

OIL & GAS LEASE

RECITALS	THIS LEASE, made and entered into this ____ day of _____, 20_____, by and between _____, hereinafter called Lessor(s) and _____, hereinafter called Lessee, WITNESSETH: _____	
GRANTING	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 thererof, 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: _____	Consideration Substances Covered Property Description
MOTHER HUBBARD	In addition to said land, Lessor hereby grants leases and lets exclusively unto Lessee to the same extent as if specifically described 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 that traverse or adjoin any of said land. For rental payment purposes, said land shall be deemed to contain _____ acres, whether it actually comprises more or less.	”Cover All” ”More or Less”
HABENDUM	2. Subject to the other provisions herein contained, this lease shall be for a term of _____ years from this date (called “primary term”) and as long thereafter as oil, or gas is produced from said land hereunder, or operations for drilling or reworking operations are conducted thereon.	-Primary Term -2ary Term
ROYALTY	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, one eighth 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 net proceeds 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.	Deductions Net Proceeds
SHUT-IN	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, for a period in excess of 3 full consecutive calendar months, and this lease is not then being maintained in force and effect under the other provisions hereof, Lessee, shall tender or pay to Lessor annually and at any time during the lease anniversary month of each year immediately succeeding any lease year in which a shut-in period occurred 1/12 th of the sum of \$1.00 per acre for the acreage then covered by this lease as shut-in royalty for each full calendar month in the preceding lease year that this lease was continued in force solely and exclusively by reason of the provisions of this paragraph. If such payment of shut-in royalty is so made, it shall be considered that this lease is producing gas in paying quantities and this lease shall continue 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.	Production Paying Quantities
DELAY RENTAL	5. If operations 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 release or releases covering any portion or portion 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.	”Operations” or ”Drilling?” Partial Release
SAVINGS: Dry Hole	6. Should any well drilled on said land during the primary term before production 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.	During Primary Term
SAVINGS: Cont. Drilling	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.	
SAVINGS: Cessation of Production	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 60 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.	2ary Term W/in 60 days
POOLING	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 pool before or	640 ac max

**POOLING
(CONT'D)**

after completion of the well thereon by recording in the county wherein the pooled lands are located declaration of such pooling and by mailing a copy thereof to Lessor.

Neither the pooling nor the provision hereof shall operate as a transfer of title of any interest in the leased premises. The commencement of a well, the conduct of other drilling operations, the completion of a well or of a dry hole, or the operation of a producing well on the pooled area, shall be considered for all purposes (except as to royalties) **as if said well were located on**, or such drilling operations were conducted upon, the lands covered by this lease whether or not such well is located upon or drilling operations are conducted upon said lands. The royalties provided for in Paragraph 5 hereof shall be tendered or paid to Lessor **in the proportion** that Lessor's acreage in the pooled area(s) bears to the total pooled area. Lessee shall have the right but not the obligation, to reduce, enlarge, or modify such pools at any time. The royalties and such other payments tendered or paid thereafter shall then be based on the proportionate acreage and interest in the revised pool. If at anytime the pool is not being operated as aforesaid, the declaration of pooling may be surrendered and cancelled of record. Such cancellation or surrender shall not affect a surrender or cancellation of the lease.

*Lessor acres
Pooled acres*

SURRENDER

8. Lessee shall have the right at any time without Lessor's consent to surrender all or any portion of said land and be relieved of all obligations as to the acreage surrendered, Lessee shall have the right within a reasonable time after the expiration of this lease to remove all property and fixtures placed by Lessee on said lands including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipelines below ordinary plow depth, and no well shall be drilled within two hundred (200) feet of any residence or barn now on said land without Lessor's consent. The Lessee agrees to promptly pay to the owner thereof any damages to growing crops, or improvements, caused by or resulting from any operations of Lessee.

*Surface Use
Restrictions*

ASMT

9. The rights of either party hereunder may be assigned, in whole or in part, and the provisions hereof shall extend to the heirs, successors and assigns of the parties hereto, but no change or division of ownership of said land, rentals or royalties, however accomplished, shall operate to enlarge the obligation or diminish the rights of Lessee. **No change in the ownership** of said land, or any interest therein shall be binding on Lessee until Lessee shall be furnished with a certified copy of all recorded instruments, all court proceedings and all other necessary evidence of any transfer, inheritance or sale of said rights. In event of the assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall **be apportionable** among the several leasehold owners ratably according to the surface area of each, and default in rental payments by one shall not affect the rights of other leasehold owners hereunder. In case Lessee assigns this lease in whole or in part, Lessee shall be relieved of all obligations with respect to the assigned

O'ship Change

portion or portions arising subsequent to the date of assignment.

**FORCE
MAJEUR**

10. In the event the Lessee is unable to perform any of the acts to be performed by the Lessee by reason of any force majeure or "Act of God" including but not limited to storms, floods, strike, riots and governmental restrictions, then while so prevented, Lessee's obligations to comply with such covenant shall be suspended, and Lessee shall not be liable for damages for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations on, or from producing oil or gas or other hydrocarbons from the leased premises; and the time while Lessee is so prevented shall not be counted against the Lessee, anything in this lease to the contrary notwithstanding, and, if such cause shall extend within 90 days of the end of the primary term, this lease shall be extended for 90 days after the cessation of such cause and as long thereafter as there are operations on or production from the lease or lands pooled therewith.

*90 day
extension
from event*

WARRANTY

11. Lessor hereby warrants and agrees to defend title to the lands and interests herein described, but if the interest of Lessor covered by this lease is expressly stated to be less than the entire fee or mineral estate, Lessor's Warranty shall be limited to the interest so stated. Lessor further warrants that the lands hereby leased are not subject to any valid prior oil and gas leases. Lessee shall have the right at any time to pay for Lessor, any mortgage, taxes or other lien on said lands, in the event of default of payment by Lessor and then be subrogated to the rights of the holder thereof. Any such payments made by Lessee for Lessor may be deducted from any amounts of money which may become due Lessor under this lease. If this lease covers a less interest in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein stipulated or not), or of no interest therein, then the royalties and other monies accruing from any part as to which this lease covers less than such full interest, shall be paid **only in the proportion** which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. All royalty interest covered by this lease (whether or not owned by lessor) shall be paid out of the royalty herein provided.

*Title
Failure*

**PROP.
REDUCTION**

**LEGAL
EFFECTS
&**

12. It is mutually agreed that this instrument contains and expresses all of the agreements and understandings of the parties in regard to the subject matter thereof, and no covenant, agreement or obligation shall be read into this agreement or imposed upon the parties or either of them.

*-Heirs/assigns
-Binding*

All of the provisions of this lease shall inure to the benefit of and be binding upon the parties hereto, their heirs, administrators, successors and assigns. This agreement shall be binding on each of the above named parties who sign the same, regardless of whether it is signed by any of the other parties.

SIGNATURE

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

SIGNATURES:

Address _____ Address _____

ACKNOWLEDGMENT

STATE OF _____)
: (Individual Acknowledgment)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 2007,
by _____.

My Commission Expires:

Notary Public

Compliments of:

Alyce B. Hoge, CDOA, CPLTA
Attorney at Law



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