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OIL AND GAS LEASE

THIS AGREEMENT made and entered into this 28th day of January, 19 85, by and between BERNARD L. HESS and MARILYN J. HESS, Husband and Wife.
Rural Route 1, Box 116, Booneville, Iowa 50038
hereinafter called Lessor (whether one or more), and BENCHMARK RESOURCES CORPORATION
401 Court Building, Evansville, Indiana 47708
hereinafter called Lessee, WITNESSETH:

1. Lessor, for and in consideration of $ 380.00** , the receipt of which is hereby acknowledged, and the covenants and agreements of the Lessee hereinafter contained, does hereby grant, lease and let unto Lessee, exclusively, for the purposes of exploring by geophysical and other methods, drilling, mining, operating for and producing oil and/or gas, and of laying pipelines, building and maintaining roadways, and of building tanks, power stations and structures thereon, to produce, treat, save, care for and remove said production all that certain tract of land situated in the County of Madison, State of Iowa, described as follows, to wit:

Township 77 North, Range 26 West of the 5th P.M.

SECTION 29: The South Half of the Northeast Quarter (S1/2 NE1/4) ; The North Half of the Northeast Quarter (N1/2 NE1/4) ; The Northwest Quarter of the Southeast Quarter (NW1/4 SE1/4) ; The Southwest Quarter (SW1/4)

SECTION 32: The North Half of the Northwest Quarter of the Northwest Quarter (N1/2 NW1/4 NW1/4)

poa...

STATE OF IOWA, MADISON COUNTY, ss. Inst. No. 1660 Filed for Record this 10 day of April 19 85 at 11:06 AM
Book 36 Page 406 Recording Fee 10.00 Mary E. Welty, Recorder, By Shirley G. Henry Deputy

and containing 380 acres, more or less, and including all lands and interests therein contiguous or appurtenant to said described lands and owned or claimed by the Lessor, whether or not specifically described above, and including all riparian or submerged lands owned by Lessors along and/or underlying any lakes adjoining the above described property. The term "oil" when used in this lease shall mean crude oil and other hydro-carbons in liquid form at the wellhead. The term "gas" when used in this lease shall mean natural gas, casinghead gas or any other substance in a gaseous state at the wellhead.

2. It is agreed that this lease shall remain in force for a primary term of 10 years from this date, and as long thereafter as operations are conducted upon said land or upon a Unit which includes all or a part of said land with no cessation for more than 90 consecutive days. Whenever used in this lease the word "operations" shall refer to any of the following activities: preparing location for drilling, drilling, testing, completing, reworking, recompleting, deepening, plugging back or repairing of a well in search for or in an endeavor to obtain production of oil and/or gas, and production of oil and/or gas whether or not in paying quantities.

3. Lessee covenants and agrees to pay the following royalties: A. One-eighth of the oil produced and saved from said lands to be delivered free of cost to the credit of the Lessor into tank reservoirs or into the pipeline to which the wells may be connected. B. One-eighth of the proceeds from the sale of gas at the wellhead, or one-eighth of the market value of gas at the wellhead for gas sold at any point other than the wellhead or used by Lessee for purposes other than those specified in Paragraph numbered 9 of this lease.

Lessor agrees to pay one-eighth of any and all taxes and privilege fees levied upon production of oil or gas from said lands, and including severance taxes, and Lessee is hereby authorized to pay such taxes and privilege fees on behalf of Lessor and to deduct the amount so paid from any monies payable to Lessor hereunder.

4. If any well, capable of producing oil and/or gas, located on the leased lands, or on lands pooled or communitized with all or part of the leased lands, is at any time shut-in and production therefrom is not sold or used off the premises, nevertheless such shut-in well shall be considered a well producing oil and/or gas and this lease will continue in force while such well is shut-in, whether before or after expiration of the primary term. Lessee shall use reasonable diligence to market oil and/or gas capable of being produced from such shut-in well, but shall be under no obligation to reinject or recycle gas, or to market such oil and/or gas under terms, conditions, or circumstances which in Lessee's judgment are uneconomic or otherwise unsatisfactory. For each well shut-in on the leased land, or on lands pooled or communitized with all or part of the leased lands, Lessee shall be obligated to pay or tender to Lessor in the same manner provided for payment of delay rentals within 60 days after expiration of each period one year in length (annual Period) during which such well is shut-in, as royalty, the sum of $1.00 multiplied by the number of acres subject to this lease, provided, however, that if production from said well or wells is sold or used off the premises before the end of any such period, or, if at the end of any such annual period this lease is being maintained in force and effect other than by reason of such shut-in well, Lessee shall not be obligated to pay or tender said sum of money for that annual period for any shut-in well on the leased lands.

5. If operations are not commenced on said lands on or before the 28th day of January, 1986, this lease shall terminate as to both parties, unless Lessee on or before said date shall pay or tender to Lessor or to Lessor's credit in the Norwalk-Cumming State Bank, at 801 Main St., Norwalk, Iowa 50211, or its successors, as Lessor's agent, which shall continue as the depository regardless of changes in ownership of delay rental, royalties, or other money, the sum of ** $380.00 ** Dollars, which shall operate as rental and cover the privilege of deferring operations for one year from said date. The payment herein referred to may be made in currency, draft, or check, at the option of Lessee, and the depositing of such currency, draft, or check in any post office, with sufficient postage and properly addressed to Lessor, or said bank, on or before said last mentioned date, shall be deemed sufficient payment as herein provided. In like manner and upon like payments or tenders operations under this lease may be further deferred for like annual periods successively during the term of this lease. Said delay rentals shall be apportionable as to said land on an acreage basis, and a failure to make proper payment or tender of delay rental as to any portion of said land or as to any interest therein shall not affect this lease as to any portion of said land or as to any interest therein as to which proper payment or tender is made. Any payment or tender which is made in an attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depository, shall nevertheless be sufficient to prevent termination of this lease in the same manner as though proper payment had been made; provided, however, Lessee shall be obligated to correct such error and make proper payment within 30 days after receiving written notice of the error from Lessor.

6. If, during the primary term of this lease and prior to the discovery of oil and/or gas, operations hereunder shall result in a dry hole or holes on this land or lands communitized therewith, or operations under this lease shall end with the cessation of production, or from any other cause, this lease shall not terminate, provided that Lessee shall again commence operations or tender the payment of rental in the manner and amount hereinbefore provided on or before the latest of the following dates: The next ensuing rental payment date, 90 days after the completion of the dry hole or 90 days after the cessation of production.

7. In the event Lessor shall claim a default in the performance of any express or implied covenant of this lease, Lessor shall give notice in writing by certified United States mail, addressed to Lessee at his principal office, specifying the facts relied upon as constituting a breach hereof, Lessee shall have 60 days from receipt of such notice to commence and thereafter pursue with reasonable diligence such action as may be necessary or proper to satisfy such obligation of Lessee, if any, with respect to Lessor's notice. No judicial action may be commenced by Lessor for forfeiture of this lease or for damages until after said 60 day period. Lessee shall be given a reasonable opportunity after judicial ascertainment to prevent forfeiture by discharging its express or implied obligation as established by the court.

8. If this lease covers less than the entire undivided interest in the oil and gas in the above described lands, then the royalties and rentals as provided above shall be paid to Lessor only in the proportion which the interest in oil and gas covered by this lease bears to the entire undivided interest therein.

9. Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for Lessee's operations hereunder, except water from the wells of Lessor. When requested by Lessor, Lessee shall bury Lessee's pipelines below plow depth. No well shall be drilled nearer than 200 feet to the house or barn now on the leased land without written consent of Lessor. Lessee shall pay for damages caused by Lessee's operations to growing crops on said land. Lessee shall have the right at any time to remove all machinery and fixtures placed on said lands, including the right to draw and remove casing.

Syr Assignment-43-98 -03 for Assignment To H & H Stat Energy, Inc. see misc. Rec. 36-467 Lost Nov 9, 1999 177-96 188 Nov 9, 2003 1176

10. Lessee is hereby granted the right to pool or unitize the lands covered by this lease, or any part of said lands, with other lands to comprise an oil development unit or units of not more than approximately 160 acres and/or a gas development unit or units of not more than approximately 640 acres; provided, however, that if larger units than those permitted above, either at the time established or thereafter are required or permitted under any governmental rule or order for the drilling or operation of a well at a regular location or obtaining the maximum allowable from any well or for any other reason, then the maximum unit size authorized hereby shall conform to the size required or permitted by such governmental rule or order. Lessee may enlarge the unit to the maximum area permitted herein and reform said unit to include after acquired leases within the unit area. Lessee may create, enlarge or reform the unit or units as above provided at any time, and from time to time, during the continuance of this lease, either before or after production is obtained. In no event shall Lessee be required to drill more than one well in each unit. Lessee may reduce or terminate such unit or units at any time prior to the discovery of oil or gas on the pooled acreage, or at any time after discovery subsequent to the cessation of production. Lessee shall create, enlarge, or reform, reduce, or terminate each unit by recording a written declaration to that effect in the office of the Register of Deeds in the county or counties in which such unit is located. Any operations conducted on any part of the lands pooled shall be deemed to be on the lands leased herein within the meaning of all provisions of this lease. Production of oil and/or gas from the unit shall be allocated to the lands described herein which are included in the unit in the same proportion as the number of surface acres in the lands described herein which are included in the unit bears to the total number of surface acres in the unit.

11. All present and future rules and regulations of any governmental agency pertaining to well spacing, drilling or production units, use of material and equipment, or otherwise, shall be binding on the parties hereto with like effect as though incorporated herein at length, provided, however, that no such rule or regulation shall prevent Lessee from declaring or pooling an oil and/or gas development unit or units under the provisions of Paragraph numbered 10 hereof, larger than the well spacing, drilling or production unit prescribed or permitted by such rule or regulation. Lessee's express or implied obligations hereunder shall be suspended and Lessee shall not be liable in damages while compliance with such obligations is prevented or hindered by circumstances not reasonably within Lessee's control. These circumstances include, but are not limited to the following: Conflict with federal, state or local laws, rules, regulations and executive orders; acts of God; strikes; lockouts; riots; wars; equipment failures; inability to obtain materials in the open market or to transport said materials. If the period of suspension commences more than ninety days prior to the end of the primary term of this lease, then that period of suspension shall be added to the primary term. If the period of suspension commences less than ninty days prior to the end of the primary term or at any time after the primary term, then this lease shall not terminate if Lessee shall commence or resume operations within ninety days after the end of that period of suspension. If no well capable of production is located on the leased lands or lands pooled therewith, then Lessee shall pay delay rentals on such anniversary of the due date provided in Paragraph numbered 5, above, during the period of suspension, whether during or after the original primary term, commencing on the next ensuing anniversary or within 90 days after commencement of the period of suspension, whichever occurs later. If a well capable of production is located on the leased lands or lands pooled therewith, then Lessee shall be obligated to pay shut-in royalties as provided in Paragraph numbered 4 above.

12. If the estate of either party hereto is assigned, and the privilege of assigning in whole or in part is expressly allowed, the covenants and provisions of this lease shall extend to his heirs, executors, administrators, successors or assigns, but no change in the ownership of the land or assignment of rentals or royalties shall be binding on Lessee until 45 days after Lessee has been furnished with a true copy of the written transfer or assignment thereof, and rentals shall be adjusted in accordance with such change of ownership or assignment at the next succeeding rental anniversary thereafter. 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 lands, and the assignee or assignees of such part or parts shall default in the payment of the proportionate part of the delay rentals due from his or them, such default shall not operate to defeat or affect this lease insofar as it covers a part or parts of said lands upon which the said Lessee or any assignee thereof shall make due payment of said rentals.

13. Whenever any well or wells on said lands shall be used by the Lessee for the injection of water, brine or other fluids produced from lands other than said leased lands for disposal as a conservation measure, Lessee shall pay to Lessor the sum of $200.00 per year for each well so used in addition to all other considerations specified in this lease. The injection of water, brine, or other fluids into subsurface strata shall be made only into the strata below those furnishing domestic fresh water and Lessee agrees to protect adequately Lessor's fresh water supply from injury as the result of any of its operations.

14. Lessor hereby warrants and agrees to defend the title to said lands herein described and agrees that Lessee shall have the right, in the event of default, to redeem for Lessor, by payments, any land contract, mortgage, taxes or other liens on the above described lands, and be subrogated to the rights of the holder thereof, and may reimburse itself by applying to such payments any royalty or rentals accruing hereunder.

15. Lessee may at any time surrender this lease as to all or any part of the lands described herein, by delivering or mailing a release to Lessor, if the lease is not recorded, or by placing a release of record in the proper county, if the lease is recorded. If this lease is surrendered only as to part of said lands, any delay rental or shut-in royalties which may thereafter be payable hereunder shall be reduced proportionately.

16. Lessee shall pay for all damages caused by its operations on said land, including, but not limited to damage to growing crops, drainage tile, and land taken out of production. Upon termination of this lease, lessee shall restore the premises to as near their original condition as is reasonably possible.

Executed as of the day and year first above written.

WITNESSES: _____

_____

_____

_____

Bernard L. Hess.
BERNARD L. HESS SS#482-14-2466

Marilyn J. Hess
MARILYN J. HESS SS#481-24-3975

(Individual Acknowledgement)

STATE OF IOWA
COUNTY OF MADISON

I, the undersigned, ~~Gerry Rihard~~ Geraldine Rihard, a Notary Public in and for said County andd State, do hereby certify that Bernard L. Hess and Marilyn J. Hess personally known to me to be the same person whose name is/are subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that they signed, sealed and delivered the said instrument as their free and voluntary act, for the uses and purposes therein set forth, including the relinquishment of curtesy, dower and homestead.

GIVEN under my hand and official seal this 28th day of January, 1985.

SELF-CONTAINED NOTARIAL SEAL IOWA

My commission expires: 9-1-85

Geraldine Rihard
Notary Public

THIS LEASE WAS PREPARED BY: Leslie A. Irish OF Benchmark REsources Corp.
Leslie A. Irish