

000947



Warren County
Lori Bimber
Register and Recorder
Warren, PA 16365

Instrument Number: 2006-1427

Recorded On: April 21, 2006

As-Oil and Gas Leases

Parties: PA ROCK OIL CO.

To COLORADO OIL CO

of Pages: 8

Comment: MODIFICATION OF ASSIGNMEN

****DO NOT REMOVE-THIS PAGE IS PART OF THE RECORDED DOCUMENT****

Oil and Gas Leases	24.50
Pages > 4	3
Names > 4	0
Total:	24.50

I hereby certify that the within and foregoing was recorded in the Recorder's Office in Warren County, PA

****DO NOT REMOVE-THIS PAGE IS PART OF THE RECORDED DOCUMENT****

File Information:

Record and Return To:

Document Number: 2006-1427
 Receipt Number: 9524
 Recorded Date/Time: April 21, 2006 12:17:57P
 Book-Vol/Pg: BK-RE VL-1581 PG-24
 User / Station: D McCauley - Cash Station 1

ARTHUR J STEWART
 MAILBOX
 WARREN PA 16365



Lori A. Bimber

Lori A. Bimber Recorder of Deeds

Modification of Assignment of Oil and Gas Leases

THIS MODIFICATION AGREEMENT (this "Assignment") is made and entered into this 31st day of March, 2006, by and between Pennsylvania Rock Oil Company (PA Rock), James K. Fowler dba Colorado Oil Company (Fowler), Quail Energy, Inc. (Quail), and Duhring Resource Company (Duhring) (collectively sometimes referred to as "Assignor"), and Duhring Resource Company, a Pennsylvania corporation, and Quail Energy, Inc., as co-tenants ("Assignee").

WHEREAS, Assignor, PA Rock is the lawful holder of an oil and gas mineral rights property in Sheffield Township, Warren County, Pennsylvania, further described as the "Lot 7 East Half Project", leased from John D. Cochran to Pennsylvania Rock Oil Company in a lease dated December 20, 2004 and recorded in the Warren County Recorder's Office in Book 1439, Page 298 for oil and gas mineral acreage situate in the East Half of Lot 7, Warrant 2752 and containing 163 acres, more or less; and

WHEREAS, Assignor PA Rock entered into several assignments with respect to the Lot 7 East Half Project, including Assignment of 5 wells to Fowler recorded at Warren County Record Book 1506 page 104 and subsequent partial assignment thereof to Quail at Warren County Record Book 1506 page 123 (and modification thereof recorded at Warren County Record Book 1554 pages 151 and 154), Assignment to Duhring recorded at Warren County Record Book 1552 page 328, and Assignment of an additional 5 wells to Fowler, not recorded, and a subsequent partial assignment thereof to Quail, also not recorded; and

WHEREAS, Duhring and Quail have agreed to develop the Lot 7 East Half Project as co-tenants, each with an undivided 50% interest therein; and

WHEREAS, the parties collectively wish to modify all of the aforesaid assignments so that the aforesaid assignments and agreements are supplanted by this Assignment and so that the Assignee's rights with regard to the Lot 7 East Half Project are governed by the terms of this Assignment and not any preceding assignment.

NOW, THEREFORE, for and in consideration of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt of which is hereby acknowledged, the undersigned Assignors, (PA Rock, Fowler, Duhring and Quail) do hereby grant, demise, lease, and let unto Assignee for the purpose of carrying on geological, geophysical, and other exploration work, and the drilling and operating for, producing and saving all of the oil, gas, and other hydrocarbons from the Lot 7 East Half Project, together with all personal property used or obtained in connection therewith, in accordance with the terms and conditions as stated in the Lot 7 East Half Project Lease, which lease has been previously recorded at Warren County Record Book 1439 page 298, and which is made a part hereof as though set forth at length, reserving, however unto Assignors PA Rock and Fowler the following:

An Overriding Royalty Interest of 1.5% of 8/8ths of all oil and gas produced to:

**Pennsylvania Rock Oil Company
107 Hammond Street
Warren, PA 16365**

And

An Overriding Royalty Interest of 1.5% of 8/8ths of all oil and gas produced to:

**James K. Fowler
8739 Village Terrace
Houston, TX 77040**

1. **Depth.** This Assignment is confined and limited to those formations shallower than 3,000 feet.

2. **Reserved**

3. **Term.** Subject to the provisions contained herein, this Agreement shall remain in force for one year or until the 31 day of March, 2007, and as long thereafter as oil, gas, or other hydrocarbons are produced and all other conditions hereinafter provided are met. If or when the drilling commitment defined herein is not met, Assignee's rights herein granted shall terminate except as hereinafter provided.

4. **Earned Acreage.** Each well producing in paying quantities as defined in Section 12 will be deemed to have earned its portion of the Assigned Acreage contained within a square of Four Hundred Fifty (450) feet on each side, with the well located in the center thereof. Said portion of such Assigned Acreage contained within each such location is hereinafter called "Earned Acreage".

5. **Drilling Commitment.** Assignee agrees to complete to production ten (10) oil and gas wells on or before the 31st day of December, 2006. Thereafter, Assignee agrees to complete an additional ten (10) wells on or before the 31st day of December, 2007, and an additional two (2) wells on or before the 31st day of December, 2008. Further, Assignee agrees to complete construction of 4 well sites on or before June 1, 2006. If said wells or well sites are not completed within the prescribed times, this Agreement shall become voidable at the option of Assignors PA Rock and Fowler, and at said Assignor's request, Assignee will furnish said Assignors with a Release in recordable form surrendering to said Assignors the applicable unearned Assigned Acreage. (The above provisions notwithstanding, the Assignee's obligation to drill wells shall be reduced to the extent that drilling by third parties on adjoining property prevents the drilling of the total of 22 wells, it being agreed by Assignee that it will space the wells drilled by it an average distance of 450 feet (or less) apart. The reduction shall be to the number of wells sites available upon the Lot 7 East Half Project as constrained by wells on adjoining properties.)

Upon the drilling of the aforesaid wells the drilling commitment shall have been deemed met and the Assignee shall be regarded as having earned all of the Lot 7 East Half Project with no further obligation to drill upon the same in order to hold the balance thereof; however, nothing herein shall prevent the Assignee from drilling additional wells upon the Lot 7 East Half Project upon such completion, at the exclusive discretion of Assignee.

6. **Royalties.** As royalty, Assignee agrees:

A. To deliver in tanks or pipelines to the credit of Lessor (John Cochran or Assignee) the full and equal twelve and one-half percent (.125 of eight-eighths) part of all oil and gas produced and saved from the Assigned Acreage. All royalties shall be remitted to Lessor by First Class mail directed to Lessor at:

000950

John Cochran
3900 Charles St., Apt 611
Baltimore, MD 21212

B. To pay Lessor (John Cochran or Assignee) for all gas and other hydrocarbons produced on and marketed off of the Assigned Acreage the full and equal twelve and one-half percent (.125) of the proceeds received for the sale of said gas and other hydrocarbons. Royalty shall be payable to Lessor within sixty (60) days of production.

7. **Notifications.** Upon request, Assignee shall furnish Assignors PA Rock or Fowler with a plat depicting said well location and copies of the drilling permit and any other form provided to any governmental agency prior to the commencement of drilling operations. Assignee shall furnish Assignor with copies of all geophysical logs and drilling and completion reports as well as any form provided to any governmental agency within thirty (30) days of their receipt or submission by Assignee. All notices required under this Agreement, unless otherwise provided, shall be in writing delivered by First Class mail and should be addressed as follows:

Pennsylvania Rock Oil Company
107 Hammond St.
Warren, PA 16365

8. **Transfers.** Assignee is entitled to assign or transfer the leasehold estate created hereby without the written consent of Assignors PA Rock and Fowler. Any subsequent assignment or transfer executed by secondary Assignees without said written consent shall be null and void and of no force and effect. Said consent, however, shall not be unreasonably denied. (Any assignment between Quail and Duhring may be made without said written consent and shall not count toward an assignment made.)

9. **Continuation of Operation.** When the well located upon any Earned Acreage shall cease producing in paying quantities as hereinafter defined, Assignee agrees to resume or restore paying production from the same within sixty (60) days of the request of Assignor PA Rock or Fowler or Assignee shall plug and abandon the well and furnish Assignors PA Rock and Fowler with a Release in recordable form surrendering to them the applicable assigned (Earned) Acreage. Assignee shall not be required to plug and abandon the wells provided operations to commence paying production are resumed within sixty (60) days after the removal or cessation of such cause.

10. **Proportionate Payments.** It is the intention of the parties that the end result of this modification be that the Assignee enjoys a revenue interest in the oil and gas produced from any well upon the Lot 7 East Half Project equivalent to 84.5% of the whole. If the title is such that the Assignors own a lesser interest in the Assigned Acreage than will allow the aforesaid payment then the royalties and rentals herein provided for shall be paid to Assignors PA Rock and Fowler in such reduced amounts such as will allow said payment to occur.

11. **Force Majeure.** All of the other provisions hereof notwithstanding, if Assignee is unable to perform any of the acts required by this Agreement due to Force Majeure, including but not limited to Acts of God, fire, wars, strikes, weather conditions, or governmental orders or regulations, said Agreement shall remain in force and effect until Assignee can perform said act or acts. In no event shall the Agreement expire within sixty (60) days of cessation of any Force Majeure.

000951

12. **Minimum Production.** The production rate required to hold the Assignment ("Held by Production Minimum") shall be defined as a lease-wide average of $\frac{1}{4}$ (.25) MCF equivalent per day per well, which is equal to a minimum total of 37.5 MCF per month for five wells. Only oil and gas marketed and sold from the Earned Acreage will be considered to be "produced" for the purposes of this article. This Held by Production Minimum requirement shall be suspended during any periods in which production is rendered impracticable or impossible because of purchaser's shut-in or purchaser's other refusal to accept production. Any shut-in that is voluntarily initiated by Assignee, however, shall not affect this Held by Production Minimum requirement.

13. **Reservation of Right of Transit.** Assignee agrees that Assignor PA Rock reserves the right to lay pipelines, construct roads, or emplace other production facilities as may be needed to enable or ease transit of production across and within the Davis Lot 7 lease.

14. **Remedy of Breach.** No litigation shall be initiated by Assignor PA Rock or Fowler with respect to any breach or default of Assignee hereunder for a period of at least thirty (30) days after Assignor has given Assignee written notice describing the breach or default, and then only if Assignee fails to remedy the breach or default within such period. If breaches which would constitute a material default are not corrected within sixty (60) days of written notification to the Assignee, the Assignor may, at its discretion, void the assignment, and all wells and equipment to which such breach or fault pertain will be assigned by Assignee to Assignors PA Rock and Fowler, after which assignment said PA Rock or Fowler may elect to plug or produce said wells. Failure to meet minimum production shall not be a material default and Assignee agrees that should the Held by Production Minimum requirement not be met for a continuous period of sixty (60) days that the Assignor shall, instead, have first right of refusal to purchase for fair market value the wells and equipment on the Earned Acreage.

15. **Voluntary Surrender of Assignment.** Assignee may at any time cancel or surrender this Agreement by delivering or mailing such release to Assignor PA Rock or Fowler. In the event this Agreement is surrendered or cancelled as to only a part of the acreage covered thereby, then all payments and liabilities thereafter accruing as to the portion cancelled shall cease. As to the portion not released, the terms and provisions shall continue and remain in full force and effect for all purposes.

16. **Assignability of Terms; Adjudication.** This Agreement and all its terms, conditions, and stipulations shall extend to and be binding on all successors in title of said Assignor and Assignee. Assignee agrees that its operations under this Assignment shall be governed by State and Federal rules, laws, and regulations, and further by the terms and conditions of the East Half Lot 7 Project Lease, which is incorporated in this Assignment. Assignor and Assignee agree that any disputes regarding this Assignment shall be adjudicated under the laws of the Commonwealth of Pennsylvania.

17. **Representation.** The undersigned Assignors PA Rock and Fowler or representative thereof for themselves, their heirs and assigns do covenant with said Assignee, its successors or assigns, that Pennsylvania Rock Oil Company is, to the best of Assignor's knowledge, the lawful holder of said lease and rights and interests thereunder (subject only to the 3 assignments set forth above and which three assignments this document is intended to modify) and of the personal property thereon or used in connection therewith, and that the PA Rock and Fowler have good right and authority to sell, transfer, and convey the same.

000952

IN WITNESS WHEREOF, this Assignment of Oil & Gas Lease is executed to be effective as of the date first written above.

FOR Pennsylvania Rock Oil Company:

[Signature of Richard A. Olson]

Richard A. Olson

[Signature of James K. Fowler]

James K. Fowler

FOR Duffing Resource Company

[Signature of Arthur Stewart]
Arthur Stewart

FOR Quail Energy, Inc.

[Signature of David Duncan]
David Duncan

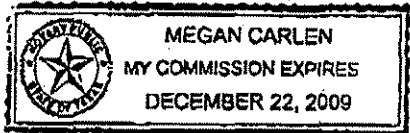
ON THIS the 20th day of March, 2006, personally appeared James K. Fowler, to me personally known, who, being by me duly sworn, did say that he has executed this Assignment for the true purposes as described herein.

WITNESS MY HAND AND SEAL this 20th day of March, 2006.

My Commission Expires

12/22/09

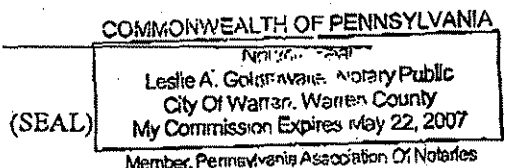
[Signature of Megan Carlen]
Notary Public in and for the
County of HARRIS
State of TEXAS



ON THIS the 31st day of March, 2006, personally appeared Richard A. Olson, to me personally known, who, being by me duly sworn, did say that he has executed this Assignment for the true purposes as described herein.

WITNESS MY HAND AND SEAL this 31st day of March, 2006.

My Commission Expires



[Signature of Leslie A. Goldswaine]
Notary Public in and for the
County of Warren, Pennsylvania

000953

ON THIS the 16th day of March, 2006, personally appeared Arthur Stewart, to me personally known, who, being by me duly sworn, did say that he has executed this Assignment for the true purposes as described herein.

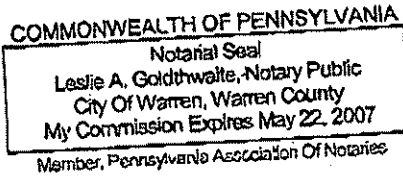
WITNESS MY HAND AND SEAL this 16th day of March, 2006.

My Commission Expires

(SEAL)

Leslie A. Goldthwaite

Notary Public in and for the
County of Warren, Pennsylvania



ON THIS the 24th day of March, 2006, personally appeared David Duncan, to me personally known, who, being by me duly sworn, did say that he has executed this Assignment for the true purposes as described herein.

WITNESS MY HAND AND SEAL this 24th day of March, 2006.

My Commission Expires

RALPHE KLINE
Notary Public, State of Ohio
My Commission Expires 05/01/07

(SEAL)

Ralph E. Kline

Notary Public in and for the
County of Marion
State of Ohio

000954

**Map Attached to Modification of Assignment of
 Oil and Gas Lease Dated March 31st. 2006.
 by and between Pennsylvania Rock Oil Co.,
 Colorado Oil Co., Quail Energy, Inc. and
 Duhring Resources Co..
 East Half Davis
 Sheffield Twp.
 Warren County, Pennsylvania**

