

CASTANOLO;

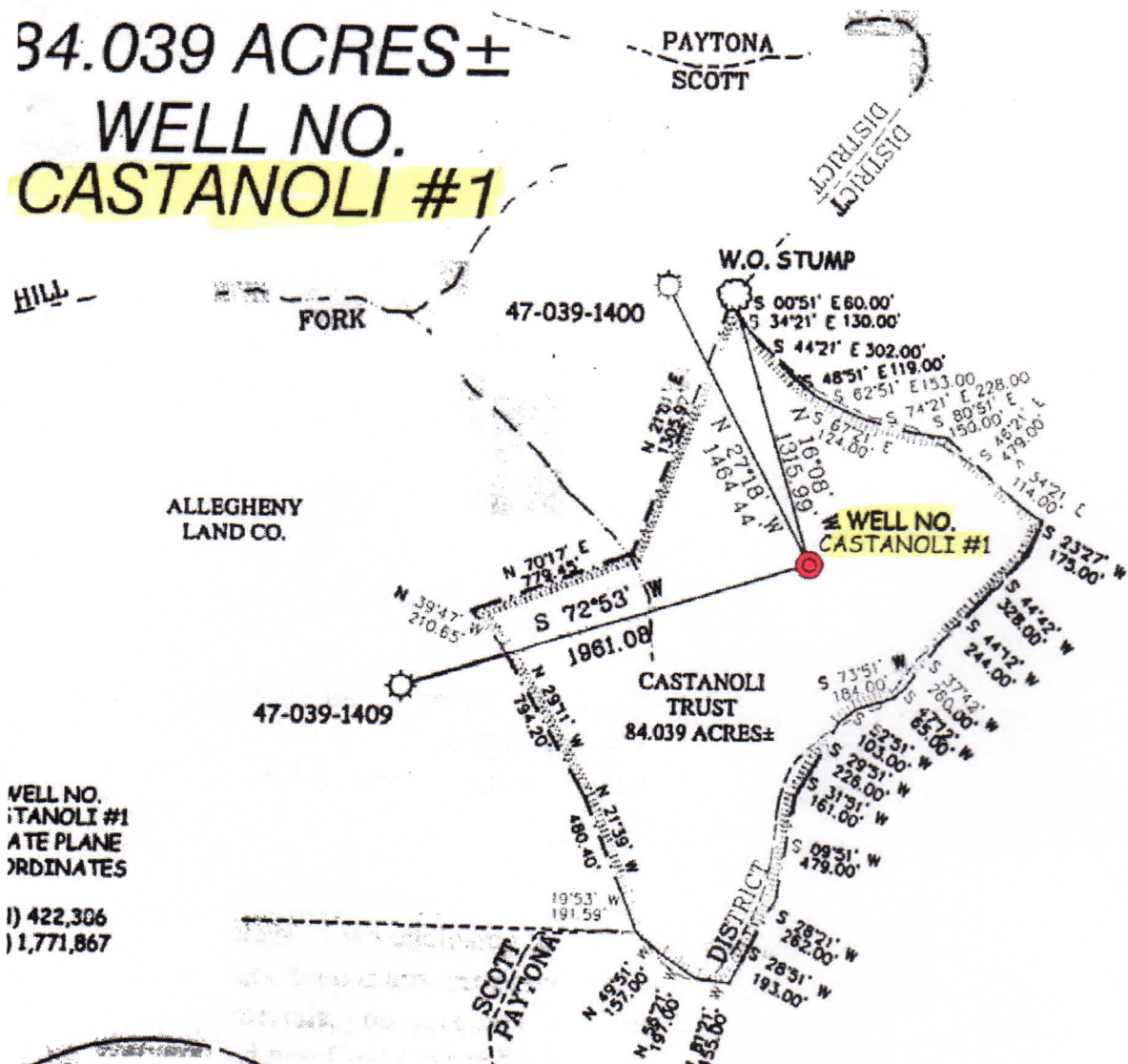
OIL + GAS LEASE

DOCS

# ASTANOLI LEASE

## 34.039 ACRES±

### WELL NO. CASTANOLI #1



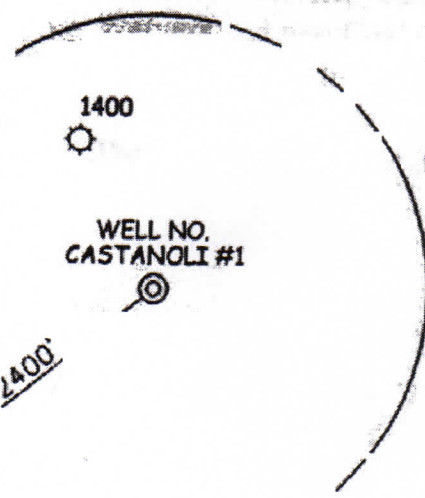
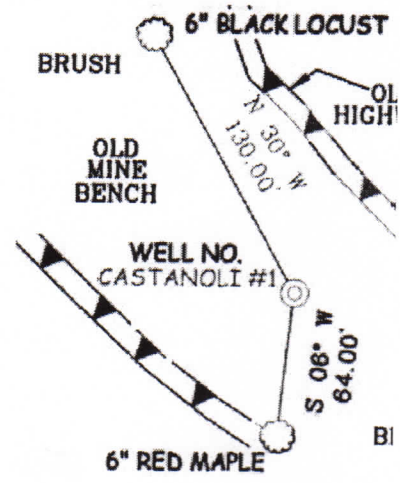
PENN VA. OPERATING CO. L.L.C.

WELL NO. CASTANOLI #1  
 STATE PLANE COORDINATES  
 E) 422,306  
 N) 1,771,867

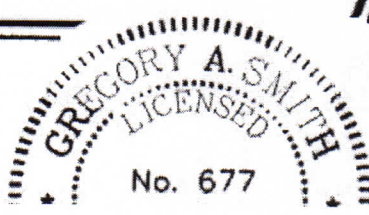
### NOTES ON SURVEY

1. TIES TO WELLS AND CORNERS ARE BASED ON GRID NORTH FOR THE WV STATE PLANE COORDINATE SYSTEM SOUTH ZONE NAD'27.
2. TIES TO REFERENCES ARE BASED ON MAGNETIC NORTH 09/10/04.
3. LEASE BOUNDARY SHOWN HEREON TAKEN FROM A PLAT OF SURVEY DATED JULY 1980 AS PREPARED BY ROBERT G. WATTS FOR A.F. CASTANOLI, et al.
4. SURFACE OWNER AND ADJOINER INFORMATION TAKEN FROM THE ASSESSOR AND COUNTY CLERK RECORDS OF BOONE COUNTY IN SEPTEMBER, 2004.
5. WELL LAT./LONG. (NAD'27) ESTABLISHED BY DCPS (SUBMETER MAPPING GRADE).

### REFERENCE



UNDERSIGNED, HEREBY CERTIFY THAT IT IS CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF AND SHOWS ALL INFORMATION REQUIRED BY LAW AND REGULATIONS ISSUED AND PRESCRIBED

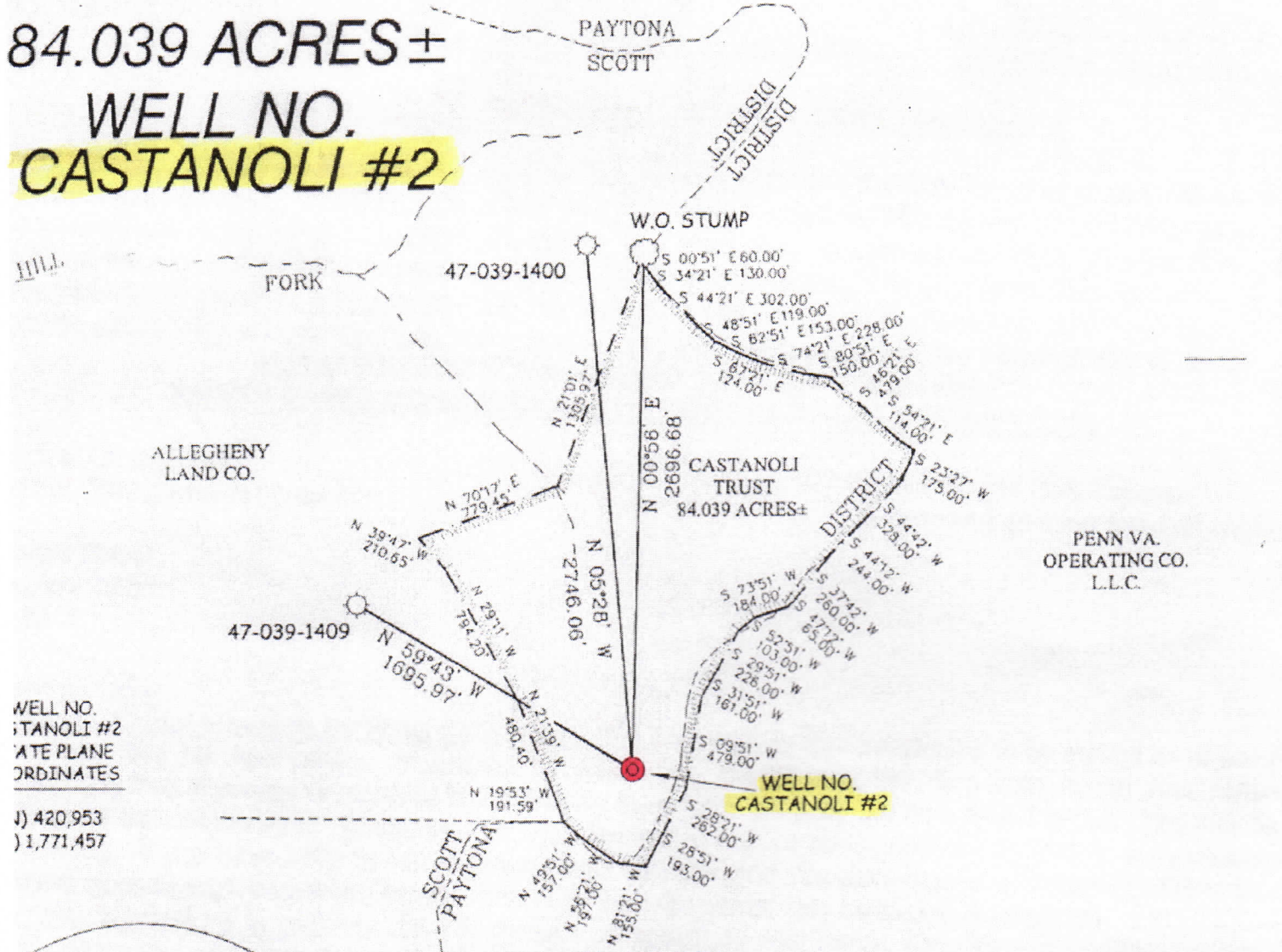


(+) DENOTES LOCATION OF WELL ON UNITED STATES TOPOGRAPHIC MAPS.  
 DATE SEPTEMBER 16, 200  
 OPERATORS WELL NO. CASTANOLI #1

# CASTANOLI LEASE

## 84.039 ACRES ±

### WELL NO. CASTANOLI #2



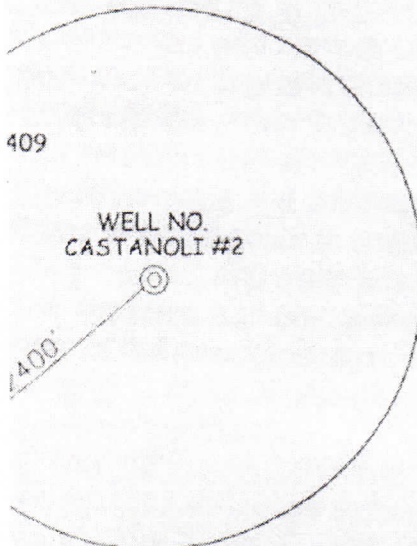
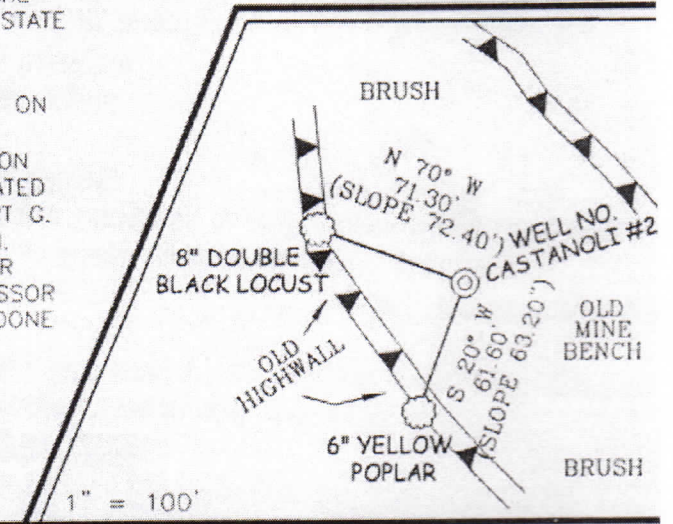
WELL NO. CASTANOLI #2  
 STATE PLANE  
 COORDINATES

X) 420,953  
 Y) 1,771,457

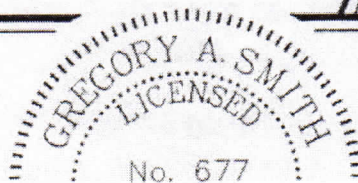
#### NOTES ON SURVEY

1. TIES TO WELLS AND CORNERS ARE BASED ON GRID NORTH FOR THE WV STATE PLANE COORDINATE SYSTEM SOUTH ZONE NAD'27.
2. TIES TO REFERENCES ARE BASED ON MAGNETIC NORTH 09/10/04
3. LEASE BOUNDARY SHOWN HEREON TAKEN FROM A PLAT OF SURVEY DATED JULY 1980 AS PREPARED BY ROBERT G. WATTS FOR A.F. CASTANOLI, et al.
4. SURFACE OWNER AND ADJOINER INFORMATION TAKEN FROM THE ASSESSOR AND COUNTY CLERK RECORDS OF BOONE COUNTY IN SEPTEMBER, 2004.
5. WELL LAT./LONG. (NAD'27) ESTABLISHED BY DGPS (SUBMETER MAPPING GRADE).

#### REFERENCES



I, \_\_\_\_\_, DESIGNER, HEREBY CERTIFY THAT THIS SURVEY IS CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF AND SHOWS ALL INFORMATION REQUIRED BY LAW AND REGULATIONS ISSUED AND DESCRIBED.



(+) DENOTES LOCATION OF WELL ON UNITED STATES TOPOGRAPHIC MAPS.  
 DATE SEPTEMBER 16, 20 04  
 OPERATORS WELL NO. CASTANOLI #2

RECEIVED

OIL AND GAS LEASE

JUL 23 1 10 PM '01

UM + New Lease  
29 1184

This Oil and Gas Lease ("Lease") is made this 23rd day of July, 2001, by and between A.F. Castanoli Sr. Trust whose address is 1424 15th St., Huntington, WVA 25701, ("Lessor", whether one or more) and HEWLE AND ASSOC., INC. whose address is 230 French Way, Carson City, Nevada 89704, ("Lessee").

WITNESSETH, For and Consideration of TEN DOLLARS, the covenants and agreements contained herein, and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, Lessor does hereby grant, demise, lease and let exclusively unto said Lessee, with the exclusive rights for the purposes of mining, exploring by geophysical and other methods and operating for and producing therefrom oil and all gas of whatsoever nature or kind (including coalbed gas), and laying pipelines, telephone and telegraph lines, building tanks, plants, power stations, roadways and structures thereon to produce, save and take care of said products (including dewatering of coalbed gas wells), and the exclusive surface or subsurface rights and privileges related in any manner to any and all such operations, and any and all other rights and privileges necessary, incident to, or convenient for the operation alone or conjointly with neighboring land for such purposes, all that certain tract or tracts of land situated in Boone County, WEST VIRGINIA, described to wit:

100 AC. TRACT - MORE OR LESS - SITUATED AT HEAD OF HILL FORK OF BIG HENITT CREEK, SCOTT DIST., BOONE COUNTY. SITUATED BETWEEN THE LANDS OF PENN VIRGINIA COAL CO. TO THE EAST AND THE LANDS OF ARK LAND CO., TO THE WEST. LAND DESCRIBED IN DEED BOOK 142, PAGES 326, 313, 282, 280 & 268 AND IN DEED BOOK 130, PAGE 285 BOONE COUNTY RECORDS  
and containing 100 acres, more or less (the "Premises").

1. It is agreed that this Lease shall remain in full force for a term of FIVE (5) years from this date ("Primary Term") and as long thereafter as oil or gas of whatsoever nature or kind is produced from the Premises or on acreage pooled or unitized therewith, or operations are continued as hereinafter provided. If, at the expiration of the Primary Term, oil or gas is not being produced from the Premises or on acreage pooled or unitized therewith but Lessee is then engaged in drilling, reworking or dewatering operations thereon, then this Lease shall continue in force so long as such operations are being continuously prosecuted. Operations shall be considered to be continuously prosecuted if not more than ninety (90) days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well. If after discovery of oil or gas on the Premises or on acreage pooled or unitized therewith, the production thereof should cease from any cause after the primary term, this Lease shall not terminate if Lessee commences additional drilling, reworking or dewatering operations within ninety (90) days from date of cessation of production or from date of completion of a dry hole. If oil or gas shall be discovered and produced as a result of such operations at or after the expiration of the Primary Term, this Lease shall continue in force so long as oil or gas is produced from the Premises or on acreage pooled or unitized therewith.

2. ~~This is a PAID UP LEASE.~~ In consideration of the payment made herewith, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term. Lessee may at any time or times during or after the Primary Term surrender this Lease as to all or any portion of the Premises and as to any strata or stratum, by delivering to Lessor or by filing for record a release or releases, and be relieved of all obligations thereafter accruing as to the acreage surrendered. TERMS - YRS 1-2 - \$500 RENTAL

3. Lessee covenants and agrees to pay royalty to Lessor as follows:  
(a) On oil, to deliver to the credit of Lessor, free of cost in the pipeline to which Lessee may connect wells on the Premises, the equal 12.5 PERCENT (12.5%) part of all oil produced and saved from the Premises.  
(b) On gas of whatsoever nature or kind, including coalbed gas and other gases, liquid hydrocarbons and their respective constituent elements, casinghead gas or other gaseous substances, produced from the Premises ("Gas") Lessee shall pay, as royalty, 12.5% (12.5) of the net proceeds realized by Lessee from the sale at the well. YEARS 3-4-5 - \$1000 RENTAL  
(c) On product produced from the Premises Lessee shall pay, as royalty, 12.5% (12.5) of the net proceeds realized by Lessee from the sale at the well.

4. Where Gas from a well capable of producing Gas (or from a well in which dewatering operations have commenced), is not sold or used after the expiration of the Primary Term, Lessee shall pay or tender as royalty to Lessor at the address set forth above One Dollar (\$1.00) per year per net mineral acre, 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 or dewatering operations are commenced and thereafter on or before the anniversary date of this Lease during the period such well is shut in or dewatering operations are being conducted.

5. If Lessor owns a lesser interest in the Premises than the entire and undivided fee simple estate therein, then the royalties (including any shut-in gas royalty) herein provided for shall be paid Lessor only in the proportion which Lessor's 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 the Premises for Lessee's operations thereon, except water from the wells of Lessor.

7. When requested by Lessor, Lessee shall bury Lessee's pipeline below plow depth.

8. No well shall be drilled nearer than 200 feet to the house or barn now on the Premises without written consent of Lessor.

9. Lessee shall pay for damages caused by Lessee's operations to growing crops on the Premises.

10. Lessee shall have the right at any time to remove all machinery and fixtures (including casing) Lessee has placed on the Premises.

11. The rights of the Lessor and Lessee hereunder may be assigned in whole or part. No change in ownership of Lessor's interest (by assignment or otherwise) shall be binding on Lessee until Lessee has been furnished with notice, consisting of certified copies of all recorded instruments or documents and other information necessary to establish a complete chain of record title from Lessor, and then only with respect to payments thereafter made. No other kind of notice, whether actual or constructive, shall be binding on Lessee. No present or future division of Lessor's ownership as to different portions or parcels of the Premises shall operate to enlarge the obligations or diminish the rights of Lessee, and all Lessee's operations may be conducted without regard to any such division. If all or any part of this Lease is assigned, no leasehold owner shall be liable for any act or omission of any other leasehold owner.

12. Lessee, at its option, is hereby given the right and power at any time and from time to time as a recurring right, either before or after production, as to all or any part of the Premises and as to any one or more of the formations thereunder, to pool or unitize the leasehold estate and the mineral estate covered by this Lease with other land, lease or leases in the immediate vicinity for the production of oil and gas, or separately for the production of either, when in Lessee's judgment it is necessary or advisable to do so, and irrespective of whether authority similar to this exists with respect to such other land, lease or leases. Likewise units previously formed to include formations not producing oil or gas, may be reformed to exclude such non-producing formations. The forming or reforming of any unit shall be accomplished by Lessee executing and filing of record a declaration of such unitization or reformation, which declaration shall describe the unit. Any unit may include land upon which a well has theretofore been completed or upon which operations for drilling have theretofore been commenced. Production, drilling, reworking or dewatering operations or a well shut in for want of a market anywhere on a unit which includes all or a part of this Lease shall be treated as if it were production, drilling, reworking or dewatering operations or a well shut in for want of a market under this Lease. In lieu of the royalties elsewhere herein specified, including shut-in gas royalties, Lessor shall receive royalties on production from such unit only on the portion of such production allocated to this Lease; such allocation shall be that proportion of the unit production that the total number of surface acres covered by this Lease and included in the Unit bears to the total number of surface acres in such Unit. In addition to the foregoing, Lessee shall have the right to unitize, pool, or combine all or any part of the Premises as to one or more of the formations thereunder with other lands in the same general area by entering into a cooperative or unit plan of development or operation approved by any governmental authority and, from time to time, with like approval, to modify, change or terminate any such plan or agreement and, in such event, the terms, conditions and provisions of this Lease shall be deemed modified to conform to the terms, conditions, and provisions of such approved cooperative or unit plan of development or operation and, particularly, all drilling and development requirements of this Lease, express or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this Lease shall not terminate or expire during the life of such plan or agreement. In the event that the Premises or any part thereof, shall hereafter be operated under any such cooperative or unit plan of development or operation whereby the production therefrom is allocated to different portions of the land covered by said plan, then the production allocated to any particular tract of land shall, for the purpose of computing the royalties to be paid hereunder to Lessor, be regarded as having been produced from the particular tract of land to which it is allocated and not to any other tract of land; and royalty payments to be made hereunder to Lessor shall be based upon production only as so allocated. Lessor shall formally express Lessor's consent to any cooperative or unit plan of development or operation adopted by Lessee and approved by any governmental agency by executing the same upon request of Lessee.

1184

13. 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. Any delay or interruption caused by storm, flood, act of God or other event of force majeure shall not be counted against Lessee. If, due to the above causes or any cause whatsoever beyond the control of Lessee, Lessee is prevented from conducting operations hereunder, such time shall not be counted against Lessee, and this Lease shall be extended for a period of time equal to the time Lessee was so prevented, anything in this Lease to the contrary notwithstanding.

14. Lessor hereby agrees that Lessee shall have the right at any time to redeem for Lessor, by payment, any mortgages, taxes or other liens on the Premises, in the event of default of payment by Lessor, and be subrogated to the rights of the holder thereof, and the undersigned Lessors, for themselves and their heirs, successors and assigns, hereby surrender and release all right of dower and homestead in the Premises, insofar as said right of dower and homestead may in any way affect the purposes for which this Lease is made, as recited herein.

15. Should any one or more the parties named as Lessor herein fail to execute this Lease, it shall nevertheless be binding upon all such parties who do execute it as Lessor. The word "Lessor", as used in this Lease, shall mean any one or more or all of the parties who execute this Lease as Lessor. All the provisions of this Lease shall be binding on the heirs, successors and assigns of Lessor and Lessee.

IN WITNESS WHEREOF, this instrument is executed as of the date first above written.

Signatures	Taxpayer Identification or SS No.
<u>A.F. CASTANOLI SR. TRUST</u> <u>Eleanor J. Castanoli-Henkle</u> <u>Eleanor J. Castanoli-Henkle / TRUSTEE</u>	<u>203-22-6915</u>
<u>HENKLE AND ASSOC.</u> <u>William R. Henkle, Jr.</u> <u>William R. Henkle, Jr. / PRESIDENT</u>	<u>301-42-4927</u>

ACKNOWLEDGMENTS FOR USE IN ARIZONA, OREGON, NEBRASKA, KANSAS, COLO., WYOMING, N. DAKOTA, NEW MEXICO

STATE OF West Virginia )  
COUNTY OF Cabell ) SS.

(INDIVIDUAL ACKNOWLEDGMENT)

The foregoing instrument was acknowledged before me this 23<sup>rd</sup> day of July, 2001, by Eleanor J. Castanoli / Henkle Trust, William R. Henkle, Jr., President

My Commission Expires: May 21, 2007



Teresa D. Smith  
Notary Public

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS.

(CORPORATE ACKNOWLEDGMENT)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_ of \_\_\_\_\_ a \_\_\_\_\_ corporation, on behalf of the corporation.

My Commission Expires: \_\_\_\_\_

Notary Public

STATE OF WEST VIRGINIA, ROONE COUNTY COMMISSION CLERK'S OFFICE  
 TO \_\_\_\_\_ WITH THE ANNEXED CERTIFICATE  
 W. 23<sup>rd</sup> July 2001 1:10 O'CLOCK P.  
 ADMITTED TO RECORD BY \_\_\_\_\_  
 TESTE Dary W. Williams CLERK:  
 BY Kebecca J. Hays DEPUTY:  
 FEE \$ 6.00 INSTR # 13900

**AMENDMENT TO OIL AND GAS LEASE**

**State:** West Virginia

**County:** Boone

**Lessor:** A.F. Castanoli Sr. Trust – 1424 15<sup>th</sup> St., Huntington, WV 25701  
% Eleanor .J. Castanoli-Henkle, Trustee

**Lessee:** Henkle and Assoc., Inc., 230 Finch Way, Carson City, NV 89704

**Effective Date:** 10/05/02

On **July 23, 2001**, Lessors, named above, executed and delivered to Lessee (named above), an oil and gas lease (the "Lease"), recorded in **Volume 29, page 1184** of the **Oil & Gas Lease Records** of the county and state named above. The Lease covers the following lands (the "Lands"):

**100 Ac. Tract – more or less, situated at head of Hill Fork of Big Hewitt Ck., Scott dist., Boone County, W.Va. Situated between the lands of Penn Virginia Coal Co. to the east and the lands of Ark Land Co., to the west. Land is described in Deed Book 142, Pages 326,313,282,280 & 268, and in Deed Book 130, page 285, Boone County Records.**

The Lease is recognized and deemed by Lessors to be in full force and effect. The Lease is presently owned by Lessee, named above. It is the desire of the Lessors and Lessee to amend the Lease as to the particular provisions set out below.

For adequate consideration, Lessors and Lessee amend the Lease by incorporating into it the following terms and provisions, as if originally contained in the Lease:

- **Term of the Lease is amended to 10 years from date of execution instead of the original 5 year term.**
- **Annual rentals are amended to \$ 500/yr for the life of the lease as opposed to escalating to \$ 1000/yr after the second year.**

If any of the amendments, set out above, vary from or are different than any provisions or terms stated in the Lease, the amending provisions specifically supersede and replace the provisions or terms originally contained in the Lease.

For adequate consideration, Lessors grants, leases and lets to Lessee the Lands for the term provided in the Lease, as amended.

This Amendment may be executed in multiple counterparts by Lessors. When executed, each counterpart shall be binding on the party signing it, regardless of whether all Lessors execute this Amendment.

This Amendment is signed by Lessors and Lessee as of the date of the acknowledgment of their respective signatures, but is effective for all purposes as of the Effective Date stated above.

Lessor: Eleanor J. Castanoli-Henkle, Trustee  
Eleanor J. Castanoli-Henkle, Trustee – A.F. Castanoli Sr. Trust

Public Officer, Trustee, or Personal Representative

STATE OF  
COUNTY OF

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
by **Eleanor J. Castanoli-Henkle, Trustee of A.F. Castanoli Sr., Trust.**

Given under my hand and official seal, this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

(Seal)

Notary Public in and for the State of \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Commission Expires: \_\_\_\_\_

Lessee: William R. Henkle, Jr.  
William R. Henkle, Jr., President – Henkle and Assoc., Inc.

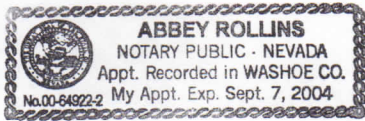
Corporate

STATE OF Nevada  
COUNTY OF Washoe

I, Abbey Rollins, a notary of said county, do certify that **William R. Henkle, Jr., President of Henkle and Assoc., Inc.**, who signed the writing above bearing date the 4th day of Oct., 2002, for **Henkle and Assoc., Inc.**, has this day in my said county, before me, acknowledged the said writing to be the act and deed of said corporation.

Given under my hand and official seal, this 4th day of Oct., 2002.

(Seal)



Abbey Rollins  
Notary Public in and for the State of Nevada  
Printed Name: Abbey Rollins  
Commission Expires: 9/7/04

ASSIGNMENT, BILL OF SALE AND CONVEYANCE

STATE OF WEST VIRGINIA            )

COUNTY OF BOONE                    )

KNOW ALL MEN BY THESE PRESENTS:

THAT the undersigned, William R. Henkle Jr. as President of Henkle and Associates for Henkle and Associates (hereinafter referred to as "Assignor,") for good and valuable consideration of TEN DOLLARS (\$10.00) and other good and valuable consideration the receipt of and sufficiency of which are hereby acknowledged and confessed, without warranty of title, expressed or implied, and subject to the conditions and covenants provided for herein, does hereby GRANT, BARGAIN, SELL, TRANSFER, ASSIGN AND CONVEY unto The Petroleum Synergy Group, Inc whose address is P. O. Box 34300, Reno, NV 89533 an undivided 75.0% and to D. C. Malcolm, Inc. whose address is 900 Lee Street, East Charleston, WV 25301 an undivided 25.0% (hereinafter referred to as "Assignees,") of all of Assignor's right, title and interest and estate in that oil and gas lease described in and as further defined in Exhibit A (attached hereto), whether or not accurately and completely described therein subject to the terms and conditions of that certain unrecorded Farmout Agreement dated November 30, 2004 and its Operating Agreement dated December 1, 2004 and all other rights, privileges, benefits and powers conferred upon the owner and holder of the Leasehold Interests. Assignor shall have the option, but not the obligation, to participate in all future drilling and other activities on the lease for up to a 10% working interest.

TO HAVE AND TO HOLD, subject to the terms, exceptions and other provisions herein stated, the Assets unto Assignee, its successors and assigns, forever.

EXECUTED on 04/26/05, 2005, but to be effective for all purposes as of 12:01 A.M. Eastern time of the Effective Date of January 1, 2005.

ASSIGNOR

Henkle and Associates

  
\_\_\_\_\_

by, William R. Henkle Jr.

as PRESIDENT



Exhibit A of the Assignment from Henkle and Associates as Assignor  
to the Petroleum Synergy Group, Inc. and D.C. Malcolm, Inc. as Assignees

dated 04/26/05, 2005

#### **Description of Oil and Gas Leases and Mineral Interests**

Oil and gas Lease dated 7/23/2001 between A.F.Castanoli Sr. Trust (Lessor) of Huntington, WV., and Henkle and Associates, Inc. (Lessee) of Carson City, NV. Lease is recorded in **Book 29 Page 1184** of Boone County recorder's records.

Amendment to above cited Oil and Gas Lease recorded in **Book 29 Page 1543** of Boone County Recorder's records.

#### **Description of Mineral Interest Granted**

Lessor grants Lessee "exclusive rights for the purposes of mining, exploring for by geophysical and other methods and operating for and producing therefrom oil and all gas of whatsoever nature and kind (including coalbed gas), and laying pipelines, telephone and telegraph lines, building tanks, plants, power stations, roadways and structures thereon to produce, save and take care of said products (including dewatering of coalbed gas wells), and the exclusive subsurface or surface rights and privileges related in manner to any and all such operations, and any and all other rights and privileges necessary, incident to, or convenient for the operation alone or conjointly with neighboring land for such purposes, all that certain tract or tracts of land situated in Boone County West Virginia, described to wit:

*100 Acre Tract – more or less- Situated at head of Hill fork of Big Hewitt Creek, Scott Dist., Boone County. Situated between the lands of Penn Virginia Coal co. to the east and the lands of Ark Land Co., to the west. Land described in Deed Book 142, Pages 326, 313, 282, 280 & 268. And in Deed Book 130, Page 285 Boone County Records. And containing 100 acres, more or less (the Premises)."*

#### **Description of Lease Amendment**

- *Term of Lease is amended to 10 years from date of execution instead of the original 5 year term.*

State of NEVADA )  
 )SS  
County of WASHOE )

Acknowledgement.

The foregoing Instrument was acknowledged before me this 26 day  
of APRIL 2005 by WILLIAM R HENKLE, JR President of Henkle and Associates

My Commission Expires 8/26/07 Melinda Maxwell  
Notary Public



**GAS DIVISION ORDER**

PROPERTY NO.: CAST - WV

EFFECTIVE DATE: APRIL 1, 2005

The undersigned severally and not jointly warrant that they are the legal owners of and hereby warrant the title to the respective interests set out opposite their names on the division of interest schedule (Exhibit "A") annexed hereto and made a part hereof, in the natural gas, casinghead gas and other gaseous hydrocarbons (herein referred to as "gas") that may be produced from the following described lands:)

OPERATOR: D.C. MALCOLM, INC.

PROPERTY: CASTANOLI #1 WELL

COUNTY: BOONE STATE: WEST VIRGINIA

LEGAL DESCRIPTION: CASTANOLI TRACT

WELL LOCATION: LATITUDE 3,400' S OF 38° 10' 00"  
LONGITUDE 500' W OF 81° 47' 30"

**THIS AGREEMENT DOES NOT AMEND ANY LEASE OR OPERATING AGREEMENT BETWEEN THE INTEREST OWNERS AND THE LESSEE OR OPERATOR OR ANY OTHER CONTRACTS FOR THE PURCHASE OF GAS.**

The following provisions apply to each interest owner who executes this agreement:

Gas shall become the property of the purchaser or the pipeline company or carrier designated by you upon actual delivery to it. You are authorized to receive payment for our share of gas received by such purchaser; provided, however, you may withhold such portion of the price paid that may be subject to refund under any provision of your contract with the purchaser or any regulation rule or order of the Federal Energy Regulatory Commission or any successor agency having jurisdiction over such gas. After metering at the wells the gas may be commingled with gas produced from other properties, and any liquid or liquefiable hydrocarbons produced with gas shall, in the case of such commingling, be determined and allocated to the above described property by calculations based upon the results of periodic tests, taken not less often than each calendar quarter, to determine the quantity of such hydrocarbons contained in the well stream. You are authorized to receive 100% payment from the purchasing company for such gas, and the undersigned agree to look to you for payment in accordance herewith.

Settlement for gas received under this division order shall be based on the net proceeds realized at the well by you from such sale, after deducting any and all federal, state or local taxes imposed on or incident to the severance, production, gathering, processing and marketing of gas, all cost of treating such gas to make it merchantable and all cost which you have incurred in transporting such gas to any purchaser. In consideration of your agreements and the mutual benefits hereunder, each of the undersigned ratifies, confirms and adopts the gas purchase agreement covering the sale of gas from this property, and agrees that the price paid for gas delivered thereunder shall be and is accepted by each of the undersigned and their respective heirs, successors and/or assigns thereof as the market price for gas during the entire term of such contract. Settlement shall be made to the undersigned by check mailed to the undersigned on or before the last day of the month following the month in which you receive payment from the purchaser or purchasers thereof. You are authorized to withhold payment due any individual payee until at least \$100.00 has been accumulated to the credit of the payee, or until December 31 of each year, whichever occurs first.

You are hereby relieved of any responsibility for determining when any interest hereunder shall change by increase, decrease, termination, revision or otherwise. You are authorized to remit pursuant to the division of interest schedule credited hereunder until written notice to the contrary is received by you, and you shall be held harmless against loss or liability due to your failure to receive such notice. Each of the undersigned agrees to notify you in writing of any change in his interest, and no transfer of interest shall be binding on you until you are furnished the original recorded instrument (or certified copy thereof) or a transcript of proceedings which satisfactorily evidence such transfer, and your regular form of division order is fully executed and returned to you. Regardless of the effective date of the transfer, all transfers of interest shall be effective hereunder as of 7:00 a.m. of the first day of the calendar month, but not earlier than the first day of the next succeeding month following the month in which such written notice is received.

If any claim is made which in your opinion adversely affects title to any interest credited hereunder, or such title is unmarketable in the sole opinion of you or your attorney, the parties credited with such interest severally agree to furnish abstracts or other evidence of title acceptable to you, and to cure any defects which render the title of the undersigned unmarketable, without expense to you. In the event of failure to furnish such evidence of marketable title, you are authorized to withhold payment accruing to such interest, without interest, until the claim is settled. In the event any action or suit is filed in any court affecting title to the gas or proceeds thereof in which any of the undersigned are parties, written notice of the filing of such action shall immediately be furnished to you stating the court in which the same is filed and the title of such action, and you shall be held harmless from any judgment rendered in such suit, and all reasonable costs and expenses incurred in defending the claim shall be paid by the undersigned who is a part to the suit.

Each of the undersigned agrees to indemnify and hold you harmless of any other purchaser of the gas and any carrier designated by you or any other purchaser receiving the gas and each of them, against all and every loss, damage, charge or expense of any kind whatsoever, which they or either of them may suffer on incur by or on account of receiving or purchasing or transporting the gas by reason of any and all claims of any character as to the gas adverse to the undersigned.

Each of the undersigned agree that the interest of the undersigned in the gas produced from said well is as set forth on the division of interest herein and hereby releases you from any and all damages and claims by reason of making payment in accordance with said division of interest as set forth herein. If through error, inadvertence, erroneous title information or otherwise, you shall pay to the undersigned any sums to which the undersigned is not lawfully entitled, you shall have the right to recover the total amount of all such payments by withholding the same from future money in your possession to which the undersigned is otherwise entitled to be paid.

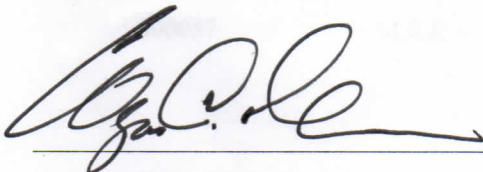
This division order may be terminated by you or by any one or more of the undersigned (as to his, her or its interest) as to any future sales or deliveries of gas from said lands provided that not such termination shall affect any rights given you or any of the undersigned under the terms hereof as to sales or deliveries of gas theretofore made, or as to sums theretofore paid hereunder: and provided further, that no such termination by any of the undersigned shall be effective as to you until thirty (30) days after written notice thereof has been received by you at the above address. Consent is hereby given to you and/or any pipeline company which you may cause to connect said well with, to disconnect and remove such pipelines in case of termination by either you or us of purchase under this division order.

All of the provisions herein contained shall apply to each of the undersigned severally and not jointly. This division order shall become valid and binding on each of the undersigned as soon as signed by such party, regardless of whether or not all of the undersigned named on the division of interest annexed hereto have so signed.

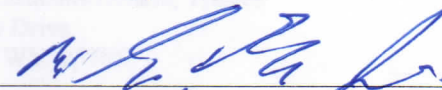
**FAILURE TO FURNISH YOUR SOCIAL SECURITY NUMBER OR EMPLOYER IDENTIFICATION NUMBER (TAX I.D.) WILL RESULT IN THE WITHHOLDING OF A THIRY-ONE (31%) BACKUP WITHHOLDING TAX IN ACCORDANCE WITH IRS CODE SEC. 3406, AND ANY TAX WITHHELD WILL NOT BE REFUNDABLE BY PAYOR.**

**SIGNATURE BY OWNERS**

**WITNESS/ATTEST:**

  
\_\_\_\_\_

HENKLE AND ASSOCIATES OIL & GAS VENTURES #2,  
(Owner-Print/type full name/company name) LLC  
(As it appears on Exhibit "A")

  
(Signature) William R. Henkle, SR

**SOCIAL SECURITY/TAX I.D. NO.:** 43-1962324

**IF YOUR NAME OR ADDRESS, AS IT APPEARS ON THE ATTACHED SCHEDULE OF INTEREST (EXHIBIT "A"), IS INCORRECT, PLEASE WRITE THE CORRECT INFORMATION IN THE SPACE PROVIDED BELOW:**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**THE PETROLEUM SYNERGY GROUP, INC.  
GAS DIVISION ORDER  
EXHIBIT "A"**

NAME OF WELL: CASTANOLI #1  
PSG, INC. NO.: 2005-CAST 1  
DESCRIPTION: AP1 47-005-01956

DIVISION ORDER DATE: APRIL 15, 2005  
EFFECTIVE DATE: APRIL 1, 2005

OWNER NUMBER	INTEREST TYPE	OWNER NAME	DIVISION ORDER INTEREST
000051	W.I.	The Petroleum Synergy Group, Inc. P.O. Box 34300 Reno, NV 89533	0.590625
000052	W.I.	D.C. Malcolm, Inc. 920 Huntington Square Charleston, WV 25301	0.015750
000053	W.I.	Douglas C. Malcolm 920 Huntington Square Charleston, WV 25301	0.015750
000054	W.I.	Cameron Oil & Gas Co. P.O. Box 1462 Charleston, WV 25325	0.133875
000055	W.I.	Duncan C. & Lura C. Malcolm 920 Huntington Square Charleston, WV 25301	0.031500
000056	W.I.	Henkle and Associates Oil & Gas Ventures #2, LLC 230 Finch Way Carson City, NV 89704	0.087500 ✓
000057	M.R.I.	A.F. Castanoli Sr., Trust % Eleanor Castanoli-Henkle, Trustee 105 Midvale Drive Huntington, WV 25705	0.125000
<b>TOTAL</b>			<b>1.00000</b>