

OIL & GAS LEASE

<u>RECITALS</u>	<p><b>THIS LEASE</b>, made and entered into this ____ day of <i>Date</i> ____, 20____, by and between _____, <i>Parties</i> _____, hereinafter called Lessor(s) and _____, hereinafter called Lessee,</p> <p>WITNESSETH:</p>	
<u>GRANTING</u>	<p>1. Lessor, in consideration of the sum of ONE DOLLAR (\$1.00) and other good and valuable considerations in hand paid by the Lessee, the receipt of which is hereby acknowledged, and the covenants and agreements herein contained, hereby grants, demises, leases and lets exclusively unto the Lessee the lands hereafter described for the purposes of prospecting, exploring by geophysical and other methods, drilling, operating for producing oil and gas, or both, and the constituents thereof, including coal bed methane gas, together with the right and easement to construct, operate, repair, maintain and remove pipelines, telephone, power and electric lines tanks, ponds, roadways, plants, equipment and the subsurface strata and any and all other rights, privileges necessary, incident to or convenient for the economical operation of the lands alone or conjointly with neighboring lands for these purposes, the following described land (hereinafter called “said land”, in _____ County, _____ State, to wit:</p> <p><i>Property Description</i></p>	<p><i>Consideration</i></p> <p><i>Substances Covered</i></p>
<u>MOTHER HUBBARD</u>	<p>In addition to said land, Lessor hereby grants leases and lets exclusively unto Lessee to the same extent <b>as if specifically described</b> herein all lands owned by or claimed by Lessor which are adjacent, contiguous to or form a part of said land, including all oil, gas and all substances produced in association therewith underlying lakes, rivers, streams, roads, easements and right of way which traverse or adjoin any of said land. For rental payment purposes, said land shall be deemed to contain _____ acres, whether it actually comprises <b>more or less</b>.</p>	<p><i>Cover All”</i></p> <p><i>More or Less”</i></p>
<u>HABENDUM</u>	<p>2. Subject to the other provisions herein contained, this lease shall be for a term of _____ years from this date (called “primary term”) and <b>as long thereafter</b> as oil, or gas is produced from said land hereunder, or operations for drilling or reworking operations are conducted thereon.</p>	<p><i>-Primary Term</i></p> <p><i>-2ary Term</i></p>
<u>ROYALTY</u>	<p>3. The royalties to be paid by Lessee are: (a) on oil and other liquid hydrocarbons, one-eighth of that produced and saved from said land, the same to be delivered at the wells, or to the credit of Lessor into the pipeline to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefore prevailing for the field where produced on the date of purchase; (b) on gas and the constituents thereof produced from said land and sold or used off the premises or in the manufacture of products therefrom, <b>one eighth</b> of the market value at the well of the product sold or used. On product sold at the well, the royalty shall be one eighth of the <b>net proceeds</b> realized from such sale. All royalties paid on gas sold or used off the premises or in the manufacture of products therefrom will be paid after deducting from such royalty Lessor’s proportionate amount of all post production costs, including but not limited to gross production and severance taxes, gathering and transportation costs from the wellhead to the point of sale, treating, compression and processing. Lessee shall have free use of oil, gas and water from said land, except water from said land, except water from Lessor’s wells, streams, lakes, and ponds for all operations hereunder, and the royalty on oil and gas shall be computed after deducting any so used.</p>	<p><i>Deductions</i></p> <p><i>Net Proceeds</i></p>
<u>SHUT-IN</u>	<p>If a well capable of producing gas and/or oil, in paying quantities is located on said land and is shut-in before production commences, or at any time thereafter, this lease shall continue in effect for a period of one (1) year from the date such well is shut-in, an amount equal to the rental, and if such payment or tender is made such well shall continue this lease in effect for a further period of one (1) year. In like manner and upon like payments or tenders annually made on or before each anniversary of the shut-in date of such well, such well shall continue this lease in effect for successive periods of twelve (12) months each. Notwithstanding any other provision to the contrary, this lease shall not terminate because of a failure to properly or timely make shut-in well payments unless Lessor shall have given Lessee written notice of such failure to properly or timely make such shut-in well payment and Lessee shall have failed for a period of thirty (30) days after receipt of such notice to tender such payment in the proper amount, together with a late or improper payment penalty of \$100.00.</p>	<p><i>Production Paying Quantities</i></p>
<u>DELAY RENTAL</u>	<p>5. If <b>operations</b> for drilling are not commenced on said land as hereinafter provided, on or before one (1) year from this date, the lease shall then terminate as to both parties unless on or before such anniversary date lessee shall pay or tender to Lessor or to the credit of Lessor in _____ Bank of _____ (which bank and its successor are Lessor’s agent and shall continue as the depository for all rentals payable hereunder regardless of changes in ownership of said land or the rentals either by conveyance or by the death or incapacity of Lessor) the sum of \$ _____, (herein called rental), which shall cover the privilege of deferring commencement of operations for a period of twelve months. In like manner and upon like payments or tenders annually, the commencement of operations for drilling may be further deferred for successive periods of twelve (12) months each during the primary term. The payment or tender of rental herein referred to may be made in currency, draft, check or electronic funds transfer at the option of the Lessee; and the depositing of such currents, draft or check in any post office, properly addressed to the Lessor or said bank, or the transfer of such funds to said bank on or before the rental paying date, shall be deemed payment herein as provided. If such bank (or any successor bank) should fail, liquidate to be succeeded by another bank, or for any reason fail or refuse to accept rental, Lessee shall not be held in default for failure to make such payment, tender or transfer of payment of rental until thirty (30) days after Lessor shall deliver to Lessee a proper recordable instrument naming another bank as agent to receive such payment, tender or transfer. The bonus payment is consideration for this lease according to its terms and shall not be allocated as more rental for a period. Lessee may at any time execute and deliver to Lessor or to the depository above named or place of record a <b>release or releases covering any portion or portion</b> of said land and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered and thereafter the rentals payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release of releases.</p>	<p><i>“Operations” or “Drilling?”</i></p> <p><i>Partial Release</i></p>
<u>SAVINGS: Dry Hole</u>	<p>6. Should any well drilled on said land during the primary term <b>before production</b> is obtained be a dry hole, or should production obtained during the primary term thereafter cease, then and in either event if operations for drilling an additional well are not commenced or operations for reworking an old well are not pursued on said land on or before the first rental date next succeeding the expiration of sixty (60) days after the cessation of production or drilling or reworking operations on said well or wells, then this lease shall terminate unless Lessee, on or before said date, shall resume the payment of rentals. Upon resumption of the payment of rentals, Section 5 governing the payment of rentals shall continue in force just as though there had been no interruption in the rental payments. If during the last year of the primary term and prior to the discovery of oil, gas or other hydrocarbons on said land Lessee should drill a dry hole thereon, no rental payment or operations are necessary in order to keep the lease in force during the remainder of the primary term.</p>	<p><i>During Primary Term</i></p>
<u>SAVINGS: Cont. Drilling</u>	<p>If the lessee shall commence to drill a well or commence reworking operations on an existing well within the term of this lease or any extension thereof, or on acreage pooled therewith, the lessee shall have the right to drill such well to completion or complete reworking operations with reasonable diligence and dispatch, and if oil or gas, or either of them, be found in paying quantities, this lease shall continue and be in force with like effect as if such well had been completed within the term of years first mentioned.</p>	
<u>SAVINGS: Cessation of Production</u>	<p>If, after the expiration of the primary term, production on this lease shall cease, this lease nevertheless shall continue in force if drilling or reworking operations are commenced within <b>60</b> days after such cessation of production. If production is restored, or if additional production is discovered as a result of any such drilling or reworking operations conducted without cessation of more than (60) days, this lease shall continue as long thereafter as oil or gas is produced and as long as additional drilling or reworking operations are had without cessation of such drilling or reworking operations for more than 60 days.</p>	<p><i>2ary Term</i></p> <p><i>W/in 60 days</i></p>
<u>POOLING</u>	<p>7. Lessor grants unto the Lessee the right to pool into separate drilling or production unit(s), as to any one or more formations, said land or any part thereof and the leasehold estates therein in the vicinity of said land, whether contiguous or non-contiguous, held by Lessee or other Lessees, when in Lessee’s judgment, it is necessary or advisable to create such pools to develop and operate efficiently such lands. Any such unit may not exceed six hundred forty (640) acres provided, however, that larger pools may be created to conform to any well spacing or unit prescribed by any governmental authority. Lessee, alone or with other Lessees, may form any</p>	<p><i>640 ac max</i></p>

