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BOOK 36 PAGE 523

Producers 88-81
Iowa Special

OIL AND GAS LEASE

1985 AUG 26 AM 8:41

MARY E. WELTY
RECORDER
MADISON COUNTY, IOWA

THIS AGREEMENT is made as of the 12 day of APRIL, 1985, between Ralph B. HUNTER, lessor (whether one or more,) whose address is EARLHAM IOWA 50072, and JOHNNIE L. McALPINE, hereinafter called Lessee.

WITNESSETH:

1. **DESCRIPTION.** In consideration of a cash bonus in hand paid and the covenants herein contained, lessor hereby grants, bargains and conveys exclusively to lessee the following described land:

E/2 SW ER 3AC TRACT IN NE CORNER SECTION 2
TOWNSHIP 76 NORTH RANGE 29 WEST

Compared

in the County of MADISON, State of Iowa, containing 77 acres, whether more or less, and which said acreage figure may be relied upon by lessee in calculating rental or other payments hereunder. Notwithstanding the above specific description, it is nevertheless the intention of lessor to include within this lease all lands owned or claimed by lessor up to the boundaries of any abutting landowner, together with any and all of lessor's interest in any lands underlying lakes, streams, roads, easements and rights-of way which cross or adjoin the said land, including all land added thereto by accretion.

2 **GRANT OF RIGHTS.** To fulfill the purposes of this lease, lessee is granted the exclusive right to explore for, develop, produce, and market all oil and gas, along with all hydrocarbon and nonhydrocarbon substances produced in association therewith, in the lands leased, together with the right to conduct geological, geophysical and other exploratory work, including drilling operations, and for the purpose of conducting such operations lessee shall have rights of reasonable ingress and egress over the surface of the above described land, and to construct and maintain thereupon all works, buildings, roads, pipelines, tanks necessary for production of oil or gas.

3. **TERM OF LEASE.** Subject to the other provisions herein contained, this lease shall be in force for a primary term of ten (10) years from the date hereof and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or land pooled therewith or this lease is otherwise maintained pursuant to the provisions hereof.

4. **RENTAL PAYMENT.** If operations for drilling are not commenced on the leased premises, or on land pooled therewith, on or before one year from the date of this lease then this lease shall terminate unless on or before one year from the date of this lease lessee shall pay or tender to the lessor a rental of SEVENTY SEVEN DOLLARS ($ 77.00) which

For assignment to Mineral Exploration Inc.
To Mineral Exploration Corp.
Wagner Petroleum Corp.
Patricia L. McAlpine
see misc Rec 36-573
see misc Rec 36-538
see misc Rec 36-571

shall cover the privilege of deferring commencement of such operations for a period of twelve (12) months. In like manner and upon like payments or tenders annually the commencement of said operations may be further deferred for successive periods of the same number of months, each during the primary term. Payment or tender may be made to lessor or to the credit of lessor in Earlham Savings Bank at Earlham Iowa, which bank or any successor thereof shall continue to be agent for lessor and lessor's successors and assigns.

5 **ROYALTY PAYMENT.** The royalties to be paid by lessee are: (a) on oil and other liquid hydrocarbons saved at the well, one-eighth (1/8) 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 to have the option, from time to time, to purchase royalty oil in its possession, paying lessor for such one-eighth (1/8) royalty the market price as determined at the well for oil of like grade and gravity prevailing on the day the oil is delivered to pipeline or tanks; (b) on gas, including all substances contained in such gas, produced from said land and sold by lessee, one-eighth (1/8) of the net proceeds received by lessee from the sale of all gas produced and saved and sold from said land by lessee, except that on any gas used off the premises by lessee or used by lessee for the manufacturing of gasoline or other products, the royalty shall be one-eighth (1/8) of the value at field market price; (c) on any substance produced, saved and sold and not subject to (a) or (b), one-eighth (1/8) of the market value at the well.

6. **WARRANTY.** Lessor warrants and agrees to defend the title to said land as to lessor's interest therein.

7 **LESSER INTEREST.** If lessor owns less interest in the above described lands than the entire and undivided mineral estate therein then the royalties and rentals herein provided for shall be paid to lessor only in the proportion which lessor's interest bears to the whole and undivided mineral estate.

8 **WELL LOCATION.** No well shall be drilled nearer than 500 feet to any house or barn now on the premises without the written consent of the lessor.

9 **CROP DAMAGES.** Lessee shall pay for any reasonable damages to growing crops and land taken out of production which may result from lessee's operations.

10 **REMOVAL OF PROPERTY.** Lessee shall have the right at any time to remove all machinery and fixtures placed on leased premises, including the right to draw and remove casing.

11 **POOLING.** Lessee, at its option, is hereby given the right and power to voluntarily pool or combine the lands covered by this lease, or any portion thereof, as to the oil and gas, or either of them, with any other land, lease or leases adjacent thereto when in lessee's judgment it is necessary or advisable to do so in order to properly develop and operate said premises, such pooling to be into units not exceeding 640 acres, plus a tolerance of ten-percent (10%). Lessor shall receive from a unit so formed only such portion of the royalties stipulated herein as the amount of his acreage placed in the unit or his royalty interest therein bears to the total acreage so pooled.

12 **CONTINUOUS OPERATIONS.** Notwithstanding anything contained in this lease to the contrary, it is expressly agreed that if the lessee shall commence operations as provided herein at any time while this lease is in force, this lease shall remain in force and its terms shall continue so long as such operations are prosecuted, and if production results therefrom, then as long as production is maintained.

13. **FORCE MAJEURE.** In the event the lessee is unable to perform any of the acts to be performed by the lessee by reason of force majeure including but not limited to acts of God, strikes, riots, inability to obtain necessary manpower or equipment, and governmental restrictions this lease shall nevertheless remain in full force and effect until the lessee can perform said act or acts.

14. **DRY HOLE.** Should lessee drill a dry hole or holes on this land, this lease shall not terminate provided operations for the drilling of a well shall be commenced before the next ensuing rental paying date, or provided that the lessee begins or resumes the payment of rentals in the manner and amount hereinabove provided for.

15. **CESSATION OF PRODUCTION.** If after the discovery of oil or gas on the leased premises or on land pooled therewith, the production thereof should cease from any cause after the primary term, this lease shall not terminate if lessee commences additional drilling or re-working operations within sixty (60) days from date of cessation of production or from date of completion of dry hole If oil, gas or other mineral shall be discovered and produced as a result of such operations at or after the expiration of the primary term, this lease shall continue in force so long as oil, gas or other mineral shall be produced from the leased premises.

16. **ASSIGNMENTS.** The rights of lessor and lessee may be assigned in whole or in part. No change in ownership of lessor's interest shall be binding on lessee until after lessee has been given notice consisting of certified copies or recorded instruments or documents necessary to establish a complete chain of title from lessor. No other type of notice, whether actual or constructive, shall be binding on lessee, and lessee may continue to make payments as if no change had occurred. No present or future division of lessor's ownership as to all or any part of said lands shall enlarge the obligations or diminish the rights of lessee and lessee may disregard any such division. If all or any part of lessee's interest is assigned, no leasehold owner shall be liable for any act or ommission of any other leasehold owner, and failure by one to pay rental shall not affect the rights of the others; rental is apportionable in proportion to acreage owned by each leasehold owner.

17. **RELEASE.** Lessee may at any time surrender or cancel this lease in whole or in part by delivering or mailing such release to lessor or by placing the release of record in the county where said land is located. 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 portions 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.

18. **BREACH.** The breach by lessee of any obligation arising hereunder shall not work as a forfeiture or termination of this lease nor cause a termination or reversion of the estate created hereby nor be grounds for cancellation hereof in whole or in part. In the event lessor considers that operations are not at any time being conducted in compliance with this lease, lessor shall notify lessee in writing of the facts relied upon as constituting a breach hereof, and lessee, if in default, shall have sixty days after receipt of such notice in which to commence the compliance with the obligations imposed by virtue of this instrument.

19. **FREE GAS.** Lessor shall have, free of charge, from any gas well located on the leased premises, up to 300,000 cubic feet of gas per year, for use on the leased premises only. Lessor shall be required to pay for all costs associated with lessor's receiving such gas, including, connections, valves, safety regulators etc.

20. **SURFACE RESTORATION.** Upon termination of this lease; lessee shall restore the premises to as near their original condition as is reasonably possible, on any drill site location.

21. **SHUT IN GAS.** Where there is a gas well, or wells on the lands covered by this lease, or acreage pooled therewith, whether it be before or after the primary term hereof, and such well or wells are shut-in, and there is no other production, drilling operations or other operations being conducted capable of keeping this lease in force under any of its provisions, lessee shall pay as royalty to lessor the sum of One Dollar ($1.00) per year per net acre, such payment to be made on or before the anniversary date of this lease next ensuing after the expiration of 90 days from the date such well or wells are shut-in, and thereafter on the anniversary date of this lease during the period such wells are shut-in, and upon such payment it shall be considered that this lease is maintained in full force and effect.

IN WITNESS WHEREOF, the undersigned lessor has executed this lease as of the day and year first above written, to be binding on each party executing it and such party's heirs, devisees, successors and assigns, whether or not it is executed by all parties hereinabove named as lessor.

Ralph B. Hunter

SS# _____ SS# _____

SS# _____ SS# _____

State of Iowa

County of POLK

On this 12th day of April, 19 85, before me, J.L. MCALPINE personally appeared RALPH HUNTER, to me known to be the identical person . . . named in and who executed the foregoing instrument, and acknowledged that he/they executed the same as his/their voluntary act and deed.

J. L. McALPINE NOTARIAL SEAL

J.L. McAlpine
NOTARY in and for said
COUNTY AND STATE

State of Iowa

County of _____

On this _____ day of _____, 19 _____, before me, _____ personally appeared _____ to me known to be the identical person . . . named in and who executed the foregoing instrument, and acknowledged that he/they executed the same as his/their voluntary act and deed.

_____
NOTARY in and for said
COUNTY AND STATE