AMERICAN ASSOCIATION OF PETROLEUM LANDMEN
APPROVED FORM A.A.P.L. NO. 670
MAY BE ORDERED DIRECTLY FROM THE PUBLISHER
KRAFTBILT PRODUCTS, BOX 800 TULSA, OK 74101

Compared

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MARY E. WELTY
RECORDER
MADISON COUNTY, IOWA
Fee $10.00

AAPL FORM 670

OIL AND GAS LEASE

IOWA —SHUT-IN ROYALTY, POOLING

THIS AGREEMENT, made and entered into this 29th day of January, 19 85, by and between Paul B. NarJini and Dianna S. Nardini, hereinafter called Lessor, and Iowa Petroleum Development Corporation, hereinafter called Lessee.

WITNESSETH:

1. That Lessor, in consideration of the sum of ten Dollars, ($ 10.00) receipt of which is hereby acknowledged, other good and valuable considerations, and the mutual covenants and agreements contained herein, does hereby grant, bargain, lease and let unto the Lessee, the lands described hereinafter, for the purpose of carrying on geological, geophysical and other exploratory work, including core drilling, the right to enter upon said lands for such purposes without any additional payments, and for the purpose of drilling, mining and operating for, producing, and saving all of the oil, gas, casinghead gas, casinghead gasoline and all other gases and their respective constituent vapors, and constructing roads, laying pipe lines, building tanks, storing oil, building power stations, telephone lines and other structures thereon necessary or convenient for the economical operation of said land, to produce, save, take care of, and manufacture all of such substances, and also for housing and boarding employees, said tract of land with any reversionary rights therein being situated in the County of Madison, State of Iowa, and described as follows, to-wit:

All that part of the SW/4 SW/4 of Section 28 lying south of the main channel of north branch and containing 5.85 acres, more or less, and the NW/4 NW/4 of Section 33 also a tract commencing at a point 6.6 rods south of the NW corner of the SE/4 of the NW/4 of Section 33, thence north to the north branch of north river in Section 28, thence following said stream in a SE direction to a point 284 feet east of the NW corner of the E/2 of the NW/4 of said section, thence following said stream in a southerly direction to a point 356 feet east of the NW corner of said SE/4 of the NW/4, thence following said stream in a southerly direction to a point 6.6 rods south of the north line of said last described 40 acre tract, thence west to the point of the beginning, estimated to contain 9.2 acres more or less all in Township 77 North Range 27 West of the 5th P.M.

W/2 NW/4 of Section 28 Township 76 North Range 28 West of the 5th P.M.

containing 136 acres, more or less.

2. This Lease shall remain in full force and effect for a term of ten years and as long thereafter as oil, gas, casinghead gas, casinghead gasoline or any of the products covered by this Lease is, or can be produced.

3. The Lessee shall deliver to Lessor as royalty, free of cost, on the lease, or into the pipe line to which Lessee may connect its wells the equal one-eighth part of all oil produced and saved from the leased premises, or at the Lessee's option may pay to the Lessor for such one-eighth royalty the market price for oil of like grade and gravity prevailing on the day such oil is run into the pipe line or into storage tanks.

4. The Lessee shall pay to Lessor for gas produced from any oil well and used by the Lessee for the manufacture of gasoline or any other product as royalty 1/8 of the market value of such gas at the mouth of the well; if such gas is sold by the Lessee, then as royalty 1/8 of the proceeds of the sale thereof at the mouth of the well. The Lessee shall pay Lessor as royalty 1/8 of the proceeds from the sale of gas as such at the mouth of the well where gas is found, and where such gas is not sold or used, Lessee shall pay or tender annually at the end of each yearly period during which such gas is not sold or used, as royalty, an amount equal to the delay rental provided for in paragraph 5 hereof, and while said shut-in royalty is so paid or tendered this Lease shall be held as a producing Lease under paragraph 2 hereof.

5. If operations for the drilling of a well for oil or gas are not commenced on said land on or before the 29th day of January, 19 86, this Lease shall terminate as to both parties, unless the Lessee shall on or before said date pay or tender to the Lessor, or for the Lessor's credit in the City State Bank Bank at Madrid Ia., or its successors, which Bank and its successors shall be the Lessor's agent and shall continue as the depository of any and all sums payable under this Lease regardless of changes of ownership in said land, or in the oil and gas or in the rentals to accrue hereunder, the sum of $ 136.00, which shall operate as a rental and cover the privilege of deferring the commencement of operations for drilling for a period of one year. In like manner and upon like payments or tenders the commencement of operations for drilling may be further deferred for like periods successively. All payments or tenders may be made by check or draft of Lessee, mailed or delivered on or before the rental paying date, either direct to the Lessor, or to said depository Bank, and it is understood and agreed that the consideration first recited herein, the down payment, covers not only the privileges granted to the date when said first rental is payable as aforesaid, but also the Lessee's option of extending that period as aforesaid and any and all other rights conferred herein. Notwithstanding the death of the Lessor, the payment or tender of rentals in the manner above provided for shall be binding on the heirs, devisees, executors, administrators, and legal representatives of such persons.

6. If at any time prior to the discovery of oil or gas on this land and during the term of this Lease, the Lessee shall drill a dry hole, or holes on this land, this Lease shall not terminate, provided operations for the drilling of a well are commenced by the next ensuing rental paying date, or provided the Lessee begins or resumes payment of rentals in the manner and amount hereinabove provided for, and in this event the preceding paragraphs hereof governing the payment of rentals and the manner and effect thereof shall continue in full force.

7. In case said Lessor owns a lesser interest in the above described land than the entire and undivided fee simple estate therein, then the rentals and royalties herein provided for shall be paid to said Lessor only in the proportion that his interest bears to the whole and undivided fee. There shall be no relationship whatsoever between royalties and rentals insofar as this paragraph is concerned in determining the amount of royalties to be paid to the Lessor as provided for hereinabove. Should the interest of the Lessor in the above described lands increase during the term hereof by reason of any reversionary interest then the rental shall be increased at the next succeeding rental anniversary after such reversion.

8. The Lessee shall have the right to use, free of cost, gas, oil and water found on this land for its operations thereon, except water from the wells of the Lessor. When required by the Lessor, the Lessee shall bury its pipe lines below plow depth and shall pay for damage caused by its operations to growing crops on said land. No well shall be drilled nearer than 200 feet to the house or barn on said premises as of the date of this Lease without the written consent of the Lessor. Lessee shall have the right at any time during, or after the expiration of this Lease to remove all machinery, fixtures, houses, buildings and other structures placed on said premises, including the right to draw and remove all casing, but Lessee shall be under no obligation to do so, nor shall Lessee be under any obligation to restore the surface to its original condition, where any alterations or changes were due to operations reasonably necessary under the terms of this Lease.

9. 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 the heirs, devisees, executors, administrators, successors, and assigns, but no change of ownership in the land, or in the rentals, or in the royalties, or in any sum due under this Lease shall be binding on the Lessee until it has been furnished with either the original recorded instrument of conveyance, or a duly certified copy thereof, or a certified copy of the will of any deceased owner and of the probate thereof, or a certified copy of the proceedings showing the appointment of an administrator or executor for the estate of any deceased owner, whichever is appropriate, together with all recorded instruments of conveyance(or duly certified copies thereof necessary in showing a complete chain of title out of the Lessor to the full interest claimed, and all advance payment of rentals made hereunder before receipt of such documents shall be binding on any direct or indirect assignee, grantee, devisee, administrator, executor or heir of Lessor.

10. If the leased premises are now or shall hereafter be owned in severalty or in separate tracts, the premises shall nevertheless be developed and operated as one Lease and there shall be no obligation on the part of the Lessee to offset wells on separate tracts into which the land covered by this Lease may hereafter be divided by sale, devise, descent, or otherwise, or to furnish separate measuring or receiving tanks. It is hereby agreed that in the event this Lease shall be assigned as to a part or as to parts of the above described land and the holder or owner of any such part or parts shall make default in the payment of the proportionate part of the rent due from him or them, such default shall not operate to defeat or affect this Lease insofar as it covers a part of said land upon which the Lessee or any assignee hereof shall make due payment of said rentals.

11. Lessor hereby warrants and agrees to defend the title to the land herein described and agrees that the Lessee, at its option may pay and discharge in whole or in part any taxes, mortgages, or other liens existing, levied, or assessed on or against the above described lands, and in the event it exercises such option, it shall be subrogated to the rights of any holder or holders thereof and may reimburse itself by applying to the discharge of any such mortgage, tax, or other lien, any royalty or rental accruing hereunder.

12. Notwithstanding anything in this Lease to the contrary, it is expressly agreed that if the Lessee shall commence operations for the drilling of a well at any time while this Lease is in force, this Lease shall remain in full force and effect and its terms shall continue so long as such operations are prosecuted, and if production results therefrom, then as long as such production continues.

13. If within the primary term of this Lease, production on the leased premises shall cease from any cause, this Lease shall not terminate provided operations for drilling of a well shall be commenced before or on the next ensuing rental paying date; or provided Lessee begins or resumes the payment of rentals in the manner and amount hereinabove provided for. If after the expiration of the primary term of this Lease, production on the leased premises shall cease from any cause, this Lease shall not terminate provided Lessee resumes operations for drilling a well within 60 days from such cessation, and this Lease shall remain in force during the prosecution of such operations, and, if production results therefrom, then as long as production continues.

14. Lessee may at any time surrender or cancel this Lease in whole or in part by delivering or mailing such release to the Lessor, or by placing the release of record in the County where said land is situated. If this Lease is surrendered or cancelled as to only a portion of the acreage covered hereby, then all payments and liabilities thereafter accruing under the terms of this lease as to the portion cancelled, shall cease and terminate, and any rentals thereafter paid may be apportioned on an acreage basis, but as to the portion of the acreage not released the terms and provisions of this Lease shall continue and remain in full force and effect for all purposes.

15. All provisions hereof, express or implied, shall be subject to all federal and state laws, and the orders, rules, or regulations of all governmental agencies administering the same, and this Lease shall not be in any way terminated wholly or partially, nor shall the Lessee be liable in damages for failure to comply with any of the express or implied provisions hereof if such failure accords with any such laws, orders, rules or regulations. If Lessee shall be prevented during the last year of the primary term hereof from drilling a well hereunder by the order of any constituted authority having jurisdiction, or if the Lessee shall be unable during said period to drill a well hereunder due to the equipment necessary in the drilling thereof not being available on account of any cause, the primary term of this Lease shall continue until one year after said order is suspended and/or said equipment is available, but the Lessee shall continue to pay delay rentals in the manner hereinabove provided for during such extended term.

16. Lessee, at its option, is hereby given the right and power to voluntarily pool or combine the acreage covered by this Lease, or any portion thereof, with other lands, lease or leases in the immediate vicinity thereof, when in Lessee's judgment it is necessary or advisable to do so in order to properly develop and operate said leased premises so as to promote the conservation of oil and gas or other hydrocarbons in and under, or that may be produced from said premises, such pooling to consist of tracts contiguous to one another and to be into a unit or units not exceeding 80 acres each in the event of an oil well, or into a unit or units not exceeding 640 acres each in the event of a gas well. Lessee shall execute in writing and record in the county records of the county in which the land herein Leased is situated, an instrument identifying and describing the pooled acreage. The entire acreage so pooled into a tract or unit shall be treated for all purposes except the payment of royalties on production from the pooled unit, as if it were included in this Lease. If production is found on the pooled acreage, it shall be treated as if production is had from this Lease whether the well or wells be located on the premises covered by this Lease or not. In lieu of the royalties elsewhere herein specified, the Lessor shall receive on production from a unit so pooled only such portion of the royalty stipulated hereinabove as the amount of his acreage placed in the unit or his royalty interest therein, on an acreage basis, bears to the total acreage so pooled in the particular unit involved.

17. This Lease together with all its terms, conditions, stipulations and provisions shall extend to and be binding on all successors whatsoever of said Lessor or Lessee.

IN WITNESS WHEREOF this instrument is executed on the day and year first set ~~out~~ hereinabove.

Dianna S. Nardini

Paul B. Nardini

STATE OF Iowa
} SS.
COUNTY OF Polk

Before me, the undersigned, a Notary Public in and for said County and State on the 29th day of January, 19 85, personally appeared Dianna S. Nardini and Paul B. Nardini to me known to be the identical person S who executed the within and foregoing instrument and acknowledged to me that they executed the same as their free and voluntary act and deed for the uses and purposes therein set forth.

Given under my hand and seal of office the day and year last above written.

My commission expires January 5, 1986

Sherry E. Saunders
Notary Public

STATE OF
} SS.
COUNTY OF

Before me, the undersigned, a Notary Public, in and for said County and State on this _____ day of _____, 19 .
personally appeared _____
to me known to be the identical person who subscribed the name of the maker thereof to the foregoing instrument as its _____
President and acknowledged to me that _____ executed the same as his free and voluntary act and deed and as the free and voluntary act a
of such corporation, for the uses and purposes therein set forth.

Given under my hand and seal of office the day and year last above written.

My commission expires _____

_____
Notary Public

Use of this identifying mark is permitted only when authorized in writing by the American Association of Petroleum Landmen

Iowa Petroleum Development Corporation
801 Insurance Exchange Bldg.
Des Moines, Iowa 50309