

UNITED STATES BANKRUPTCY COURT Northern District of Texas		PROOF OF CLAIM
Name of Debtor: Cano Petroleum, Inc. Cano Petro of New Mexico, Inc.		FILED U.S. Bankruptcy Court Northern District of Texas 3/27/2012 Tawana C. Marshall, Clerk COURT USE ONLY
Case Number: 12-31549		
NOTE: Do not use this form to make a claim for an administrative expense that arises after the bankruptcy filing. You may file a request for payment of an administrative expense according to 11 U.S.C. § 503.		
Name of Creditor (the person or other entity to whom the debtor owes money or property): Bro-Co, LLC		
Name and address where notices should be sent: c/o Jon G. Petersen Cherry Petersen Landry Albert LLP 8350 N. Central Expressway, Suite 800 Dallas, TX 75206 Telephone number: 214-265-7007 email: jpetersen@cplalaw.com		<input type="checkbox"/> Check this box if this claim amends a previously filed claim. Court Claim Number: _____ (If known) Filed on: _____ <input type="checkbox"/> Check this box if you are aware that anyone else has filed a proof of claim relating to this claim. Attach copy of statement giving particulars.
Name and address where payment should be sent (if different from above): <div style="text-align: center; font-size: 1.2em;"> RECEIVED APR 10 2012 BMC GROUP </div> Telephone number: _____ email: _____		
1. Amount of Claim as of Date Case Filed: \$ <u>612600.79</u> If all or part of the claim is secured, complete item 4. If all or part of the claim is entitled to priority, complete item 5. <input checked="" type="checkbox"/> Check this box if the claim includes interest or other charges in addition to the principal amount of the claim. Attach a statement that itemizes interest or charges.		
2. Basis for Claim: <u>Real Property Lease</u> (See instruction #2)		
3. Last four digits of any number by which creditor identifies debtor: _____	3a. Debtor may have scheduled account as: _____ (See instruction #3a)	3b. Uniform Claim Identifier (optional): _____ (See instruction #3b)
4. Secured Claim (See instruction #4) Check the appropriate box if the claim is secured by a lien on property or a right of setoff, attach required redacted documents, and provide the requested information. Nature of property or right of setoff: <input type="checkbox"/> Real Estate <input type="checkbox"/> Motor Vehicle <input type="checkbox"/> Other Describe: Value of Property: \$ _____ Annual Interest Rate (when case was filed) ____% <input type="checkbox"/> Fixed or <input type="checkbox"/> Variable		
Amount of arrearage and other charges, as of the time case was filed, included in secured claim, if any: \$ _____ Basis for perfection: _____ Amount of Secured Claim: \$ _____ Amount Unsecured: \$ <u>612600.79</u>		
5. Amount of Claim Entitled to Priority under 11 U.S.C. §507(a). If any part of the claim falls into one of the following categories, check the box specifying the priority and state the amount.		
<input type="checkbox"/> Domestic support obligations under 11 U.S.C. §507(a)(1)(A) or (a)(1)(B).	<input type="checkbox"/> Wages, salaries, or commissions (up to \$11,725*) earned within 180 days before the case was filed or the debtor's business ceased, whichever is earlier – 11 U.S.C. §507(a)(4).	<input type="checkbox"/> Contributions to an employee benefit plan – 11 U.S.C. §507(a)(5).
<input type="checkbox"/> Up to \$2,600* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use – 11 U.S.C. §507(a)(7).	<input type="checkbox"/> Taxes or penalties owed to governmental units – 11 U.S.C. §507(a)(8).	<input type="checkbox"/> Other – Specify applicable paragraph of 11 U.S.C. §507(a)(____).
Amount entitled to priority: \$ _____		
*Amounts are subject to adjustment on 4/1/13 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment.		
6. Credits. The amount of all payments on this claim has been credited for the purpose of making this proof of claim. (See instruction #6)		

CANO PETROLEUM

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7. **Documents:** Attached are **redacted** copies of any documents that support the claim, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, judgments, mortgages, and security agreements. If the claim is secured, box 4 has been completed, and **redacted** copies of documents providing evidence of perfection of a security interest are attached. (See instruction #7, and the definition of "**redacted**".)

DO NOT SEND ORIGINAL DOCUMENTS. ATTACHED DOCUMENTS MAY BE DESTROYED AFTER SCANNING.

If the documents are not available, please explain:

8. **Signature:** (See instruction #8) Check the appropriate box.

☐ I am the creditor.

☒ I am the creditor's authorized agent.
(Attach copy of power of attorney, if any.)

☐ I am the trustee, or the debtor,
or their authorized agent.
(See Bankruptcy Rule 3004.)

☐ I am a guarantor, surety, indorser, or
other codebtor.
(See Bankruptcy Rule 3005.)

I declare under penalty of perjury that the information provided in this claim is true and correct to the best of my knowledge, information, and reasonable belief.

Print Name: Jon G. Petersen

Title: Attorney, Texas Bar No. 15826750

Company: Cherry Petersen Landry Albert LLP

Address and telephone number (if different from notice address above):

s/ Jon G. Petersen
(Signature)

3/27/2012
(Date)

Telephone number: . email: .

Penalty for presenting fraudulent claim: Fine of up to \$500,000 or imprisonment for up to 5 years, or both. 18 U.S.C. §§ 152 and 3571.

PROOF OF CLAIM FOR CREDITOR: Bro-Co, LLC; Case No. 12-31549-BJH				
PRE-PETITION RENT				
February 1 - February 29, 2012		Base Rent	Electric	Late Fees
March 1 - March 6, 2012		\$11,262.86	\$1,718.00	\$1,214.77
Total Charges:		\$2,179.92	\$332.52	\$187.14
Total Owed:	\$16,895.21	\$13,442.78	\$2,050.52	\$1,401.91
Payments Applied to Pre-Petition Rent:				
Security Deposit	\$8,067.00			
Net Pre-Petition Rent Owed After Payments Applied:	\$8,828.21			
POST-PETITION RENT (@ 48 months)				
March 7 - March 31, 2012		Base Rent	Estimated Electric	Total
April 1, 2012 - March 31, 2013		\$9,083.00	\$1,385.50	\$10,468.50
April 1, 2013 - March 31, 2014		\$139,735.80	\$1,718.00	\$141,453.80
April 1, 2014 - March 31, 2015		\$144,317.28	\$1,718.00	\$146,035.28
April 1, 2015 - March 31, 2016		\$148,898.75	\$1,718.00	\$150,616.75
Total Charges:		\$153,480.25	\$1,718.00	\$155,198.25
Total Post-Petition Rent Owed:	\$603,772.58	\$595,515.08	\$8,257.50	
Total Pre-Petition and Post-Petition Claim:	\$612,600.79			
TENANT IMPROVEMENT COSTS & REIMBURSEMENTS				
Tenant Improvement Costs	\$111,271.82			
Tenant Improvement Payment by Tenant	\$50,000.00			
Amortized Tenant Improvement Costs	\$8,333.33			
Unamortized Tenant Improvement Costs	\$52,938.49			
LEASING COMMISSIONS				
Gross Leasing Commissions	\$32,471.38			
Amortized Leasing Commission	\$5,411.90			
Unamortized Leasing Commission	\$27,059.48			

BRO-CO, LLC

LEASE AGREEMENT

THIS LEASE AGREEMENT is made and entered into on November 17, 2010 by and between Bro-Co, LLC.

at 1555 Vintage Avenue, Ontario, California, (hereinafter called "Landlord") and, Cano Petroleum, Inc., a Delaware corporation, (hereinafter called "Tenant").

IN CONSIDERATION OF THE MUTUAL COVENANTS and agreements herein set forth, Landlord leases to Tenant and Tenant leases from Landlord Suite No. 200 (hereinafter called "Premises") an office area measuring 6,563 rsf, (rentable square feet), and generally outlined on the plan attached hereto as "Exhibit A" which is part of Bro-Co, the office building located at 6506 N Belt Line Rd, Irving, TX 75063 (hereinafter called "Building").

LEASE PROVISIONS

1. **LEASE TERM.** The term of this lease (hereinafter called "Lease Term") shall begin on 1/1/2011 (hereinafter called "Commencement Date") and shall continue for 63 calendar months. Tenant shall be allowed to enter the space seven (7) days prior to commencement to install furniture, data, and cabling. Leasehold improvements are outlined in Exhibit B.

2. **LEASE GRANT.** Landlord does hereby lease, demise and let unto Tenant the Premises on the Commencement Date and ending on the last day of the Lease Term, unless sooner terminated as herein provided. If the lease is executed before the Premises becomes vacant or are otherwise available and ready for occupancy, or if any present tenant or occupant of the Premise holds over and Landlord cannot acquire possession of the Premises prior to the Commencement Date of the lease, Landlord shall not be deemed to be in default hereunder, and Tenant agrees to accept possession of the Premises, subject to the Landlord's completion of the Leasehold Improvements as outlined in Exhibit B, on such date as Landlord is able to tender the same, which date shall be deemed to be the Commencement Date of this lease for all purposes, and this lease shall continue for the Lease Term specified herein above. By occupying the Premises, subject to the Landlord's completion of the Leasehold Improvements as outlined in Exhibit B, Tenant shall be deemed to have accepted the same as suitable for the purpose herein intended and to have acknowledged that the same comply fully with Landlord's obligations.

3. **RENT.** In consideration of this lease, Tenant promises and agrees to pay without demand to Landlord the sum (hereinafter called "Basic Rental") without deduction or setoff, for each month of the entire Lease Term. One such payment shall be payable by Tenant to Landlord contemporaneously with the execution of this lease, and a like monthly installment shall be due and payable without demand on or before the first day, holiday or weekend is no exception, of each and every calendar month for each month of the entire Lease Term. All such sums shall be payable in legal tender of the United States of America. Rent for any fractional month at the beginning or end of the lease term shall be prorated. The Basic Rental for the Lease Term shall be:

Months 1-3: \$ 0.00 per rsf plus electricity

Months 4-15: \$14.75 per rsf plus electricity, or \$7,233.69 per month plus electricity

Months 16-27: \$15.25 per rsf plus electricity, or \$7,507.15 per month plus electricity

Months 28-39: \$15.75 per rsf plus electricity, or \$7,780.60 per month plus electricity

Months 40-51: \$16.25 per rsf plus electricity, or \$8,054.06 per month plus electricity

Months 52-63: \$16.75 per rsf plus electricity, or \$8,327.52 per month plus electricity

The rates above reflect the amortization of the \$50,000 prepaid rent (described in Section 4 below), which reduces the monthly amount by \$833.33. The Security Deposit (defined below) as well as the first paid month's Rent (Month 4) plus \$50,000 will be due upon lease execution.

4. **SECURITY DEPOSIT.** A security deposit of \$8,067.00 shall be made by Tenant to Landlord upon execution of Tenants Lease Agreement and shall be held by Landlord, without liability for interest, as security for the performance by Tenant of Tenant's covenants and obligations under this lease. All such sums were paid in legal tender of the United States of America. Such deposits shall not be considered an advance payment of rent or the full measure of Landlord's damages in case of a default by Tenant. Upon the occurrence of any event of default by Tenant, Landlord may, from time to time, without prejudice to any other remedy, use such security deposit to the extent necessary to make good any arrears of rent or any other damage, injury, expense or liability caused to Landlord by any such event of default. Landlord shall advise tenant in advance of application of security deposit. Following any such application of the security deposit, Tenant shall pay to Landlord on demand any amount so applied in order to restore the security deposit to its original amount. If Tenant is not in default hereunder, any remaining balance of such deposit shall be returned to Tenant by Landlord within thirty (30) days of the termination of this lease. If Landlord transfers his interest in the premises during the lease term, Landlord may assign the security deposit to the transferee, and use reasonable efforts to ensure the security deposit is maintained in trust with new owner, and thereafter shall have no further liability for the return of such security deposit. Additionally, Tenant shall pay to Landlord upon execution of this Lease, \$50,000.00 to be amortized monthly throughout the duration of the Lease. Payments in paragraph 3 above shall not change.

5. LANDLORD'S OBLIGATIONS

A. Landlord will furnish to Tenant at Landlord's cost and expense: (i) water at those points of supply provided for the general use of tenant's of the Building; (ii) heated and refrigerated air conditioning in season, at such times as Landlord determines, and at such temperatures and in such amounts as is commercially reasonable. Service of such conditioning after normal business hours, on Sundays, Saturday's, and Holidays are optional on the part of the Landlord; however, Landlord agrees to furnish same if requested by Tenant, (iii) janitorial services to the premises on weekdays other than holidays and such window washing as may from time to time in Landlord's judgment be reasonably required. Any person employed by Landlord to do janitorial work while in the building is subject to and under the control and direction of the employer of the janitorial company and does not act as an agent or employee of the Landlord; (iv) a stairwell for ingress and egress to the floor on which the premises are located if applicable, in common with other tenants. Except for Landlord's gross negligence and/or willful misconduct, Landlord shall not be held liable for any claim arising in consequence of the use, non-user thereof; (v) replacement of Building standard light fixtures; and (vi) electric lighting for all public areas and special service areas of the Building in a manner and to the extent deemed by the Landlord to be reasonable.

B. Landlord shall furnish all electrical power required for such items as PC's and other desktop office equipment by Tenant, during occupancy of the premises. If there is any consumption or use of electricity for anything other than small office machines and

lighting, and other standard office equipment such as plotters, copiers, servers, Tenant agrees to pay Landlord's cost for any such excess or additional electricity, which shall be collectible as additional rent unless otherwise agreed to hereinafter.

C. Failure to furnish, stoppage, or interruption of these services resulting from any cause shall not render Landlord liable, unless said stoppage or interruption is due to Landlord's gross negligence and/or willful misconduct, in any respect for damages to either person, property or business, or be construed as an eviction of Tenant, work an abatement of rent, or relieve Tenant from fulfillment of any covenant or agreement hereof. Should any equipment or machinery furnished by Landlord break down or for any cause cease to function properly, Landlord shall use reasonable diligence to repair the same promptly.

6. IMPROVEMENTS. Landlord agrees to install the Building improvements described in "Exhibit B" attached hereto in accordance with all the provisions of "Exhibit B". All other or additional improvements to the premises shall be installed or made at the sole cost and expense of Tenant. All such improvements shall be performed only by Landlord, or by contractors and subcontractors approved by Landlord, in accordance with formal plans and specifications produced by Tenant and provided to Landlord for review and approval. No improvements to Building or Premises shall be made without prior written approval and authorization of Landlord.

7. USE OF PREMISES. Tenant agrees to use the leased premises for business office use, (hereinafter called "Permitted Use"). Tenant will not occupy or use the Premises, or permit any portion of the Premises to be occupied or used, for any business or purpose other than the permitted use or for any use or purpose which is forbidden by law, ordinance or governmental or municipal regulation or order, in part or in whole, or which may be disreputable in any manner, or permit the maintenance of any public or private nuisance. Tenant will conduct its business and control its agents, employees and invitees in such a manner as not to create any nuisance, disturb the quiet enjoyment for all of the Building, nor interfere with, annoy or disturb other tenants or interfere with the management of the Building. Tenant will maintain the Premises in a clean, healthful and safe condition and will comply with all laws, ordinances, order, rules and regulations (state, federal, municipal and other agencies or bodies having jurisdiction thereof) with reference to the use, condition or occupancy of the Premises. Tenant will not keep any substance or carry on or permit any operation which might emit offensive odors or conditions into other portions of the Building, or use any apparatus which might make undue noise or set up vibrations in the building, or permit anything to be done which would increase the fire and extended coverage insurance rate on the Building or contents, and if there is any increase in such rate by reason of acts of Tenants, then Tenant agrees to pay such increase upon demand thereof by Landlord. Payment by Tenant of any such rate increase shall not be a waiver of Tenant's duty to comply herewith. Tenant will not, without the prior written consent of Landlord, sell, purchase, or give away, or permit the sale, purchase or gift of goods in any form by or to any of Tenant's agents or employees or other parties in the Building. Tenant will not, without the prior written consent of Landlord, which consent shall not be unreasonably withheld, paint, install lighting or decorations, or install any signs, window or door lettering or advertising media of any type on or about the Premises or any part thereof. Tenant shall not distribute in any manner or way any form of promotional, sales or marketing materials, notices, or advertisements in or about the Building without the prior written approval of the Landlord.

8. TENANT'S OBLIGATIONS. Tenant will not in any manner deface or injure the Building and will pay the cost of repairing any damage or injury done to the Building or any part thereof by Tenant or Tenant's agents, employees, or invitees. Tenant shall take good care of the premises and keep them free of waste and nuisance. Tenant will keep the premises including all fixtures installed by Tenant in good condition and repair. If Tenant fails to make such necessary repairs within fifteen (15) days after the occurrence of damage or injury, Landlord may, at its option, make such repairs and Tenant shall, upon demand, pay Landlord the cost thereof plus interest at the rate of fifteen (15) percent per year excluding any non-fixtures which Tenant purchases for itself from demand until paid. Upon termination of this lease, Tenant shall deliver to Landlord the Premises with all improvements located thereon in good repair and condition, and shall deliver to Landlord all keys to the Premises. Tenant will not make or allow to be made any alterations or physical additions in or about the premises without prior written consent of Landlord, which consent shall not be unreasonably withheld. At the termination of this lease, Tenant shall, if Landlord so elects, remove all alterations, physical additions or improvements as directed by Landlord and restore the Premises in a condition same as after improvements made in Exhibit B. All of Tenant's fixtures and personal property not removed from the premises at the termination of this lease shall be presumed to have been abandoned by Tenant, and shall become the property of the Landlord.

9. BUILDING RULES & REGULATIONS. A copy of the "Building Rules and Regulations" is attached hereto as Addendum "I" and made a part hereof as fully as though herein written. Tenant grants to Landlord the right to make such changes from time to time as in the Landlord's judgment may be necessary for the best interest, safety, care and cleanliness of the Premises, the Building, parking area and driveways, and for the preservation of good order therein. Landlord shall provide Tenant with a thirty (30) day written notice of any such changes. Tenant agrees to comply with and abide by all such rules and regulations including amendments thereof. Nothing contained in this Lease shall be construed to impose upon Landlord any duty or obligation to enforce the Rules and Regulations in any other lease as against any other tenant, and Landlord shall not be liable to Tenant for violation of the same by any other tenant or the agents, employees or invitees of such other tenant.

10. INDEMNITY. Landlord shall not be liable for and Tenant will indemnify and save Landlord harmless of and from all fines, suits, claims, demands, losses and actions, including attorney's fees, for any injury to persons or damage to or loss of property on or about the Premises caused by the Tenant, its employees, invitees, licensees, or by any other person entering the premises or the Building under express or implied invitation of the Tenant, or arising out of Tenant's use of Premises.

11. MORTGAGES. Tenant accepts this lease subject to any deeds of trust, security interests, or mortgage that might now or hereafter constitute a lien upon the Building or improvements. Tenant shall at any time hereafter, on demand, execute any such instruments, release or other documents that may be required by any mortgage for the purposes of subjecting and subordination of this lease to any such deed of trust, security interest or mortgage. Landlord shall indemnify Tenant for damages arising out of its gross negligence or willful misconduct.

12. ASSIGNMENT AND SUBLETTING. Tenant shall have the right to assign their lease in its entirety or to sublease all or any part of its premises without the consent of the Landlord to any subsidiary or affiliate of Tenant, any entity resulting from a merger or consolidation with Tenant, or any entity succeeding to the business and assets of Tenant. For any other assignment or sublease Tenant must obtain prior written consent of Landlord, which consent shall not be unreasonably withheld. If Tenant desires to assign or sublet all or any part of the Premises, it shall provide Landlord sixty (60) day written notice of such intent and copies of the proposed assignment or sublease, and such information as Landlord might request concerning the proposed assigned or sub-lessee to allow Landlord to make informed judgments as to the financial condition, reputation, operations, and general desirability of the proposed sub-lessee or assignee. Following due consideration, Landlord shall then have the option to (a) consent to the proposed assignment or sublease, in which event no assignee or sub-lessee of the Premises or any portion thereof may assign or sublet the Premises or any portion thereof, and such assignment or sublease in no manner serves to release Tenant from any obligation or liability hereunder, and if the rent due and payable by any assignee or sub-lessee under such permitted assignment or sublease (or a combination of the rent payable under such assignment or sublease plus any bonus or any other consideration therefore or any payment incident thereto) exceeds the Rent payable under the Lease for such space, Tenant shall pay to Landlord all such excess rent and other excess consideration within five (5) days following receipt thereof by Tenant; or (b) deny such assignment or sublease, which option shall

always be deemed elected unless otherwise indicated in writing by Landlord, whereby Tenant shall continue to occupy and perform all of its obligations under the lease.

13. OPERATING EXPENSES. Controllable and Uncontrollable. (a) Tenant shall pay as additional rent hereunder (the "Additional Rent") Tenant's Proportionate Share of any increases in Controllable Operating Expenses (subject to Cap defined and set forth below) and Uncontrollable Operating Expenses over the same such Operating Expenses for the Base Year. The term "Base Year" shall be 2011. The term "Operating Expenses" shall mean any and all Controllable Operating Expenses and Uncontrollable Operating Expenses related to owning and/or operating the Building and the real property on which the Building is situated. Operating Expenses shall include, but are not limited to (i) ad valorem taxes assessed against the land, Building, improvements and appurtenances in and upon which the Premises are located (the "Property"), together with any special assessments and other real estate costs in the nature of taxes, assessments or governmental impositions of any type (and in the event that there is a change in the general system of real estate taxation such that any alternative taxes, of whatever nature, are imposed upon Landlord of the Property in addition to or in lieu of, in whole or in part, general ad valorem taxes on the Property, then such alternative taxes shall be deemed "ad valorem taxes" or "real estate costs" for the purpose of this provision); (ii) expenses of operation, maintenance and repair of the land, Building, sidewalks, parking areas and curbs adjacent thereto in such manner as Landlord reasonably deems appropriate; (iii) actual expenses incurred for employees, including, fringe benefits, taxes, unemployment and disability insurance, worker's compensation insurance, social security benefits and any other benefits in connection with such employees (the term "employees" shall mean those employees such as superintendents, engineers, electricians, clerks, mechanics, helpers, security officers, porters, cleaners and window washers, as well as contract laborers performing services for the Building and other persons, firms or corporations providing contract services for the benefit of the Building. It is understood and agreed that "employees" shall not exceed the level of a Property Manager); (iv) the actual cost of materials and supplies used and consumed for the benefit of the Building and the occupants thereof; (v) the full contract cost of third party contractors for all Operating Expenses, including rubbish removal, elevator maintenance, maintenance of air conditioning, heating and ventilation equipment, management services, uniform supply, pest control, security services, etc.; (vi) all utility services; (vii) fees for management services rendered in connection with the Building; and (viii) actual cost of insurance, including fire and extended coverage and general liability insurance. Controllable Operating Expenses are those expenses that are within the control of the Landlord and include, but are not limited to, those expenses listed under this Paragraph 13 (a) ii), iii), iv), v) and vi) above and shall be subject to a Cap as set forth under Paragraph 13 (c) below. Uncontrollable Operating Expenses are those expenses that are not within the control of the Landlord and include, but are not limited to, those expenses listed under this Paragraph 13 (a) i), vi) and viii) above. The term "Operating Expenses" shall not include principal and interest payments or other costs in connection with financing of the Property, administrative salaries and wages of persons not involved in the day to day operation of the Building, state or federal income taxes (unless such taxes are in lieu of, or in addition to, general ad valorem taxes as herein above provided) or any capital expenditures (under generally accepted accounting principles) except for capital improvements made for the purpose of decreasing or limiting Operating Expenses.

(b) Tenant's Proportionate Share shall be that fraction obtained by dividing the rentable area of the Premises by the rentable area of the Building. As of the date hereof, Tenant's Proportionate Share is twenty-one and eight-tenths percent (21.8%)

(c) In the event that any year subsequent to the Base Year, the Controllable Operating Expenses for such year shall exceed the Base Year Controllable Operating Expenses, Tenant's Proportionate Share of the Controllable Operating Expenses in any calendar year will not increase by more than five percent (5%) over the Controllable Operating Expenses in the prior calendar year ("Cap"). In the event that any year subsequent to the Base Year, the Uncontrollable Operating Expenses for such year shall exceed the Base Year Uncontrollable Operating Expenses, Tenant shall pay to Landlord in the manner provided herein such excess multiplied by Tenant's Proportionate Share.

(d) Landlord shall have the right to estimate the amount of the Additional Rent which may come due during any year subsequent to the Base Year and, upon notice from Landlord to Tenant of such estimated amount, Tenant shall pay, on each date that any installment of Base Rent hereunder shall be due, one-twelfth (1/12th) of the estimated amount of Additional Rent. Within ninety (90) days after the end of each calendar year, Landlord shall calculate the Additional Rent owed by Tenant for such calendar year and deliver to Tenant a notice setting forth such amount. In the event that Tenant has, during such calendar year, made estimated payments totaling more than the actual Additional Rent owed for such year, Landlord shall either refund such excess to Tenant or credit such amount against future installments of Additional Rent as may be owed hereunder. In the event that Tenant has paid estimated amounts which are less than the Additional Rent owed for such calendar year, Tenant shall pay any such shortage to Landlord within thirty (30) days after receipt of such notice. Notwithstanding any expiration or termination of this Lease, Landlord and Tenant's obligations to repay any discrepancy between the estimated Additional Rent and the actual Additional Rent for such year shall survive.

(e) If during any calendar year during the term hereof when the Building is not fully occupied, Landlord shall have the right to calculate Operating Expenses for such calendar year to reflect the amount of Operating Expenses, which would have been incurred, had the Building been fully occupied ("Grossed-Up Operating Expenses"). For purposes of this provision, the term "fully occupied" shall mean occupancy of ninety-five percent (95%) of the rentable area of the Building. However, Landlord agrees that the following Operating Expenses are excluded from Grossed-Up Operating Expenses: i) property taxes, ii) amortized capital improvement costs, iii) insurance premiums, iv) management fees, v) landscaping expenses, vi) building security costs, and vii) any other costs or expenses that do not vary as a direct function of occupancy of the Building.

(f) Tenant shall also pay as Additional Rent the actual cost incurred by Landlord of providing electricity to the Premises, the common areas of the Building and the Property ("Electricity Cost") as follows:

1. Prior to the commencement of each calendar year of the Lease Term following the Commencement Date, Landlord shall have the right to give to Tenant a written estimate of Tenant's Proportionate Share of the projected Electricity Cost for the ensuing year. Tenant shall pay such estimated amount to Landlord in equal monthly installments, in advance on the first day of each month. Landlord shall have the right from time to time during any such calendar year of the Lease Term to revise the written estimate of Tenant's Proportionate Share of the projected Electricity Cost and Tenant shall pay such revised estimated amount to Landlord in equal monthly installments, in advance on the first day of each month.

2. Within a reasonable period after the end of each calendar year, Landlord shall furnish Tenant a statement indicating in reasonable detail the Electricity Cost for the preceding year and the parties shall, within thirty (30) days thereafter, make any payment or allowance necessary to adjust Tenant's estimated payments to Tenant's actual share of Electricity Cost as indicated by such annual statement. Any payment due to Landlord shall be payable by Tenant on demand from Landlord. Any amount due Tenant shall be credited against installments next becoming due or refunded to Tenant, if requested by Tenant.

14. EMINENT DOMAIN. If the Premises shall be taken or condemned in whole or in part for public purposes or sold under threat of condemnation, this lease shall terminate. Landlord shall be entitled to receive the entire award of any condemnation proceedings or the proceeds in sale in lieu thereof, including any award for the value of the remaining term of this lease.

15. ACCESS. Landlord or its authorized agent shall at any and all times have the right to enter the Premises to inspect the same, to

supply janitorial service or any other service to be provided by Landlord to Tenant hereunder, to show the premises to prospective lenders, purchasers, or tenants (Landlord can show the premises to prospective tenants 90 days prior to the Lease expiration), to alter, improve, or repair the Premises or any other portion of the Building all without being deemed guilty of an eviction of Tenant and without abatement of Rent, and may for the purpose erect scaffolding and other necessary structures where reasonably required by the character of the work to be performed, provided the business of Tenant shall be interfered with as little as is reasonably practicable. Tenant hereby waives any claim, except due to Landlord's gross negligence and/or willful misconduct, for damages for any injury or inconvenience to or interference with Tenant's business, any loss of occupancy or quiet enjoyment of the Premises, and any other loss occasioned thereby. For each of the aforesaid purposes, Landlord shall at all time have and retain a key with which to unlock all of the doors in, about, and upon the Premises. Landlord shall have the right to use any and all means that Landlord may deem proper to open any door(s) in emergency without liability therefore.

16. CASUALTY. In the event the building should be totally destroyed by fire, tornado, or other casualty or in the event the premises or the building be so damaged that repairs cannot be completed within 120 days after the date of such damage, Landlord may terminate this lease. Landlord shall not be required to rebuild, repair, or replace any part of the furniture, equipment, fixtures, and other improvements that may have been placed by Tenant or other Tenants in the Building or the premises. Any insurance that may be carried by Landlord or Tenant against loss or damage to the Building or the premises shall be for the sole benefit of the party carrying such insurance and under its sole control.

17. WAIVER OF SUBROGATION. Tenant waives any and every claim which arises or may arise in its favor against the Landlord or any other tenant of the building during the term of this lease, or any renewal or extension thereof, for any and all loss of or damage to any of its property located within or upon or constituting a part of the Premises hereunder, excluding claims which arise out of Landlord's gross negligence or willful misconduct, which loss or damage is covered by valid and collectible fire and extended coverage insurance policies to the extent that such loss or damage is recoverable under said insurance policies. This waiver shall be in addition to, and not in limitation or derogation of, any other waiver or release contained in this lease with respect to any loss of or damage to property of the Tenant. In as much as the above waiver will preclude the assignment of any aforesaid claim by way of subrogation to an insurance company (or any other person), Tenant agrees immediately to give each insurance company which has issued to it policies of fire and extended coverage insurance written notice of the terms of this waiver, and to have said insurance policies properly endorsed, if necessary to prevent the invalidation of said insurance coverage by reason of this waiver.

18. HOLD OVER. Should Tenant retain possession of the Premises, or any part thereof, after the expiration or earlier termination of this lease, unless otherwise agreed in writing by Landlord, such possession (hereinafter called "Holdover") shall constitute and be construed as an unlawful detainee, and no tenancy or interest shall result from such possession. Such parties shall be subject to eviction and removal, and shall vacate the Premises and deliver same to Landlord immediately upon Tenant's receipt of notice from Landlord to so vacate. Such parties shall pay Landlord as rent for the period of such holdover an amount equal to one hundred fifty percent (150%) of the current Basic Rental. No such holdover by Tenant whether with or without the consent of Landlord, shall operate to extend this lease.

19. TAXES ON TENANT'S PROPERTY. Tenant shall be liable for all taxes levied or assessed against personal property, furniture or fixtures placed by Tenant in the premises. If any such taxes for which Tenant is liable are rendered against or assessed against Landlord or Landlord's property, the same can be paid by Landlord and Tenant shall pay to Landlord upon demand the taxes on Tenant's property for which Tenant is primarily liable hereunder. Any claim arising against Tenant by Landlord under this provision shall be assessed interest at fifteen percent (15%) per year until the claim has been satisfied.

20. LANDLORDS LIEN. In addition to the statutory Landlord's lien, Tenant hereby grants to Landlord a security interest to secure payment of all rent or other sums of money coming due hereunder from Tenant, and to secure payment of any damages or loss which Landlord may suffer by reason of the breach of Tenant of any covenant, agreement, or condition contained herein, upon all goods, wares, or fixtures, in or on the Premises. Such property shall not be removed from the premises without the consent of the Landlord until all arrearage in rent as well as any other sums of money due to Landlord hereunder shall first have been paid and discharged, and all covenants, agreements, and conditions hereof have been fulfilled and performed by tenant. In addition to any other remedies provided herein, upon an event of default, Landlord or its assigns may sell the Property unless the sale is otherwise prohibited by law. Unless otherwise provided by law, the requirement of reasonable notice shall be met if such notice is given to Tenant at the address hereinafter prescribed prior to the time of the sale. The statutory lien for rent is not waived; the security interest herein granted is in addition and supplementary thereto.

21. MECHANICS LIEN. Tenant shall keep the Premises free from any liens arising out of any work performed, materials furnished, or obligations incurred by or for Tenant. In the event the Tenant shall not, within ten (10) days following the imposition of any such lien, cause the same to be released of record by payment or posting of a proper bond, Landlord shall have, in addition to all other remedies provided herein and by law, the right but not the obligation, to cause the same to be released by such means as Landlord shall deem proper, including payment of or defense against the claim giving rise to such lien. All sums paid by Landlord and all expenses incurred by it in connection therewith shall create automatically an obligation of Tenant to pay, on demand, an equivalent amount, plus fifteen (15) percent interest per year thereon as Rent. No work that Landlord permits Tenant to perform in the Premises shall be deemed to be for the immediate use and benefit of Landlord so that no mechanics or other lien shall be allowed against the estate of Landlord by reason of its consent to such work.

22. EVENTS OF DEFAULT. The occurrence of any of the following shall constitute a default and breach of this lease by Tenant:

- A. Any failure by Tenant to observe the Building Rules and Regulations as set forth in Addendum "I" of this Lease Contract;
- B. Any failure by Tenant to pay the Rent or make any other payment required to be made by Tenant hereunder when due, without notice being required for default in payment;
- C. Any failure by Tenant to observe and perform any provisions of this Lease where such failure continues for fifteen (15) days after notice to Tenant;
- D. When Tenant or any guarantor of Tenant's obligations hereunder, cannot meet their obligations as they become due, or is declared insolvent according to any law, or assignment of Tenant's or guarantor's property is made for the benefit of its creditors, or a receiver or trustee is appointed for Tenant or guarantor or its property, or the interest of Tenant or guarantor under this lease is levied on under execution or under other legal process, or any petition is filed under the Federal Bankruptcy Code to reorganize or modify Tenant's or guarantor's debts or obligations, or any petition is filed under the Federal Bankruptcy Code to reorganize or modify Tenant's or guarantor's capital structure if either Tenant or guarantor be a corporation or other entity;
- E. The abandonment of the Premises by Tenant wherein the Tenant is absent from the Premises for thirty (30) consecutive days.

23. REMEDIES. Upon the occurrence of any event of default specified in this lease agreement or otherwise, Landlord shall have the option to pursue any one or more of the following remedies without any additional notice or demand whatsoever:

- A. Terminate this lease, in which event Tenant shall immediately surrender the Premises to Landlord. If Tenant fails to surrender the Premises to Landlord, Landlord may, without prejudice to any other remedy, enter upon and take possession and expel or remove Tenant and any other person who may be occupying said premises or any part thereof, by force if necessary, without being liable for prosecution or any claim for damages.

B. Landlord may re-lease the premises on such terms as Landlord shall deem advisable and receive the rent therefore. Tenant agrees to pay Landlord upon demand the amount for all loss, damage or cost associated with such re-leasing of the Premises in so far as Landlord is allowed by law to seek such loss, damage or cost.

C. Landlord may enter upon the Premises, by force if necessary, without being liable for prosecution or any claim for damages therefore, and do whatever Tenant is obligated to do under the terms of this lease; and Tenant agrees to reimburse Landlord on demand for any expenses that Landlord may incur in thus effecting compliance with Tenant's obligations under this lease, and Tenant further agrees that Landlord shall not be liable for any damages resulting to the Tenant from such action. No re-entry or taking possession of the Premises by Landlord shall be construed as an election of its part to terminate this lease, unless a written notice of such intention is given to Tenant. Pursuit of any of the foregoing remedies shall not preclude pursuit of any other remedies herein provided, or otherwise provided by law, nor shall pursuit of any remedy herein provided constitute a forfeiture or waiver of any rent due Landlord hereunder or of any damages accruing to Landlord by reason of violation of any term, provision or covenant herein contained. Landlord's acceptance of rent following any event of default hereunder shall not be construed as Landlord's waiver of such event of default. No waiver by Landlord of any violation or breach of any term, provision or covenant herein contained shall be deemed or construed as a waiver of any violation or default. The loss or damage that Landlord may suffer by reason of termination of this lease or the deficiency from any re-leasing as provided for above shall include the expense of repossession and any repairs undertaken by Landlord following possession. Should Landlord at any time terminate this lease for any default, in addition to any other remedy Landlord may have, Landlord may recover from Tenant all reasonable damages Landlord may incur by reason of such default, including the cost of recovering the Premises and the loss of rental for the remainder of the Lease Term.

24. **SURRENDER OF PREMISES.** No act or action taken by Landlord or its agents during the term hereby granted shall be deemed as acceptance of surrender of the premises. No agreement to accept surrender of the premises shall be valid unless the same is in writing and authorized by the Landlord.

25. **ATTORNEYS FEES.** If, on account of any breach or default by either party of any respective obligation under this lease, it shall become necessary for Landlord to employ an attorney to enforce or defend any of its rights or remedies hereunder, and Landlord should prevail, Landlord shall be entitled to reasonable attorney fees incurred in such connection.

26. **FORCE MAJEURE.** Whenever a period of time is herein prescribed for action to be taken by either party, such party shall not be liable or responsible for, and there shall be excluded from the computation for any such period of time, any delays due to strikes, riots, acts of God, war, governmental laws, regulations, restrictions, shortages of labor or materials, or any other causes of any kind whatsoever which are beyond the control of the Landlord.

27. **GOVERNMENTAL REGULATIONS.** Tenant will comply with all laws, ordinances, orders, rules and regulation of all governmental agencies having jurisdiction of the premises with reference to the use, construction, condition or occupancy of the premises.

28. **VENUE, GOVERNING LAW.** This Lease shall be governed by the laws of the State of Texas. All monetary and other conditions of Landlord and Tenant are performable exclusively in Dallas, Dallas County, Texas. Tenant shall not record this Lease in Dallas County, Texas.

29. **SUCCESSORS AND ASSIGNS.** Except as otherwise provided in this Lease, all of the covenants, conditions and provision of this Lease shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, successors, and assigns.

30. **ENTIRE AGREEMENT. SEVERABILITY.** If any provision of this Lease or the application thereof to any person or circumstances shall be invalid or unenforceable to any extent, the remainder of this Lease and the application of such provisions to other persons or circumstances shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

31. **LANDLORD'S TRADENAME.** Tenant shall not, without the prior written consent of Landlord, use the name of the Building for any purpose other than as the address of the business to be conducted by Tenant in the Premises, and in no event shall tenant acquire any rights in or to the Bro-Co name.

32. **NOTICES.** Any notice or document required to be delivered hereunder shall be deemed to be delivered whether or not actually received, *when hand delivered to tenant's or landlord's office*, deposited in the United States mail, postage prepaid, certified or registered mail, addressed to the parties hereto at their respective address as set forth below:

LANDLORD ADDRESS:

Bro-Co LLC
15443 Knoll Trail, Ste. 230
Dallas, TX 75248

TENANT ADDRESS:

Cano Petroleum, Inc.
6500 N Belt Line Rd, Suite 200
Irving, Texas 75063

33. **DEFINED TERMS AND MARGINAL HEADINGS.** The words "Landlord" and "Tenant" as used herein shall include the plural as well as the singular. If more than one person is named as Tenant, the obligations of such persons are joint and several. The headings and titles to the articles of this lease are not part of this lease and shall have no effect upon the construction or interpretation of any part thereof. Captions contained herein are for the convenience of reference only and in no way limit or enlarge the terms or conditions of this lease.

34. **CORPORATE AUTHORITY.** If Tenant executes this Lease as a corporation, each of the persons executing this lease on behalf of the Tenant does hereby personally covenant and warrant that Tenant is a duly authorized and existing corporation, that Tenant has and is qualified to do business in Texas, that the corporation has full right and authority to enter into this Lease, and that each person signing on behalf of the corporation was authorized to so.

35. **INTEGRATED AGREEMENT.** This Lease contains the entire integrated agreement of the parties hereto with respect to any matter covered or mentioned in the Lease. No prior agreement, understanding or representation pertaining to any such matter shall be effective for any purpose. No provision of this Lease may be amended or added to except by an agreement in writing signed by the parties hereto or their successors in interest.

36. **LATE FEE.** Rent payments are due without deduction or setoffs, on or before the tenth day, (holiday or weekend is no exception), of each and every calendar month for each month of the term of this Lease. In the event that any installment of the Basic Rental, or any other sums which become owing by Tenant to Landlord under the Provisions hereof are not received within four (4) days, (holiday or weekend is no exception), after the due date thereof, without in any way implying Landlord's consent to such late

payment or waiving any other rights or remedies available to Landlord under the terms of this lease or under law, Tenant agrees to pay, in addition to said installment of the Basic Rent or such other sums owed, a late payment charge, hereinafter called "Late Fee", equal to ten percent (10%) of the installment of Basic Rent or such other sums owed. In the event that any payment made by Tenant to Landlord with check is returned by the bank for whatsoever reason including but not limited to insufficient funds, then Tenant agrees to pay Landlord, in addition to said payment or such other sums owed, a returned check charge of \$75.00 plus a sum equal to ten percent (10%) of such check, and Landlord, at its option, may require Tenant to make this payment and all subsequent payments for the remainder of the Lease with cashier's check, money orders, or other certified fund instruments as determined at Landlord's discretion.

37. INDEMNITY. Tenant will indemnify and hold harmless Landlord from and against any loss, damage or liability occasioned by or resulting from any default hereunder or any willful or negligent act on the part of Tenant, its agents, employees, or invitee, or persons permitted on the demised Premises by Tenant. Tenant agrees to place and maintain at Tenant's sole cost and expense, insurance policies covering Tenant's aforesaid indemnity with respect to Tenant's use and occupancy of the demised Premises. Such policies shall be issued in the name of Tenant and Landlord as their interest may appear, or shall contain an "additional insured" endorsement in favor of Landlord, and with limits of liability of at least ONE MILLION DOLLARS (\$1,000,000.00) per occurrence for bodily injury and TWO HUNDRED THOUSAND DOLLARS (\$200,000.00) per occurrence for property damage. Duplicate originals of such policies and endorsements shall be delivered to Landlord within thirty (30) days from the execution date hereof. Any failure of the Tenant to comply with this insurance requirement will constitute a default of this Lease Agreement.

38. COMMON AREA CONTROL. All parking areas, driveways, loading areas, pedestrian walkways, ramps, landscaped areas, stairways, entrances, exits, and the elevator thereto, and other facilities provided by Landlord for the general use, in common, of Tenants, their employees, agents, invitees, visitors and customers shall be at all times subject to the exclusive control and management of Landlord, and Landlord shall have the right from time to time to establish, modify and enforce reasonable rules and regulations, (herein called the "Building Rules and Regulations"), with respect to all facilities and areas mentioned herein.

39. BUILDING SECURITY. Landlord will provide security to the building during and after normal weekday working hours, weekends and holidays, provided, however, Landlord shall not be liable to Tenant for losses due to theft or burglary, or for damage done by unauthorized persons on the premises unless due to Landlord's gross negligence and/or willful misconduct. Landlord specifically reserves the right to refuse admittance to the building after 6:00 p.m. daily or on holidays or Sundays to any person or persons who cannot furnish satisfactory identification or for any other reason should be denied access to the premises. All persons entering the building after 6:00 p.m. or on weekends or holidays must be an authorized Tenant or be accompanied by a person authorized by an existing and monetarily current Tenant.

40. RELOCATION. INTENTIONALLY DELETED

41. QUIET ENJOYMENT. Provided Tenant has performed all of the terms and conditions of this Lease, including the payment of all rent and other sums herein recited to be paid by Tenant, Landlord shall not interfere with the peaceable and quiet enjoyment of the Leased Premises by Tenant during the Initial Lease Term subject to the terms and conditions of this Lease. Tenant acknowledges that Landlord, from time to time, shall be required to provide tenant finish-out work for other tenants located near the Leased Premises. Tenant agrees that the finish-out work performed by Landlord shall not constitute a breach of the covenant contained herein.

42. ESTOPPEL CERTIFICATES. From time to time when requested by Landlord, Tenant shall deliver to any prospective purchaser, present or future mortgagee or landlord, in each case of all or any part of the Office building, or any interest of Landlord, thereon, a certificate signed by Tenant confirming and containing such factual certifications and representations deemed appropriate by Landlord or any such purchaser, mortgagee or Landlord, and Tenant shall, within ten (10) business days following Tenant's receipt of said proposed certificate from Landlord return a fully executed copy of said certificate to Landlord. In the event Tenant shall fail to return a fully executed copy of such certificate to Landlord within the foregoing ten (10) business day period, then tenant shall be deemed to have approved and confirmed all of the terms, certifications and representations contained in such certificate.

43. HAZARDOUS SUBSTANCES.

- (A) Tenant hereby represents and covenants to Landlord the following: No toxic or hazardous substances or waste, pollutants or contaminants (including, without limitation, asbestos, urea formaldehyde, the group of organic p compounds known as polychlorinated biphenyl's, petroleum product including gasoline, fuel oil, crude oil and various constituents of such products, radon, and any hazardous substance as defined in Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. 9601-9657, as amended ("CERCLA") collectively, "Environmental Pollutants") other than customary office supplies and cleaning supplies stored and handled within the Premises in accordance with all applicable laws, will be generated, treated, stored, released or disposed of, or otherwise placed, deposited in or located on the Property, and no activity shall be taken on the Property by Tenant, its agents, employees, invitees or contractors, that would cause or contribute to (i) the Property or any part thereof to become a generation, treatment, storage or disposal facility within the meaning of or otherwise bring the Property within the ambit of the Resource Conservation and Recovery Act of 1976 ("RCRA"), 42 U.S.C. 5961 et. seq., or any similar state law or local ordinance, (ii) a release or threatened release of toxic or hazardous wastes or substances, pollutants or contaminants, from the Property or any part thereof within the meaning of, otherwise result in the liability in connection with the Property within the ambit of CERCLA, or any similar state law or local ordinance, or (iii) the discharge of pollutants or effluents into any water source or system, the dredging or filling of any waters, or the discharge into the air of any emissions, that would require a permit under the Federal Water Pollution Control Act, 33 U.S.C. 1251 et seq., or the Clean Air Act, 42 U.S.C. 7401 et seq. or any similar state law or local ordinance.
- (B) Except for Landlord's gross negligence and/or willful misconduct, Tenant expressly waives, to the extent allowed by law, any claims under federal, state or other law that Tenant might otherwise have against Landlord relating to the condition of such Property or the Premises or the Leasehold Improvements or personal property located thereon or the presence in or contamination of the Property or the Premises by hazardous materials. Tenant agrees to indemnify and hold Landlord harmless (as defined in Paragraph 16) harmless from and against and to reimburse Landlord with respect to any and all claims, demands, causes of action, loss, damage, liabilities, costs and expenses (including attorneys' fees and court costs) of any kind and every kind or character, known or unknown, fixed or contingent, asserted against or incurred by Landlord in any time and from time to time by reason of or arising out of the breach of any representation or covenant contained in Paragraph 44.A above.
- (C) Tenant shall immediately notify Landlord in writing of any release or threatened release of toxic or hazardous wastes or substances, pollutants or contaminants in regard to the premises of which Tenant has knowledge whether or not the release is in quantities that would require under law the reporting of such release to a governmental or regulatory agency in regard to the premises.
- (D) Tenant shall also immediately notify Landlord in writing of, and shall contemporaneously provide Landlord with a copy of any of the below related to the property:
 1. Any written notice of release of hazardous wastes or substances, pollutants or contaminants on the Property that is provided by Tenant or any subtenant or other occupant of the Premises to a governmental or regulatory agency in regard to the premises;
 2. Any notice of a violation, or potential or alleged violation, of any Environmental Law (hereinafter defined) that is received by Tenant or any subtenant or other occupant of the Premises from any governmental or regulatory agency in

regard to the premises;

3. Any inquiry, investigation, enforcement, cleanup, removal, or other action that is instituted or threatened by a governmental or regulatory agency against Tenant or any subtenant or other occupant of the Premises and that relates to any release or discharge of hazardous wastes or substances, pollutants or contaminants on or from the Property;
4. Any claim that is instituted or threatened by any third-party against Tenant or any subtenant or other occupant of the Premises and that relates to any release or discharge of hazardous wastes or substances, pollutants or contaminants on or from the Property; and
5. Any notice of the loss of any environmental operating permit by Tenant or any subtenant or other occupant of the Premises

(E) As used herein "environmental Laws" mean all present and future federal, state and municipal laws, ordinances, rules and regulations applicable to environmental and ecological conditions, and the rules and regulations of the U.S. Environmental Protection Agency, and any other federal, state or municipal agency, or governmental board or entity relating to environmental matters

44. OPTION TO RENEW. Tenant shall have one (1) five (5) year renewal option (the "Renewal Option") at the then prevailing market rates. Tenant must provide Landlord with nine (9) months prior written notice of its intent to exercise said Renewal Option.

45. RIGHT OF SECOND REFUSAL. Tenant shall have a one-time Right of Second Refusal during the initial lease term on immediately contiguous space on the second floor with a five (5) day acceptance period. The existing second floor tenant currently has a Right of First Refusal on said space. Terms and conditions shall match those offered by an interested third party.

46. SIGNAGE. Landlord will provide building standard suite and directory signage. Tenant, at Tenant's sole cost and expense, may install its name on the monument sign in front of the Building. All signage must receive city and Landlord approval.

47. BALCONY ACCESS. Tenant shall have the right to occupy the balcony of the property pursuant to this Lease. Tenant acknowledges that its obligations to insure the premises and indemnify the Landlord for such use, as discussed, relates to the balcony access as well. Further Tenant shall hold Landlord harmless and further indemnify Landlord from damages or injuries which may arise to Tenant or its invitees as a result of such balcony access. The balcony shall be designated as a smoking area in the building for Tenant's reasonable use and enjoyment.

THIS LEASE is EXECUTED in multiple counterparts, each of which shall have the force and effect of an original on the date first written above.

LANDLORD:

BRO-CO, LLC

By: 

Title: Owner

1555 Vintage Avenue
Ontario, CA 91761

TENANT:

CANO PETROLEUM, INC.

By: 

Name: _____

Title:  _____

ATTACHMENTS:

- | | |
|--------------------|---|
| Exhibit A: | Outline of Premises |
| Exhibit B: | Leasehold Improvements |
| Addendum 1: | Building Rules & Regulations |
| Addendum 2: | Parking |

EXHIBIT A:

OUTLINE OF PREMISES

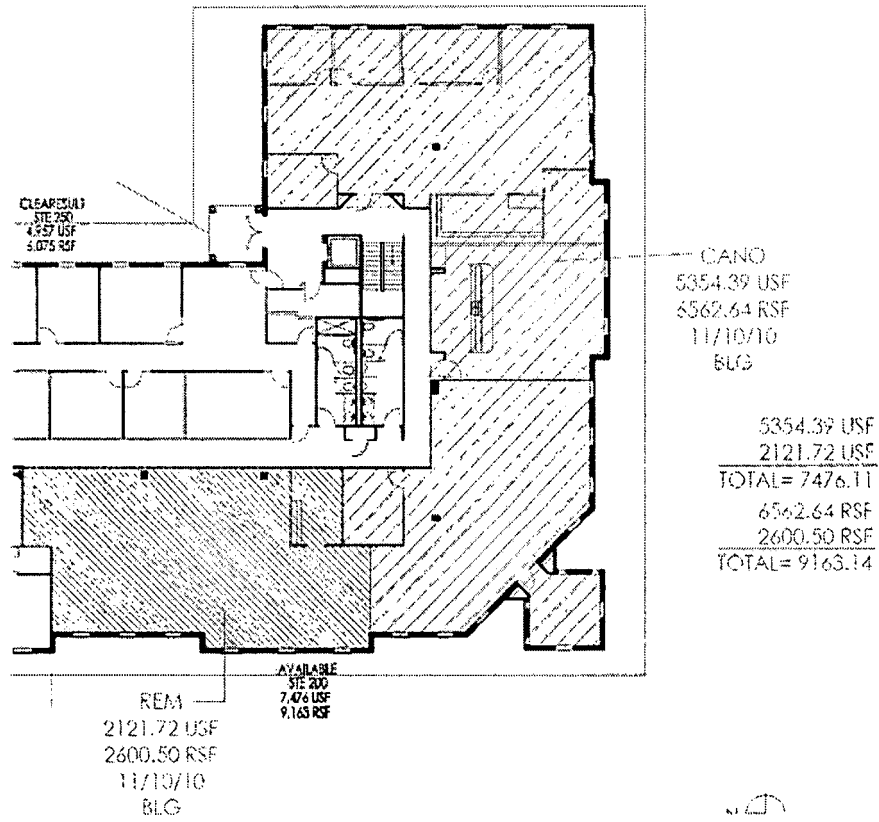
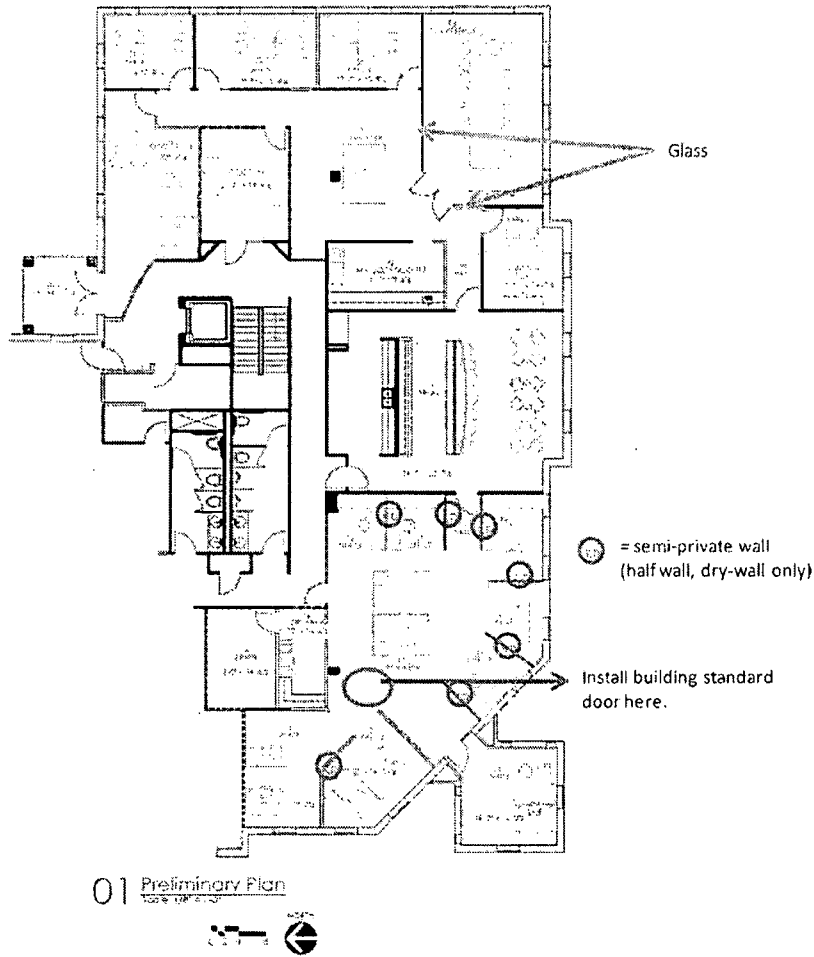


EXHIBIT B:

LEASEHOLD IMPROVEMENTS



Landlord, at Landlord's sole cost, shall provide the following work for the Premises.

- Building standard paint and carpet throughout
- Upgraded wood vinyl flooring installed from the reception/executive area through and including the Break room.
- Install double insulation in all NEW walls (insulation in existing walls to remain as-is)
- Existing cabiners in break room to remain. All cabinet fronts will match the existing black cabinet fronts.
- Install corian counter top in Break room.

Note: It will be Tenant's responsibility to pull all data and cabling. Furniture shown in the Space Plan for Remodeled Premises will not be included.

ADDENDUM 1: BUILDING RULES AND REGULATIONS

HEREIN constitute the official Building Rules and Regulations for Bro-Co. Landlord reserves the right to make such changes from time to time as in the Landlord's judgment may be necessary for the best interest, safety, care and cleanliness of the Premises, the Building, parking area and driveways, and for the preservation of good order therein. Landlord shall provide Tenant with thirty (30) days written notification of any such changes. Tenant agrees to comply with and abide by all such rules and regulations including amendments thereof.

1. Due to the building's shared air return system, Bro-Co is a Smoke-Free Facility. As such smoking is not allowed within the building. The Landlord will maintain designated area(s), exterior to the building, where smoking will be permissible.

2. No sign, picture, advertisement, name or notice shall be inscribed, displayed or affixed on or to any part of the inside or the outside of the Building or the Leased premises without the prior written consent of the Landlord and Landlord shall have the right to remove any such sign, placard, advertisement, name or notice and at the expense of Tenant. Any signs or lettering on Tenant doors shall first be approved by Landlord, then be printed, painted, affixed or inscribed at the expense of the Tenant, and applied by a person approved by Landlord. All Landlord approvals shall not be unreasonably withheld.

Tenant shall not place anything or allow anything to be placed near the glass of any window, door, partition or wall which may appear unsightly from outside the leased Premises provided, however, that Landlord may furnish and install a Building Standard window covering at all exterior windows. Tenant shall not without written consent of Landlord cover or otherwise sunscreen any window. All Landlord approvals shall not be unreasonably withheld.

3. Landlord must approve in writing, prior to installation, the method of attachment of any objects affixed to walls, ceilings, or doors other than reasonable pictures, plaques and similar items.

4. The Building Directory will be provided exclusively for the display of the name and location of Tenant only and Landlord reserves the right to exclude any other names therein.

5. The sidewalks, halls, passages, exits, entrances, elevators and stairways shall not be obstructed by Tenant or used by Tenant for any purpose other than ingress to and egress from the leased premises. The halls, passages, exits, entrances, elevators, stairways, balconies and roof are not for the use of the general public and the Landlord shall in all cases retain the right to control and prevent access thereto by all persons whose presence in the judgment of the Landlord shall be prejudicial to the safety, character, reputation and interests of the Building and its Tenants, provided that nothing herein contained shall be construed to prevent such access to persons with whom the Tenant normally deals in the ordinary course of Tenant's business unless such persons are engaged in illegal activities. No Tenant and no employees or invitee of any Tenant shall go upon the roof of the Building.

6. No additional locks or bolts of any kind shall be placed upon any of the doors or windows by Tenant, nor shall any changes be made in existing locks or the mechanisms thereof without the prior written approval of the Landlord. The Landlord shall at all times have and retain a key, or keys, with which to unlock all of the doors in, about, and upon the Premises. No access control, alarm or other security type system, electronic or otherwise, shall be added to the Premises without prior written approval of the Landlord. The Landlord shall at all times have knowledge and use of any code, key or other arming and disarming device or mechanism for said system. Tenant must, upon the termination of Tenant's lease, restore to Landlord all keys of storage, offices and toilet rooms either furnished to or otherwise procured by Tenant and in the event of the loss of any key so furnished Tenant shall pay to Landlord the cost thereof or of changing the lock or locks opened by lost keys if Landlord deems it necessary to make a change.

7. The bathroom toilets, urinals, wash bowls and other apparatus shall not be used for any purpose other than that of which they were constructed and no foreign substance of any kind whatsoever shall be thrown therein and the expense of any breakage, stoppage or damage resulting from the violation of this rule shall be borne by the Tenant who, or whose employees or invitee, shall have caused.

8. Tenant shall not overload the floor of the Leased Premises or mark, drive nails, screw or drill into the partitions, woodwork or plaster or in any way deface the leased Premises or any part thereof. No boring, cutting or stringing of wires shall be permitted except with the prior written consent of the Landlord and as the Landlord may direct.

9. No furniture, freight or equipment of any kind shall be brought into the Building without the consent of Landlord and all moving of same into or out of the Building shall be done at such time and in such manner, as Landlord shall designate. Landlord shall have the right to prescribe the weight, size and position of all safes and other heavy equipment brought into the Building and also the times and manner of moving same in and out of the Building. Any damages to the Building caused or brought about by the moving or the maintaining of said safe or other property shall be repaired at the expense of Tenant. There shall not be used in any part of the Premises or of the Building, either by any Tenant or others, any hand trucks except those equipped with rubber tires and side guards.

10. Tenant shall not employ any person or persons for the purpose of cleaning the Premises without the consent of the Landlord. Landlord shall be in no way responsible to Tenant, except for Landlord's gross negligence and/or willful misconduct, for any loss of property from the Premises however occurring or for any damages done to the effects of Tenant by the Janitorial Service or any of Landlord's employees, or by any other person. Janitorial service will not include the cleaning of carpets and rugs, other than vacuuming. Tenant shall not cause unnecessary labor by reason of Tenant's carelessness and indifference in the preservation of good order and cleanliness.

11. Tenant shall not use, keep or permit to be used any food or noxious gas or substance in leased Premises, or permit or suffer the leased Premises to be occupied or used in a manner offensive or objectionable to the Landlord or other occupants of the Building by reason of noise, odors and/or vibrations, or interfere in any way with other Tenants or those having business therein nor shall any animals or birds be brought or kept in or about the leased Premises or the Building. No Tenant shall make or permit to be made any unseemly or disturbing noises or disturb or interfere with occupants of this or neighboring buildings or leased Premises or those having business with them whether by the use of any musical instruments, radio, phonograph, unusual noise or in any other way. No Tenant shall throw anything out of doors or down the passageways. At no time shall any trash or other refuse be placed in the hallways, passageways or any other common areas of the Building.

12. Tenant shall only be permitted use as general office space. No cooking shall be permitted by Tenant on the Leased

premises, nor shall Tenant occupy or permit any portion of his leased premises to be occupied for lodging or sleeping or for any illegal purposes.

13. Tenant shall not use or keep in the leased premises or the Building any kerosene, gasoline or combustible fluid or material. Landlord prohibits the use, possession, carrying or storage of weapons on the Leased premises. This includes firearms, knives, clubs, or other weapons, whether concealed or not.

14. Landlord will direct all installation technicians as to where and how telephone, cable, and internet wires shall be introduced to either the Building or the leased Premises. No boring or cutting for wires will be allowed without the consent of Landlord. The location and installation of all telephones and telephone related equipment should be subject to the prior approval of the Landlord.

15. Installation of floor coverings - No Tenant shall lay linoleum or other type of floor covering so that same shall be affixed to the floor of the leased premises in any way except by a paste, or other material, which may easily be removed with water. The use of cement or other similar adhesive materials being expressly prohibited. The method of affixing any such linoleum or other similar floor covering to the floor, as well as the method of affixing carpets or rugs to the leased premises, shall be subject to approval by Landlord. The expense of repairing any damage resulting from a violation of this rule shall be borne by Lessee, or by whose agents or employees by whom the damage shall have been cause. All Landlord approvals shall not be unreasonably withheld.

16. Carpet/Floor protection - Lessee shall provide and use chair pads and carpet protectors at all desk and furniture locations.

17. No furniture, packages, supplies, equipment or merchandise will be received in the Building or carried up or down in the elevators, except between such hours and in such elevators as shall be designated by the Landlord.

18. The Landlord reserves the right to close and keep locked all entrance and exit doors of the Building at any time that the Landlord may deem advisable for the adequate protection of said Building and the property of the Tenants therein. Access to the Building, or to the halls, corridors, elevators, the Building stairways, or to the leased Premises, may be refused unless the person seeking access is known to the person or employee of the Building in charge and has a pass or is properly identified. Except for Landlord's gross negligence and/or willful misconduct, The Landlord shall in no case be liable for damages for any error with regard to the admission to or exclusion from the building of any person. In case of invasion, mob, riot, public excitement, or other commotion, the Landlord reserves the right to prevent access to the Building during the continuance of the same by closing the doors for the safety of the Tenant and protection of property in the Building. The Landlord reserves the right to close and keep locked all entrance and exit doors of the Building at any time that the Landlord may deem advisable for the adequate protection of the Building and the property of the Tenants therein.

19. Access to the Building and parking may be controlled by the use of electronic access control systems as deemed necessary by the Landlord. At no time is it permissible for the Tenant, its agents, employees, invitees, or other person on the Premises to block open or cause to be blocked open an entry or exit that is otherwise locked or secured by such a system. The Tenant shall be issued access by means of a secured access code, card key or other such security device. A deposit may be required for the issuance of such card key or device. In the event that the issued card key or device shall be damaged or lost the Tenant's deposit for such will be forfeited.

20. The parking facility is provided for daily tenant use only. Repair work is not allowed on the parking facility. No overnight parking will be allowed without prior written permission from the Landlord. Any abandoned, disabled or inoperable automobiles, motorcycles or the other vehicle will be towed, without further warning, with the owner of the vehicle being fully and solely responsible and liable for the expense of towing and any possible storage of said towed vehicle.



ADDENDUM 2: PARKING

Tenant shall be entitled to three (3) parking spaces for every 1,000 rentable square feet leased, at no charge for the lease term.

FIRST AMENDMENT AND MODIFICATION TO LEASE AGREEMENT

THIS AMENDMENT AND MODIFICATION TO LEASE AGREEMENT, made this 24th day of November, 2010 by and between Bro-Co, LLC ("Landlord") and Cano Petroleum, Inc. ("Tenant").

WHEREAS, Landlord and Tenant entered into a Lease Agreement ("the Lease") dated November 17, 2010, whereby Tenant is currently leasing 6,563 rentable square feet (rsf) of space in the building located at 6500 N Belt Line Rd, suite #200, Irving, Texas.

WHEREAS, Landlord and Tenant desire to amend and modify the Lease upon the terms and conditions contained herein;

NOW, THEREFORE, in consideration of the Premises and the respective covenants and agreements contained herein, and other good valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties to this Agreement, intending to be legally bound, hereby covenant and agree as follows:

1. Premises shall be expanded to include an additional 541 rsf, for a total of 7,104 rsf. Exhibit A shows the outline of the entire Premises.
2. Term shall be coterminous with the initial Lease. The Commencement Date shall be that of the initial Lease.
3. The rental rate for the expansion space shall match the rate for the initial Premises, as described below:
 - Months 1-3: \$ 0.00 per rsf plus electricity
 - Months 4-15: \$14.75 per rsf plus electricity
 - Months 16-27: \$15.25 per rsf plus electricity
 - Months 28-39: \$15.75 per rsf plus electricity
 - Months 40-51: \$16.25 per rsf plus electricity
 - Months 52-63: \$16.75 per rsf plus electricity
4. Landlord shall make the following improvements to the expansion space:
 - a. Building standard paint and carpet to match the initial Premises
 - b. Change the face of the upper cabinets to match the lower cabinets
 - c. Install new laminate counter top on existing cabinets
 - d. Include a magnetic wall covering on the demising wall
5. Landlord and Tenant hereby confirm and agree that the Lease as modified by this Amendment constitutes the entire agreement made between the parties with respect to the subject matter hereof, and further agree that no default exists under the Lease and to the best of the knowledge, information and belief of Landlord and Tenant, there exists no event that with notice of passage of time or both would constitute a default under the Lease as modified by this amendment.
6. This Amendment may be executed in counterparts, all of which taken together shall constitute one of the same instrument.

IN WITNESS WHEREOF, the parties hereto have duly executed this Amendment as of the date above.

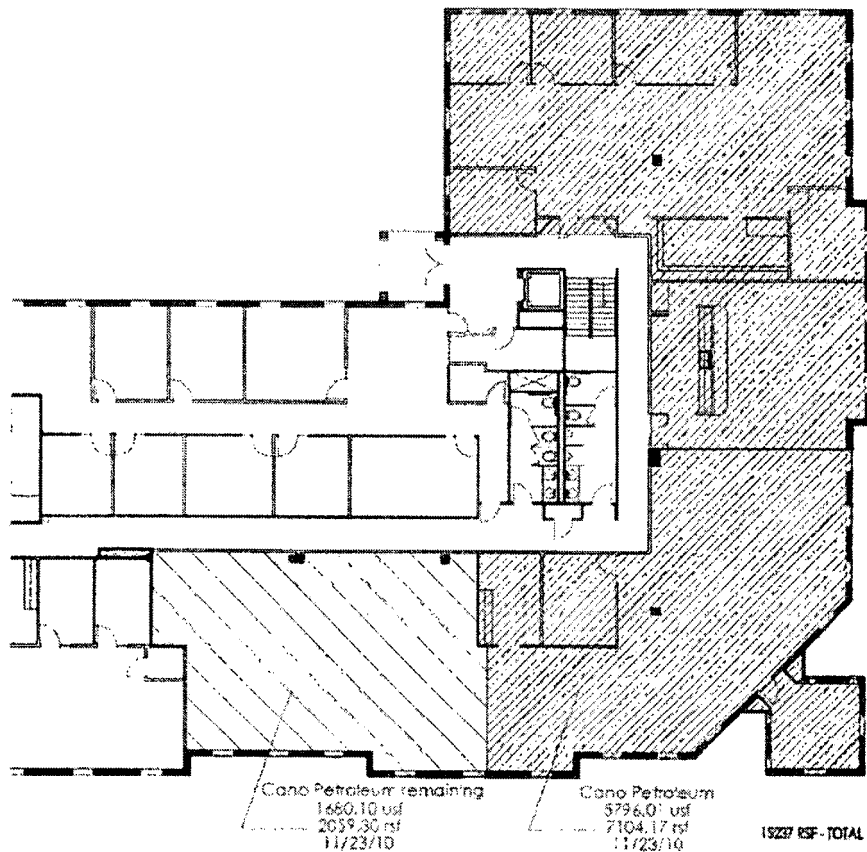
Landlord
Bro-Co LLC

By 
Carmen Prieto, CFO

Tenant
Cano Petroleum, Inc.

By 
Jeff Johnson, CEO

Exhibit A – Outline of New and Entire Premises
7,104 RSF



1680.10	2059.30 rsf
5796.01	7104.17 rsf
TOTAL = 7476.11	TOTAL = 9163.47



SECOND AMENDMENT AND MODIFICATION TO LEASE AGREEMENT

THIS AMENDMENT AND MODIFICATION TO LEASE AGREEMENT, made this 24th day of January, 2011 by and between Bro-Co, LLC ("Landlord") and Cano Petroleum, Inc. ("Tenant").

WHEREAS, Landlord and Tenant entered into a Lease Agreement ("the Lease") dated November 17, 2010, and amended on November 29, 2010, whereby Tenant is currently leasing 7,104 rentable square feet (rsf) of space in the building located at 6500 N Belt Line Rd, suite #200, Irving, Texas.

WHEREAS, Landlord and Tenant desire to amend and modify the Lease upon the terms and conditions contained herein;

NOW, THEREFORE, in consideration of the Premises and the respective covenants and agreements contained herein, and other good valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties to this Agreement, intending to be legally bound, hereby covenant and agree as follows:

1. Premises shall be expanded to include an additional 2,059 rsf (the "Expansion Premises"), for a total of 9,163 rsf. Exhibit A shows the outline of the Expansion Premises.
2. Term shall be coterminous with the initial Lease. The Commencement Date for the Expansion Premises shall be February 1, 2011.
3. The rental rate for the expansion space shall match the rate for the initial Premises, as described below:
 - Months 1-2: \$ 0.00 per rsf plus electricity
 - Months 3-14: \$14.75 per rsf plus electricity
 - Months 15-26: \$15.25 per rsf plus electricity
 - Months 27-38: \$15.75 per rsf plus electricity
 - Months 39-50: \$16.25 per rsf plus electricity
 - Months 51-62: \$16.75 per rsf plus electricity
4. Landlord shall make the following improvements to the Expansion Premises:
 - a. Install a building standard door that leads into the corridor
 - b. Repair existing light fixtures as needed
5. Landlord and Tenant hereby confirm and agree that the Lease as modified by this Amendment constitutes the entire agreement made between the parties with respect to the subject matter hereof, and further agree that no default exists under the Lease and to the best of the knowledge, information and belief of Landlord and Tenant, there exists no event that with notice of passage of time or both would constitute a default under the Lease as modified by this amendment.
6. This Amendment may be executed in counterparts, all of which taken together shall constitute one of the same instrument.

IN WITNESS WHEREOF, the parties hereto have duly executed this Amendment as of the date above.

Landlord
Bro-Co, LLC

By

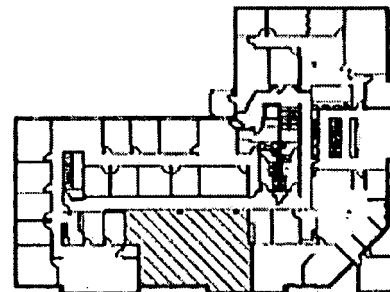
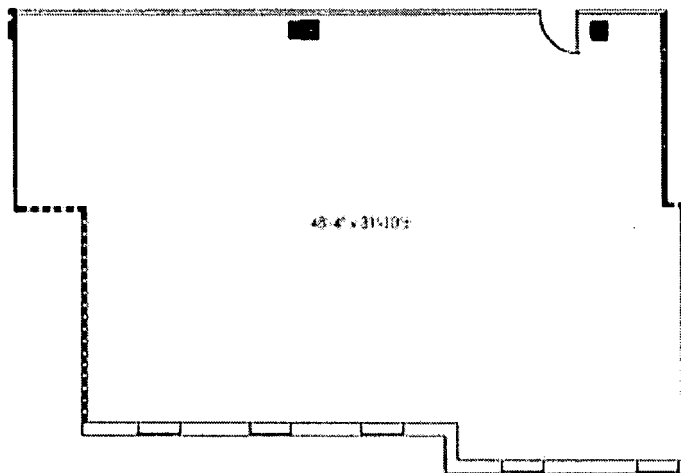

Carmen Prieto, CEO

Tenant
Cano Petroleum, Inc.

By


Jeff Johnson, CEO

**Exhibit A – Expansion Premises
2,059 RSF**



KEY PLAN



SECOND AMENDMENT AND MODIFICATION TO LEASE AGREEMENT

THIS AMENDMENT AND MODIFICATION TO LEASE AGREEMENT, made this 24th day of January, 2011 by and between Bro-Co, LLC ("Landlord") and Cano Petroleum, Inc. ("Tenant").

WHEREAS, Landlord and Tenant entered into a Lease Agreement ("the Lease") dated November 17, 2010, and amended on November 29, 2010, whereby Tenant is currently leasing 7,104 rentable square feet (rsf) of space in the building located at 6500 N Belt Line Rd, suite #200, Irving, Texas.

WHEREAS, Landlord and Tenant desire to amend and modify the Lease upon the terms and conditions contained herein;

NOW, THEREFORE, in consideration of the Premises and the respective covenants and agreements contained herein, and other good valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties to this Agreement, intending to be legally bound, hereby covenant and agree as follows:

1. Premises shall be expanded to include an additional 2,059 rsf (the "Expansion Premises"), for a total of 9,163 rsf. Exhibit A shows the outline of the Expansion Premises.
2. Term shall be coterminous with the initial Lease. The Commencement Date for the Expansion Premises shall be February 1, 2011.
3. The rental rate for the expansion space shall match the rate for the initial Premises, as described below:
 - Months 1-2: \$ 0.00 per rsf plus electricity
 - Months 3-14: \$14.75 per rsf plus electricity
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 - Months 27-38: \$15.75 per rsf plus electricity
 - Months 39-50: \$16.25 per rsf plus electricity
 - Months 51-62: \$16.75 per rsf plus electricity
4. Landlord shall make the following improvements to the Expansion Premises:
 - a. Install a building standard door that leads into the corridor
 - b. Repair existing light fixtures as needed
5. Landlord and Tenant hereby confirm and agree that the Lease as modified by this Amendment constitutes the entire agreement made between the parties with respect to the subject matter hereof, and further agree that no default exists under the Lease and to the best of the knowledge, information and belief of Landlord and Tenant, there exists no event that with notice of passage of time or both would constitute a default under the Lease as modified by this amendment.
6. This Amendment may be executed in counterparts, all of which taken together shall constitute one of the same instrument.

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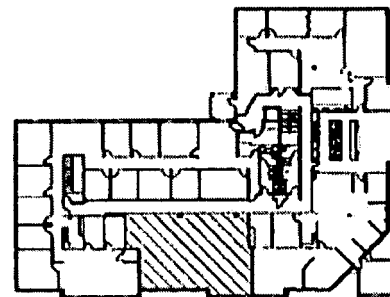
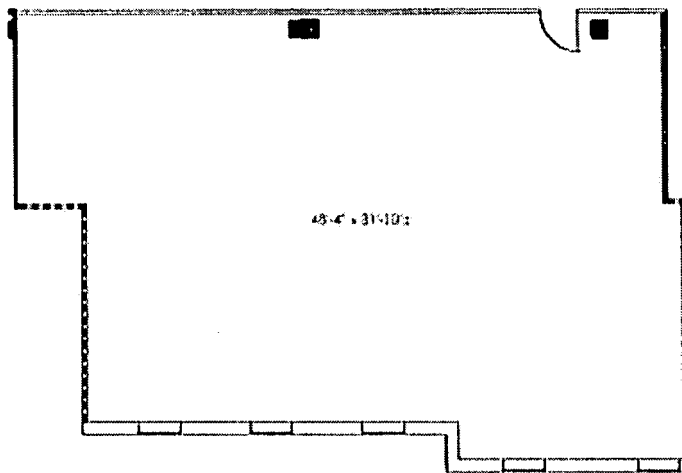
Landlord
Bro-Co, LLC

By 
Carmen Prieto, CFO

Tenant
Cano Petroleum, Inc.

By 
Jeff Johnson, CEO

**Exhibit A -- Expansion Premises
2,059 RSF**



KEY PLAN



Northern District of Texas Claims Register

12-31549-bjh11 Cano Petroleum, Inc.

Judge: Barbara J. Houser

Chapter: 11

Office: Dallas

Last Date to file claims: 07/05/2012

Trustee:

Last Date to file (Govt):

Creditor: (14684499)

Claim No: 4

Status:

Bro-Co, LLC

Original Filed

Filed by: CR

c/o Jon G. Petersen

Date: 03/27/2012

Entered by: Admin

Cherry Petersen Landry

Original Entered

Modified:

Albert LLP

Date: 03/27/2012

8350 N. Central Expressway,

Suite 800

Dallas, TX 75206

Amount claimed: \$612600.79

Unsecured claimed: \$612600.79

History:

Details 4-1 03/27/2012 Claim #4 filed by Bro-Co, LLC, Amount claimed: \$612600.79 (Admin)

Description:

Remarks:

Claims Register Summary

Case Name: Cano Petroleum, Inc.

Case Number: 12-31549-bjh11

Chapter: 11

Date Filed: 03/07/2012

Total Number Of Claims: 1

Total Amount Claimed*	\$612600.79
Total Amount Allowed*	

*Includes general unsecured claims

The values are reflective of the data entered. Always refer to claim documents for actual amounts.

	Claimed	Allowed
Secured		
Priority		
Administrative		