#12119

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OIL AND GAS LEASE

AGREEMENT, Made and entered into this 31 day of May, 19 84,

by and between Lloyd R. Bond, a married man, dealing in his own and separate property

Route 4, Box 140, Winterset, Iowa 50273

Party of the first part, hereinafter called lessor (whether one or more)

and JACK B. SMITH, 313 Perkins Bldg., Duncan, OK 73533 party of the second part, hereinafter called lessee.

WITNESSETH, That the said lessor, for and in consideration of - Ten and More - DOLLARS, cash in hand paid, receipt of which is hereby acknowledged and of the covenants and agreements hereinafter contained on the part of lessee to be paid, kept and performed, has granted, demised, leased and let and by these presents does grant, demise, lease and let unto the said lessee, for the sole and only purpose of exploring by geophysical and other methods, mining and operating for oil (including but not limited to distillate and condensate), gas (including casinghead gas and helium and all other constituents), and for laying pipe lines, and building tanks, powers, stations and structures thereon, to produce, save and take care of said products, all that certain tract of land, together with any reversionary rights therein, situated in the County of Madison State of ~~Oklahoma~~ Iowa described as follows, to-wit:

Commencing at a point 28 2/3 rods South of the Northwest corner of the SW/4 NE/4 and running thence South 18 1/3 rods, thence East 12 rods, thence South 7 rods, thence West 12 rods, thence South 30 rods, thence East 80 rods, thence North 55 1/3 rods, thence West 80 rods to the place of beginning; and the East one rod in width of the North 108 2/3 rods in length of the W/2 NE/4; and the South 78 acres of the W/2 SE/4; and the SE/4 SE/4

of Section 30, Township 76 North, Range 29 West, and containing 145.95 acres, more or less

It is agreed that this lease shall remain in force for a term of Ten (10) years from date (herein called primary term) and as long thereafter as oil or gas, or either of them is produced from said land by the lessee.

In consideration of the premises the said lessee covenants and agrees:

1st. To deliver to the credit of lessor free of cost, in the pipe line to which it may connect its wells, the one-eighth (1/8) part of all oil (including but not limited to condensate and distillate) produced and saved from the leased premises.

2nd. To pay lessor for gas of whatsoever nature or kind (with all of its constituents) produced and sold or used off the leased premises, or used in the manufacture of products therefrom, one-eighth (1/8) of the gross proceeds received for the gas sold, used off the premises, or in the manufacture of products therefrom, but in no event more than one-eighth (1/8) of the actual amount received by the lessee, said payments to be made monthly. During any period (whether before or after expiration of the primary term hereof) when gas is not being so sold or used and the well or wells are shut in and there is no current production of oil or operations on said leased premises sufficient to keep this lease in force, lessee shall pay or tender a royalty of One Dollar ($1.00) per year per net royalty acre retained hereunder, such payment or tender to be made, on or before the anniversary date of this lease next ensuing after the expiration of ninety (90) days from the date such well is shut in and thereafter on the anniversary date of this lease during the period such well is shut in, to the royalty owners or to the royalty owner's credit in the rental depository bank hereinafter designated. When such payment or tender is made it will be considered that gas is being produced within the meaning of the entire lease. Lessor shall have the privilege at his risk and expense of using gas from any well, producing gas only, on the leased premises for stoves and inside lights in the principal dwelling thereon out of any surplus gas not needed for operations hereunder.

3rd. To pay lessor for gas produced from any oil well and used off the premises, or for the manufacture of casing-head gasoline or dry commercial gas, one-eighth (1/8) of the gross proceeds, at the mouth of the well, received by lessee for the gas during the time such gas shall be used, said payments to be made monthly.

If drilling operations or mining operations are not commenced on the leased premises on or before one year from this date, this lease shall then terminate as to both parties unless Lessee on or before the expiration of said period shall pay or tender to Lessor, or to the credit of Lessor in

Farmers and Merchants State bank

at Winterset, Iowa 50273 or any successor bank, the sum of One Hundred Forty Five and 95/00

Dollars, ($ 145.95), hereinafter called 'rental' which shall extend for twelve months the time within which drilling operations or mining operations may be commenced. Thereafter, annually, in like manner and upon like payments or tenders the commencement of drilling operations or mining operations may be further deferred for periods of twelve months each during the primary term. Payment or tender of rental may be made by check or draft of Lessee delivered or mailed to the authorized depository bank or Lessor (at address last known to Lessee) on or before such date for payment, and the payment or tender will be deemed made when the check or draft is so delivered or mailed. If said named or successor bank (or any other bank which may, as hereinafter provided have been designated as depository) should fail or liquidate or for any reason refuse or fail to accept rental, Lessee shall not be held in default for failure to make such payment or tender of rental until thirty days after Lessor shall deliver to Lessee a proper recordable instrument naming another bank to receive such payments or tenders. The above named or successor bank or any other bank which may be designated as depository shall be Lessor's agent. Drilling operations or mining operations shall be deemed to be commenced when the first material is placed on the leased premises or when the first work, other than surveying or staking the location, is done thereon which is necessary for such operations.

Should the first well drilled on the above described land, or on acreage pooled therewith, be a dry hole, then, and in that event, if a second well is not commenced on said land, or on acreage pooled therewith, within twelve months from the expiration of the last rental period for which rental has been paid, this lease shall terminate as to both parties, unless the lessee on or before the expiration of said twelve months shall resume the payments of rentals, in the same amount and in the same manner as hereinbefore provided. And it is agreed that upon the resumption of the payment of rentals as above provided, that the provisions, hereof governing the payment of rentals and the effect thereof, shall continue in force just as though there had been no interruption in the rental payments. 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.

Lessee is hereby granted the right at any time and from time to time to unitize the leased premises or any portion or portions thereof, as to all strata or any stratum or strata, with any other lands as to all strata or any stratum or strata, for the production primarily of oil or primarily of gas with or without distillate. However, no unit for the production primarily of oil shall embrace more than 40 acres, or for the production primarily of gas with or without distillate more than 640 acres; provided that if any governmental regulation shall prescribe a spacing pattern for the development of the field or allocate a producing allowable based on acreage per well, then any such unit may embrace as much additional acreage as may be so prescribed or as may be used in such allocation of allowable. Lessee shall file written unit designations in the county in which the leased premises are located. Operations upon and production from the unit shall be treated as if such operations were upon or such production were from the leased premises whether or not the well or wells are located thereon. The entire acreage within a unit shall be treated for all purposes as if it were covered by and included in this lease except that the royalty on production from the unit shall be as below provided, and except that in calculating the amount of any rentals or shut in gas royalties, only that part of the acreage originally leased and then actually embraced by this lease shall be counted. In respect to production from the unit, Lessee shall pay Lessor, in lieu of other royalties thereon, only such proportion of the royalties stipulated herein as the amount of his acreage placed in the unit, or his royalty interest therein on an acreage basis bears to the total acreage in the unit.

If said lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties and rentals herein provided shall be paid to the lessor only in the proportion which his interest bears to the whole and undivided fee, however, such rental shall be increased at the next succeeding rental anniversary after any reversion occurs to cover the interest so acquired.

Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for its operations thereon, except water from wells of lessor.

When requested by the lessor, lessee shall bury his pipe lines below plow depth.

No well shall be drilled nearer than 200 feet to the house or barn now on said premises, without the written consent of the lessor.

Lessee shall pay for all damages caused by its operations to growing crops on said land.

Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

If the estate of either party hereto is assigned, and the privilege of assigning in whole or in part is expressly allowed, the covenants hereof shall extend to their heirs, executors, administrators, successors or assigns. However, no change or division in ownership of the lands, rentals or royalties shall enlarge the obligations or diminish the rights of Lessee. No change in the ownership of the land or assignment of rentals or royalties shall be binding on the lessee until after the lessee has been furnished with a written transfer or assignment or a true copy thereof, and it is hereby agreed in the event this lease shall be assigned as to a part or parts of the above described lands and the assignee or assignees of such part or parts shall fail or make default in the payment of the proportionate part of the rentals due from him or them, such default shall not operate to defeat or affect this lease in so far as it covers a part or parts of the lands on which the said lessee or any assignee thereof shall make due payment of said rentals. In case lessee assigns this lease, in whole or in part, lessee shall be relieved of all obligations with respect to the assigned portion or portions arising subsequent to the date of assignment.

All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules and Regulations, and this lease shall not be terminated in whole or in part, nor lessee held liable in damages, for failure to comply therewith, if compliance is prevented by, or such failure is the result of any such Law, Order, Rule or Regulation.

This lease shall be effective as to each lessor on execution hereof as to his or her interest and shall be binding on those signing, notwithstanding some of the lessors above named may not join in the execution hereof. The word "Lessor" as used in this lease means the party or parties who execute this lease as Lessor, although not named above.

Lessee may at any time and from time to time surrender this lease as to any part or parts of the leased premises by delivering or mailing a release thereof to lessor, or by placing a release of record in the proper County. After a partial surrender, the rentals specified above shall be proportionately reduced on an acreage basis.

Lessor hereby warrants and agrees to defend the title to the lands herein described, and agrees that the lessee shall have the right at any time to redeem for lessor by payment any mortgages, taxes or other liens on the above described lands, in the event of default of payment by lessor, and be subrogated to the rights of the holder thereof.

It is specifically understood that each person named herein and executing this Lease, for the consideration above set out and the covenants and agreements contained in this Lease to be performed by the Lessee, does hereby release and relinquish unto said Lessee, all right of curtesy, dower and homestead in and to the lands covered hereby for the purposes of this Lease.

IN TESTIMONY WHEREOF, we sign this the 31 day of May, 19 84

Lloyd R. Bond SSN:483-44-5716

Lessor

Filed for Record this 17 day of August 19 84 at 1:05 PM
Mary E. Welty, Recorder, By [illegible] Deputy
Recording Fee 10.00
Book 36 Page 30 Inst. No. 271
Compared
STATE OF IOWA, MADISON COUNTY, ss.

For assignment To Ratliff Exploration rec'd misc Rec 36-475 / For assignment To Bond Oil Co rec'd misc 36-568 / For assignment To Bond Oil Co 36-581

STATE OF Iowa)
) ss (INDIVIDUAL-IOWA)
COUNTY OF Madison)

Before me Dean R. Nelson, a Notary Public in and for Madison County, Iowa on this day personally appeared Lloyd R. Bond, a married man, dealing in his own and separate property known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and considerations therein expressed, including the relinquishment of curtesy, dower and homestead.

Given under my hand and seal of office this 31st day of May, 1984.

My Commission Expires:

August 12, 1985

Dean R Nelson
Notary Public

STATE OF)
) SS (JOINT-IOWA)
COUNTY OF)

On this day of , 19 , before me the undersigned Notary Public in and for said County and State, personally appeared , and , his wife, known to me to be the persons whose names are subscribed to the foregoing instrument and acknowledged that they executed the same as their free and voluntary act and deed for the purposes and consideration therein mentioned and set forth, including the relinquishment of curtesy, dower and homestead. In witness whereof I have hereunto set my hand and official seal.

My Commission Expires:

Notary Public

No. 271

Oil and Gas Lease

FROM

TO

IND.
REC.
PAGE

Date , 19

Section , Township , Range

No. of Acres , Term

County, Oklahoma

STATE OF OKLAHOMA, Iowa } ss.
County of Madison }

This instrument was filed for record on the 17 day of August, 1984 at 1:05 o'clock P M., and duly recorded in book 36 page 30 of the records of this office.

By Deputy

Mary E Zuelly
County Clerk
Pearson

Record and Mail to:
Jack B. Smith
906 Main
DUNCAN, OK 73533

Burkhart Printing & Stationery Co., Tulsa, Okla.

STATE OF)
) ss (CORPORATION-IOWA)
COUNTY OF)

On this day of , 19 , before me the undersigned Notary Public, duly commissioned, qualified and acting, within and for said County and State, appeared in person the within-named and to me personally well known, who stated that they were the President and Secretary of a corporation and were duly authorized in their respective capacities to execute the foregoing instrument and for in the name and behalf of said corporation, and further stated and acknowledged that they had so signed, executed and delivered said foregoing instrument for the consideration, uses and purposes therein mentioned and set forth. In testimony whereof, I have hereunto set my hand and official seal this day of , 19 .

Notary Public

My Commission Expires: