are/is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this the 13th day of January A. D. 19 83

THE STATE OF _____ }
County of _____ }

John P. Rainwater
Notary Public in and for
State of _____


Before me, the undersigned authority, on this day personally appeared _____

known to me to be the identical person _____ whose name _____ are/is subscribed to the foregoing instrument, and acknowledged to me that _____ he _____ executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this the _____ day of _____ A. D. 19 _____

THE STATE OF _____ }
County of _____ }

Before me, the undersigned authority, on this day personally appeared _____

known to me to be the identical person _____ whose name _____ are/is subscribed to the foregoing instrument, and acknowledged to me that _____ he _____ executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this the _____ day of _____ A. D. 19 _____

Notary Public in and for _____ County, _____ State of _____

OIL, GAS AND MINERAL LEASE

Nebraska

TO

NUMBER 15
ALPHA
PAGED 17

State of Nebraska, Gage County ss. Entered in Numerical Index and filed for record the 28th day of Feb., 19 83. at 10:00 o'clock A. M. and recorded in Book 63 of Miscellaneous... on page 126 of 126 Register of Deeds

Recorded _____ A. D. 19 _____ County _____
Record of _____
Book _____ Page _____
County Clerk _____
Deputy _____
Fee: \$6.50 Paid & Return:

Texas American Oil Corporation
300 W. Wall, Suite 400, Midland, Tex. 79701