

**OIL AND GAS LEASE**  
(Paid-up)

AGREEMENT, made and entered into this 12th day of January, 20 11, by and between  
Elaine Kent Irrevocable Trust, Mark Scates, Trustee

P.O. Box 58  
Pond Creek, Oklahoma 73766

party of the first part, hereinafter called Lessor (whether one or more), and **SandRidge Exploration and Production, LLC**, 123 Robert S Kerr Avenue, Oklahoma City, Oklahoma 73102, party of the second part, hereinafter called Lessee.

WITNESSETH, that the said Lessor, for and in consideration of Ten Dollars, cash in hand paid, and other good and valuable consideration 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 unto the said Lessee, for the sole and exclusive right to explore by geophysical and other methods, for 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 pipelines, and building drill sites, access roads, 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 Grant, State of Oklahoma, described as follows, to-wit: \_\_\_\_\_

The Northwest Quarter (NW/4)

of Section 16, Township 26N, Range 3W, and containing 160 acres, more or less.

1. It is agreed that this lease shall remain in force for a term of Three (3) years from date (herein called primary term) and so long thereafter as oil or gas, or either of them, is produced from said land or lands pooled therewith.

2. In consideration of the premises the said Lessee covenants and agrees:

A. To deliver to the credit of Lessor free of cost, in the pipeline to which it may connect its wells, a 3/16ths part of all oil (including but not limited to condensate and distillate) produced and saved from the leased premises.

B. To pay Lessor for gas (including casinghead gas) and all other substances covered hereby, a royalty of 3/16ths of the proceeds realized by Lessee from the sale thereof, less a proportionate part of the production, severance and other excise taxes and the cost incurred by Lessee in processing, gathering, treating, compressing, dehydrating, transporting, and marketing, or otherwise making such gas or other substances ready for sale or use, 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 hereunder, such payment or tender to be made, on or before the later of ninety (90) days following the date of shut in or the anniversary date of this lease during the period such well is shut in, to the Lessor. When such payment or tender is made it will be considered that gas is being produced within the meaning of the entire lease.

3. If, at the expiration of the primary term, there is no production in paying quantities on the leased land or on lands pooled therewith but Lessee is conducting operations for drilling, completing or reworking a well, this lease nevertheless shall continue as long as such operations are prosecuted or additional operations are commenced and prosecuted (whether on the same or successive wells) with no cessation of more than ninety (90) days, and if production is discovered, this lease shall continue as long thereafter as oil or gas are produced. In addition, if at any time or times after the primary term, there is a total cessation of all production, for any cause (other than an event of force majeure), this lease shall not terminate if Lessee commences or resumes any drilling or reworking operations or production within ninety (90) days after such cessation. Drilling operations or mining operations shall be deemed to be commenced when the first material is placed on the leased premises or when the first work other than surveying or staking the location is done thereon which is necessary for such operations.

4. 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 160 acres, or for the production primarily of gas with or without distillate more than 640 acres; provided that if any governmental regulation shall permit or 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 permitted or 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 unless the pooling or unitization results from governmental order or rule, in which case no such written designation shall be required. 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.

5. 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.

6. 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.

7. 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.
8. 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.
9. If at any time within the primary term of this lease or any continuation thereof, Lessor receives any bona fide offer, acceptable to Lessor, to grant an additional lease (top lease) covering all or part of the aforescribed 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 reflecting 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 within 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.
10. 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, or operation of force majeure.
11. 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.
12. 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.
13. Lessor hereby warrants and agrees to defend the title to the lands herein described and to indemnify Lessee of all adverse claims thereto, and all expenses incurred by Lessee in defending such claims, including reasonable attorney fees, 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.
14. Notwithstanding anything to the contrary contained in this lease, no litigation shall be initiated by Lessor for damages, forfeiture, termination or cancellation with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default within such period. In the event the matter is litigated and there is final judicial determination that a breach or default has occurred, this lease shall not be cancelled 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 or such judicial determination shall specify that the lease shall be forfeited or cancelled.
15. It is the intent of the Lessor to lease, and Lessor does hereby grant, demise, lease and let unto Lessee, all oil, gas and other minerals owned by Lessor in Section 16, Township 26N, Range 3W, Grant County, Oklahoma whether or not properly and completely described herein. In the event it is determined that Lessor actually owns more net mineral acres than that assumed by the parties in the calculation of lease bonus and paid by Lessee, Lessor and Lessee agree that Lessee shall pay Lessor for such additional net acreage at the same bonus price per acre agreed upon for the execution of this oil and gas lease. Likewise, in the event it is determined that Lessor owns less net acres, or it is determined that Lessor's acreage is currently leased under a prior oil and gas lease, then the Lessor agrees to reimburse Lessee for the bonus per acre paid for the acreage not owned by Lessor or under the prior oil and gas lease.
16. **Other Provisions. See Exhibit "A" attached hereto and made a part hereof.**

IN TESTIMONY WHEREOF, we sign this the 18TH day of FEBRUARY, 2011.

Mark Scates, Trustee  Debbie K. Kretchmar - Grant County State of Oklahoma  
 Tax ID/SS#: \_\_\_\_\_ Lessor

STATE OF Oklahoma } (ACKNOWLEDGEMENT FOR INDIVIDUAL)  
 COUNTY OF Grant } SS.

The foregoing instrument was acknowledged before me this 18 day of February, 2011, by Mark Scates

My Commission expires 8-2-14  
 Debra Meritt  
 Commission Number \_\_\_\_\_ Notary Public

EXHIBIT "A"

Attached hereto and made a part of that certain Oil & Gas Lease dated the 12th day of January, 2011 by and between the aforementioned Lessor and **SandRidge Exploration and Production, LLC.**, as Lessee.

LEASE DESCRIPTION: Northwest Quarter (NW/4) of Section 16, Township 26N, Range 3W, Grant County, Oklahoma

**17. OTHER PROVISIONS:** Notwithstanding anything to the contrary contained in this lease, it is agreed as follows:

**18. Option to Renew Oil & Gas Lease:** Notwithstanding anything to the contrary contained in this Lease, Lessee, its successors and/or assigns, has the option, but not the obligation to extend the primary term of this Lease and all rights hereunder for an additional two (2) years from the date of the expiration of the initial primary term, by tendering to Lessor, an additional bonus payment equal to the sum of **\$300.00** per net mineral acre covered by this Lease. This bonus payment shall be tendered by Lessee when deposited with the U.S. Postal Service for delivery to the Lessor by certified mail at the address above on or prior to the expiration date of the initial primary term of this Lease.

19. **DEPTH CLAUSE:** In the event this lease is extended by commercial production beyond its primary term, then on such date this lease shall terminate as to all rights one hundred feet and more below the stratigraphic equivalent of the deepest penetrated formation in the well or wells located on the leased premises, or land unitized therewith. If Lessee is in the process of drilling or completing a well at the end of the primary term of this lease, this clause shall become effective upon conclusion of such operations.

20. **PUGH CLAUSE:** Notwithstanding anything to the contrary in this lease, all portions of this lease not included in a unit created by the Oklahoma Corporation Commission and not producing or upon which drilling operations have not commenced, shall be released at the expiration of the primary term of this lease. Should the unit as established by the Corporation Commission be changed after the expiration of the primary term, all portions of this lease not included in the newly prescribed Corporation Commission unit will be released.

21. **USE OF SURFACE:**

a) Lessee shall be liable and agrees to pay for all damages caused by its operations to the leased premises, including without limitation, damage to all personal property, improvements, livestock, crops, grasses and trees on the leased premises. Lessee agrees to pay \$9,000.00 for the first well location and access road as damages for all surface areas physically contacted by Lessee's operations on the leased premises, payable to the surface owner prior to spudding the first well, and \$40.00 per rod for any pipeline or electrical crossing damages. In the event Lessee uses existing roads of surface owner, Lessee shall maintain such roads. Upon Lessor's request, Lessee shall fence the well site to exclude livestock. The well site location shall be limited to three acres. If additional acreage is needed, then additional damages shall be paid at the rate of \$3,000.00 per additional acre.

b) All pipelines shall be buried and maintained below three feet of depth so farming and ranching operations, including irrigation, terracing and subsoil tillage, may be safely performed.

c) In the event of production, Lessee shall restrict the production site to as small a dimension as is reasonably practical for prudent operations.

d) Lessee shall consult with surface owner upon the placement of any tanks, pipelines, and lease roads and cattle guards necessitated by its operations on the property, and shall utilize its best efforts to minimize interference with surface owner's farming and ranching operations.

e) Cattle guards a minimum of 20 feet wide and of adequate strength with steel gates will be constructed at all places where lease roads enter the property or go through existing fences. After completion, Lessee shall use its best efforts to keep gates padlocked at all times, except when opened for passage of traffic. Said cattle guards and gates shall become the property of surface owner upon expiration of the lease. Existing fences shall be H-Braced before cutting to install gates, utilizing posts with minimum 8 inch tops.

f) Lessee shall maintain production site in a clean and uncluttered condition.

g) It is agreed that no salt water, waste drilling fluids, waste material or other deleterious substances will be injected in any well that may be drilled on the property covered by this lease without surface owner's prior written consent.

h) No earthen reserve pits shall be utilized in the re-entry, drilling, completion or operation of any well that may be drilled on the property covered by this lease or any of Lessor's property in said section. This does not include a 20 mill liner haul off pit.

i) No well shall be located closer than 200 feet to existing dwellings, barns, and outbuildings on the leased premises.

j) Lessee may not use fresh water obtained from or under the leased premises without the express written consent of the surface owner. Said water to be purchased by Lessee at a price of \$2,000.00 for each well drilled and the sum of \$1,000.00 for each workover operation requiring the use of fresh water.

k) Upon written notice from Lessor, Lessee shall have one hundred and twenty (120) days to proceed with plugging any well drilled on the leased premises within six (6) months after abandonment, and shall return the well site and road site to its original condition as nearly as practical, including the removal of concrete pads and large rocks, the replacement of soil, and re-establishing native grass.

22. NO DEDUCTIONS: It is agreed between the Lessor and Lessee that, notwithstanding any language herein to the contrary, all oil, gas or other proceeds accruing to the Lessor under this lease or by state law shall be without deduction, for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and marketing the oil, gas and other products produced hereunder to transform the product into marketable form; however, Lessor's share of any such costs which result in enhancing the value of the marketable oil, gas or other products to receive a better price may be deducted from Lessor's share of production so long as they are based on Lessee's actual cost of such enhancements. However, in no event shall Lessor receive a price that is less than, or more than, the price received by Lessee.

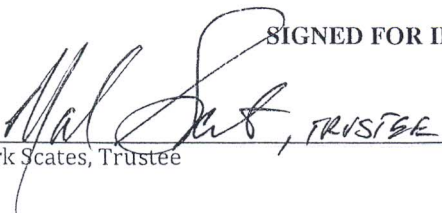
23. BEST PRICE AVAILABLE: In selling any gas produced from the leased premises, or any lands with which the leased premises may be unitized, the Lessee shall exercise good faith and use due diligence and prudence to market such gas at the best price and upon the most favorable terms that may be obtainable by Lessee at the times or times such gas is contracted for sale, but in no event less than the price obtained by the operator of the well, through arms length negotiations with a bonafide purchaser.

24. WASTE: Lessee agrees to use diligence to prevent the underground or above ground waste of oil or gas and to avoid the physical waste of gas produced from the leased premises.

25. SHUT-IN ROYALTY: Notwithstanding anything to the contrary herein, it is understood and agreed that this lease may not be maintained in force for any one continuous period of time longer than two (2) consecutive years after the expiration of the primary term hereof solely by the provisions of the shut-in royalty clause.

26. INDEMNIFICATION: Lessee agrees to indemnify Lessor against all claims, suits, costs, losses, and expenses that may in any manner result from or arise out of the operations conducted by lessee pursuant to this instrument.

SIGNED FOR IDENTIFICATION PURPOSES:

  
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Mark Scates, Trustee

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04/12/2011 8:15 am Pg 0449-0452  
Fee: \$ 19.00 Doc: \$ 0.00  
Debbie K. Kretchmar - Grant County  
State of Oklahoma