

**NON-SURFACE OIL AND GAS LEASE**

Paid Up

This lease made this 22 day of October, 2013, by and between Reginald Vanhorne 2905 Paxton Avenue Tampa, FL 33611 hereinafter collectively called "Lessor" and Hay Exploration, Inc., 1544 Winchester Avenue, Suite 1108, Ashland, KY 41101 hereinafter called "Lessee".

WITNESSETH, that for and in consideration of the premises, and all of the mutual covenants and agreements hereinafter set forth, the Lessor and Lessee agree as follows:

**LEASING CLAUSE:** Lessor hereby leases exclusively to Lessee all the oil and gas and their constituents, whether hydrocarbon, underlying the land herein leased, together with such exclusive rights as may be necessary or convenient for Lessee, at its election, to explore for, develop, produce, measure, and market production from the Leasehold, and from adjoining lands, using methods and techniques which are not restricted to current technology, including the right to conduct geophysical and other exploration tests (including core drilling); to drill (either vertically, horizontally, or directionally), maintain, operate, treat, vent, dewater, cease to operate, plug, abandon, and remove wells; to stimulate or fracture all formations, seams or other strata or formations; as long as there is a producing well unitized or drill under this leasehold, and such right shall survive the term of this agreement for so long thereafter as operations are continued, to use oil, gas, to operate, maintain, repairer, and remove material and equipment.

**DESCRIPTION:** The Leasehold is located, all or part, in the County of Lawrence, in the State of Kentucky, on the waters of Levisa Fork of the Right Fork of Georges Creek and described as follows: Including Tax Map Number 76-72 and is bounded formerly or currently as follows:

On the North by Lands of \_\_\_\_\_  
On the East by Lands of \_\_\_\_\_  
On the South by Lands of \_\_\_\_\_  
On the West by Lands of \_\_\_\_\_

Including lands acquired: by instrument from Tellen Vanhorn dated 7/12/1988, and recorded in Book 199, Page 670, and described for the purposes of this agreement as containing 15 acres, whether actually more or less, and including all contiguous or appurtenant lands owned by Lessor Reginald Vanhorn, and for as long thereafter as prescribed payments are made, or for as long thereafter as operations are conducted on the Leasehold in search of production of oil, gas, or their constituents, or for as long as a well capable of production is located on the Leasehold, or for as long as extended by others provisions herein.

**LEASE TERM:** This Lease shall remain in force for a primary term of 1 year from \_\_\_\_\_, and for as long thereafter as prescribed payments are made, or for as long thereafter as operations are conducted on the Leasehold in search of production of oil, gas, or their constituents, or for as long as a well capable of production is located on the Leasehold, or for as long as extended by others provisions herein, or for as long as the Leasehold is used for the underground storage of gas or for the protection of stored gas. If after the primary term the last producing well on the Leasehold is plugged and abandoned, the Leasehold will remain under lease for an additional period of one year from the date of plugging and abandonment, subject to the payment of Delay Rental.

**EXTENSION OF TERM:** Lessee may extend the primary term for one additional period equal to the primary term by paying to Lessor, at any time within the primary term, proportionate to Lessor's percentage of ownership an Extension Payment equal in amount to the annual Delay Rental as herein described, or by drilling a well on the Leasehold which is not capable of commercial production.

**PAYMENT TO LESSOR:** Lessee covenants to pay Lessor, proportionate to Lessor's percentage of ownership as follows:

(A.) **PAID-UP RENTAL:** To pay Lessor as Rental at the rate of twenty(\$20) dollars per net mineral.

(B.) **ROYALTY:** It is agreed that the total Royalty that will be paid by Lessee shall be twelve and half percent (12.5%) and that any Royalty conveyance or reservation in Lessor's chain of title shall be subtracted from twelve and half percent (12.5%) royalty proved herein. To pay Lessor as Royalty, less all taxes, assessments, and adjustments on production from the Leasehold as follows:

1. **OIL:** To deliver to the credit of Lessor, free of cost, a Royalty of the equal twelve and half percent (12.5%) part of all oil and constituents thereof produced and marketed from the Leasehold. Payment will be direct from the purchaser

2. **GAS:** To pay Lessor an amount equal to twelve and half percent (12.5%) of the revenue realized by the Lessee for all gas and the constituents thereof produced and marketed from the Leasehold during the preceding month. Lessee may withhold Royalty payment until such time as the total withheld exceeds fifty dollars (\$50.00). Price will be calculated from the price received by Lessee free from production cost before the Third party sales meter.

(C.) **DELAY IN MARKETING:** In the event that Lessee does not market producible gas, oil, or their constituents from the Leasehold, Lessee shall pay \$500 per year in delay Rental until such time as marketing is established and such payment shall maintain this lease in full force and effect to the same extent as payment of Royalty.

(D.) **SHUT-IN:** In the event that production of oil, gas, or their constituents is interrupted and not marketed for a period of six months, and there is no producing well on the Leasehold, Lessee shall thereafter, as Royalty for constructive production, pay a Shut-In Royalty equal in frequency and amount to the Delay Rental until such time as production is re-established and said payment shall maintain the Lease in full force and effect to the same extent as payment of Royalty. During Shut-In, Lessee shall have the right to re-work, stimulate, or deepen any well on the Leasehold or drill a new well on the Leasehold in an effort to re-establish production, whether from an original producing formation or from a different formation. In the event that the production from the only producing well on the Leasehold is interrupted for a period of less than six months, this Lease shall remain in full force and effect without payment of Royalty or Shut-In Royalty.

(E.) **DAMAGES:** Lessee shall remove unnecessary equipment and materials and grade, reseed and mulch the drill site area at the completion of activities, and Lessee agrees to repair any damaged improvements to the land and pay for the loss of crops or marketable timber.

(F.) **MANNER OF PAYMENT:** Lessee shall make or tender all payments due hereunder by check, payable to Lessor, at Lessor's last known address, and Lessee may withhold any payment pending notification by Lessor of a change in address.

(G.) **CHANGES IN LAND OWNERSHIP:** Lessee shall not be bound by any change in the ownership of the Leasehold until furnished with such documentation as Lessee may reasonably require. Pending the receipt of documentation, Lessee may elect either to continue to make or withhold payments as if such a change had not occurred.

(H.) **TITLE:** If Lessee received evidence that Lessor does not have title to all or any part of the rights herein leased, Lessee may immediately withhold payments that would be otherwise due and payable hereunder to Lessor until the adverse claim is fully resolved.

(I.) **LIENS:** Lessee may at its option pay and discharge any past due taxes, mortgages, judgments, or other liens and encumbrances on or against any land or interest included in the Leasehold; and Lessee shall be entitled to recover from the debtor, with legal interest and cost, by deduction from any future payments to Lessor or by any other lawful means.

(J.) **LIMITATION OF FORFEITURE:** This lease shall never be subject to civil action or other proceeding to enforce a claim of forfeiture due to Lessee's alleged failure to perform as specified herein, unless, Lessee has received written notice of Lessor's demand and thereafter fails or refuses to satisfy Lessor's demand within sixty (60) days from receipt of the notice.

**UNITIZATION:** Lessor grants Lessee the right to pool, unitize, or combine all or part of the Leasehold with other lands, whether contiguous or not contiguous, leased, or un-leased, whether owned by Lessee or by others, at a time before or after drilling to create drilling or production units either by contract right or pursuant to governmental authorization. Lessee is granted the right to change the size, shape and conditions of operations or payment of any unit created. Lessor agrees to accept and receive out of the production or the revenue realized from production of such unit, such proportional share of the Royalty from each unit well as the number of Leasehold acres included in the unit bears to the total number of acres in the unit. Otherwise, except for Free Gas, the drilling, operations in preparation for drilling, production from, or

payment for Royalty, Shut-In Royalty, or Delay In Marketing for a well on such a unit shall have the same effect upon the terms of this Lease as if the well were located on the Leasehold.

**FREE GAS:** Upon approval of Lessor's written request for free gas and his execution of an Agreement for Delivery of Free Gas and Overburn Gas, one Lessor may lay a line to any producing gas well on the leased premises and take two hundred thousand (200,000) cubic feet of gas per year free of cost for domestic use in one dwelling on said lands at Lessor's own risk and expense, and subject to the use and right of abandonment of the well by the Lessee. All overburn gas shall be paid for by said Lessor at the current established retail rate in the area.

**ASSIGNMENT OF LEASE:** The lessee agrees not to assign the lease without prior written consent of the lessor. The consent will not be unreasonably withheld. The lease can be assigned within affiliated companies without consent.

**DEPTH LEASED:** The lease shall be for formations from the surface to three thousand feet (3,000) in vertical depth. All formation below three thousand feet is not a part of this lease and therefore is not leased under this agreement.

**SURFACE LOCATION:** It is agreed this lease is for the right to utilize or horizontally drill under the surface ONLY. No well is to be located on the surface property of this lease.

**FACILITIES:** Lessee shall not locate any surface facilities on the lease.

**TITLE AND INTEREST:** Lessor hereby warrants generally and agrees to defend title to the Leasehold and covenants that Lessee shall have quiet enjoyment hereunder and shall have benefit of the doctrine of after acquired title. Should any person having title to the Leasehold fail to execute this Lease, the Lease shall nevertheless be binding upon all persons who do execute it as Lessor.

**LEASE DEVELOPMENT:** There is no covenant to develop the Leasehold within a certain time frame, and there shall be no leasehold forfeiture for implied covenants to produce. Provisions herein constitute full compensation for privileges herein granted.

**ARBITRATION:** In the event of a disagreement between Lessor and Lessee concerning this lease, performance thereunder, or damages caused by Lessee's operations, settlement shall be determined by a panel of three disinterested arbitrators. Lessor and Lessee shall appoint and pay the fee of one each, and the two so appointed shall appoint the third, whose fee shall be borne equally by Lessor and Lessee. The award shall be by unanimous decision of the arbitrators and shall be final.

**SURRENDER:** Lessee may surrender and cancel this lease as to all or any part of the Leasehold by recording a Surrender of Lease and if partially surrendered, the Delay Rental provided in the PAYMENTS clause shall be reduced in proportion to the acreage surrendered.

**SUCCESSORS:** All rights, duties, and liabilities herein benefit and bind Lessor and Lessee and their heirs, successors, and assigns.

**LIABILITY:** Lessor will indemnify, save and hold lessor harmless from all claims, demands and causes of actions stemming from activities undertaken by lessee or lessee's assignees, their employees, agents, contractors and subcontractors during operations conducted on the leased premises to include any infractions of all local, state and federal laws. Lessee will hold General Liability Insurance of at least \$3,000,000.

**ENTIRE CONTRACT:** The entire agreement between Lessor and Lessee is embodied herein. No oral warranties, representation, or promises have been made or relied upon by either party as an inducement to or modification of this Lease.

IN WITNESS WHEREOF, this lease is entered into this the day and year first above written.

LESSOR [Signature] LESSOR \_\_\_\_\_

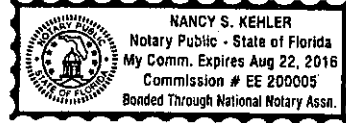
LESSEE [Signature]  
HAY EXPLORATION, INC.

ACKNOWLEDGMENT

STATE OF FLORIDA  
COUNTY OF HILLSBOROUGH

On this 22 day of OCTOBER, 2013, before me, NANCY KEHLER FLORIDA, a Kentucky Notary Public, Special Commission for acts performed in Kentucky for recordation in Kentucky, came REINHARD G. VAN HAREN to me know (or satisfactorily proven) to be the individual(s) described in, and who executed the foregoing instrument, and acknowledged that he/she/they executed the same for the purposes therein contained. In witness thereof, I hereunto set my hand and official seal.

My Commission Expires on: 8/22/2016 [Signature]  
Notary Public- Special Commission



ACKNOWLEDGMENT

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

On this \_\_\_\_\_ day of \_\_\_\_\_, 2013, before me, \_\_\_\_\_, a \_\_\_\_\_ Notary Public, Special Commission for acts performed in Kentucky for recordation in Kentucky, came \_\_\_\_\_ to me know (or satisfactorily proven) to be the individual(s) described in, and who executed the foregoing instrument, and acknowledged that he/she/they executed the same for the purposes therein contained. In witness thereof, I hereunto set my hand and official seal.

My Commission Expires on: \_\_\_\_\_  
Notary Public- Special Commission

Prepared by:  
Hay Exploration, Inc.  
1544 Winchester Avenue, Suite 1108  
Ashland, KY 41101

[Signature]

DOCUMENT NO: 74684  
RECORDED ON: December 03, 2013 12:31:00PM  
COUNTY CLERK: CHRIS JOBE  
COUNTY: LAWRENCE COUNTY  
BOOK: L111 PAGE: 86 - 87 LEASE

Signed: [Signature]