IND. ✓
REC. ✓
PAGE ✓

OIL AND GAS LEASE

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15.00

1. **AGREEMENT**, Made and entered into this 7th day of August, 19 81, by and between THE UNION CENTRAL LIFE INSURANCE COMPANY, an Ohio Corporation, having its principal place of business at Mill and Waycross Roads, Forest Park, Cincinnati, Ohio, with mailing address of Post Office Box 179, Cincinnati, Ohio 45201, hereinafter called lessor, and Clayton W. Williams, Jr. husband of Modesta S. Williams of 1088 Deposit Guaranty Plaza, Jackson, MS 39201, hereinafter called lessee.

2. **WITNESSETH**: That 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 exclusively unto said lessee without warranty of title, for the exclusive right of exploring by geophysical and other methods, and operating for and producing therefrom oil and all gas of whatsoever nature or kind and laying pipelines, telephone and telegraph lines and building tanks, ponds, roadways and structures thereon to produce, save and take care of said products, and the injection of water, brine and other fluids into subsurface strata, and any and all other rights and privileges necessary, incident to, or convenient for the economical operation for the production, saving, and taking care of oil and all gas of whatsoever nature or kind, all that certain tract of land situated in the County of Madison, State of Iowa, described as follows, to-wit:

See Exhibit's "A" and "B" attached hereto and made part hereof.

of Section _____, Township _____, Range _____, and containing, for the purpose of determining the amount of money payment hereunder 499 acres, whether there be more or less.

3. 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 oil or gas of whatsoever nature or kind, or either of them, is produced from the leased premises in paying quantities, or drilling, or reworking operations are being conducted thereon, with no period of more than 30 consecutive days during which there is neither production of any of said substances from, nor drilling or reworking operations being conducted on the leased premises. WB 120

4. Lessee agrees to deliver to the credit of lessor, as royalty, free of cost, in the pipeline or storage tanks to which lessee may connect his wells, the equal 1/7 part of all oil produced and saved from the leased premises in the particular field, or at lessee's option may pay monthly to lessor for such royalty, at the market price for oil of like grade and gravity prevailing on the day such oil is run into the pipeline or into storage tanks. WB

5. Lessee agrees to pay lessor monthly as royalty for gas of whatsoever nature or kind produced and sold, or used off the premises, or used in the manufacture of any products, 1/7 of the ~~market~~ price received at the well for said gas. Where gas from a well producing gas only is not sold or used, lessee shall pay, as shut-in royalty, $100.00 per annum for each such well or an amount equal to the amount of the annual delay rental, whichever is greater. Such payment is to be made on the anniversary date of this lease next ensuing after the date such well is shut in, and thereafter on the anniversary date of this lease during the period such well is shut in. While such payments are made, such well shall be considered to be a producing well within the meaning of this lease. WB

6. Lessee agrees for any year beginning on an anniversary date of this lease, for which delay rental provided for in Paragraph 7 below has not been paid, the royalties provided for in Paragraphs 4 and 5 above shall aggregate in amount and market value not less than said delay rental.

7. If the drilling of a well is not commenced on said land on or before one year from the date hereof, this lease shall terminate, unless lessee on or before that date shall pay or tender to lessor or its successor or assigns, the sum of Four hundred ninety-nine and no/100---------- DOLLARS, which shall operate as rental, hereby called delay rental, and cover the privilege of deferring the commencement of a well for twelve months from said date. In like manner and upon like payments or tenders the commencement of a well may be further deferred for like periods of the same number of months successively until the expiration of the primary term. All payments or tenders may be made by check or draft mailed on or before the rental paying date. It is understood and agreed that the consideration first recited in Paragraph 2 herein covers not only the privilege granted to the date when said first rental is payable as aforesaid, but also lessee's option of extending that period as aforesaid, and any and all other rights conferred.

8. The rentals and royalties provided above have been calculated on the entire and undivided fee simple estate in the oil and gas underlying the above-described land. Said rentals and royalties shall be paid lessor in the proportion which its interest bears to the whole and undivided fee in the oil and gas underlying said land.

9. Should the first well drilled on the above-described land be a dry hole, then, and in that event, if a second well is not commenced on said land within twelve months from the expiration of the last rental period for which rental has been paid, this lease shall terminate, unless lessee on or before the expiration of said twelve months shall resume the payment of rentals in the same amount and in the same manner as hereinbefore provided. And it is agreed that the resumption of the payment of delay rentals, as provided in Paragraph 7 herein, shall continue in force the provisions of said paragraph just as though there had been no interruption in delay rental payments.

10. Lessee may at any time release this lease as to part or all of its interest in the lands above described, and all payments and liabilities thereafter to accrue, as to the part released, shall cease and determine. The lessee will immediately furnish the lessor with a recorded release affecting the part released. In the event of a partial release, the annual delay rental above mentioned shall be reduced proportionately.

11. Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for its operation thereon, except water from wells or ponds of surface owner.

12. When requested by surface owner, lessee shall bury its pipelines below plow depth.

~~13. The surface owner is to have gas free of charge from any gas well on the leased premises for stoves and inside lights in the principal dwelling house on said land by making his own connections with the well, the use of said gas to be at the surface owner's sole risk and expense.~~ WB

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

15. Lessee shall pay for damages caused by its operation on said lands.

16. Lessee shall have the right at any time, within one year after the termination of this lease, to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing. Before removing the casing from any well, lessee shall notify lessor sixty days in advance before any well is plugged and give lessor the right to meet all competitive bids to buy the well or wells for salvage. Lessee agrees to restore land to original condition as nearly as possible.

17. Lessee agrees to notify lessor in writing before a well is commenced on said land, furnishing the well location. Lessee agrees to furnish all geological information and a copy of logs on the well when it is completed. Lessee agrees to notify lessor in writing within thirty (30) days after the plugging and abandonment of any well on lands covered by the lease, giving the well name, location and date of plugging.

18. The privilege of assigning or subletting in whole or in part by either party hereto is expressly allowed, and the express and implied covenants hereof shall extend to the sublessee or assignee. No change in ownership of lessor's interest

STATE OF IOWA, MADISON COUNTY, ss.
Inst. No. 119 Filed for Record this 21 day of July 19 82 at 2:40 P.M.
Book 34 Page 245 Recording Fee 15.00 Mary E. Welty, Recorder, By M. Welty Deputy
245

For Release see Misc Rec 36-515

leased herein or assignment of rentals or royalties shall be binding on lessee until after lessee has been furnished with a written transfer or assignment or a true copy thereof. In the event lessee shall assign or sublet in part and the assignee or sublessee of such part shall fail to make the payment of the proportionate part of the rentals due from said assignee or sublessee, such default shall not operate to defeat or affect this lease insofar as it covers the part as to which lessee or any assignee or sublessee shall make due payment of said rental.

19. Lessor hereby agrees that lessee shall have the right at any time to pay for lessor, taxes or other liens on lessor's interest in the above-described lands leased herein in the event of default of payment by lessor, and be subrogated to the rights of the holder thereof, and lessor hereby agrees that any such payments made by lessee for lessor may be deducted from any amounts of money which may become due the lessor under the terms of this lease.

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

21. The covenants, provisions and benefits hereof shall inure to and bind the respective heirs, executors, administrators, successors and assigns of the parties hereto. Wherever used herein, the singular shall include the plural and the plural the singular.

EXECUTED as of the day and year first above written.

In the presence of:

ATTEST:

Daniel J. Fischer

Daniel J. Fischer, Assistant Secretary

WITNESSES:

THE UNION CENTRAL LIFE INSURANCE COMPANY
(Federal Identification No. 31-0472810)

By William G. Brenner (Seal)

William G. Brenner, Treasurer

_____ (Seal)

_____ (Seal)

_____ (Seal)

_____ (Seal)

_____ (Seal)

_____ (Seal)

CORPORATION ACKNOWLEDGMENT

THE STATE OF OHIO }
COUNTY OF HAMILTON } SS.

BEFORE ME, the undersigned, a Notary Public, Shirley Craft in and for said County and State, on this day personally appeared William G. Brenner, Treasurer known to me to be the person and Daniel J. Fischer, Asst. Secretary whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said The Union Central Life Insurance Company, a corporation, and that he executed the same as the act of such corporation for the purposes and considerations therein expressed, and in the capacity therein stated.

Given under my hand and seal of office this 24th day of Nov., A.D. 19 81.

Shirley Craft

Shirley Craft
Notary Public of State of Ohio

(L.S.)

My Commission expires Nov. 20. 1983

OIL AND GAS LEASE

FROM

TO

Dated _____, 19__

Number Acres _____ County, _____

Term _____

This instrument was filed for record on the 21 day of July, 1982, at 2:40 o'clock P M., and duly recorded in Volume 34, Page 245 of the records of this office.

Mary E. Kelly
County Clerk
Recorder

By Geri Scott Deputy

When recorded, return to

UC 1134-5 (Rev.) 4-76

CLAYTON W. WILLIAMS, JR., INC.
P. O. BOX 1568
FORT STOCKTON, TEXAS 79735

24,144 27,815
24,460 30,391
26,893

EXHIBIT "A"

Exhibit "A" attached hereto and made part thereof of that certain oil, gas, and mineral lease between THE UNION CENTRAL LIFE INSURANCE COMPANY and CLAYTON W. WILLIAMS, JR., dated August 7, 1981.

IN TOWNSHIP 75 NORTH, RANGE 27 WEST, MADISON COUNTY, IOWA

Section 24: The SW¼ of the NE¼ and the East 60 acres of the E½ of the SE¼; Containing 100 acres.

Section 5: The SE¼ of the SE¼ and

Section 8: The E½ of the NE¼; Except 1 acre in the Southwest Corner, 16 Rods East and West By 10 Rods North and South for a Church;

Containing in all 119 acres.

IN TOWNSHIP 74 NORTH, RANGE 26 WEST, MADISON COUNTY, IOWA

Section 31: The S½ of the NE¼; Containing 80 acres.

IN TOWNSHIP 75 NORTH, RANGE 27 WEST, MADISON COUNTY, IOWA

Section 32: The E½ of the NE¼ and the South 60 acres of the W½ of the NE¼ and

Section 33: The W½ of the NW¼ in the NW¼;

Containing in all 160 acres.

IN TOWNSHIP 74 NORTH, RANGE 28 WEST, MADISON COUNTY, IOWA

Section 32: The NE¼ of the NW¼; Containing 40 acres.

SIGNED FOR IDENTIFICATION
THE UNION CENTRAL LIFE INSURANCE COMPANY

BY: William G. Brenner

William G. Brenner, Treasurer

Exhibit "B" attached hereto and made a part of that
certain Oil and Gas Lease between The Union
Central Life Insurance Company, as Lessor, and
Clayton W. Williams, Jr., as Lessee, dated August 7, 1981

It is hereby agreed and understood between Lessor and Lessee that Lessor does hereby let and lease to Lessee all lands in the within named Governmental Surveys, Section, Township, and Range, whether correctly described or not.

Lessee is hereby granted the power and right, at its option and without Lessor's joinder or further consent, at any time while this lease is in force, to combine and pool the acreage covered by this lease or any portion thereof with any other land or lands, within the immediate vicinity of this lease, whether owned by Lessee or some other party so as to create one or more drilling or production units. Each such drilling or production unit shall not exceed the maximum drilling or production unit prescribed by the regulatory body, Federal or State, having jurisdiction in the premises. Lessee shall execute in writing and record an instrument identifying and describing each such unit. In lieu of the royalties elsewhere herein specified, Lessor shall receive, on the production from each such unit created hereunder, only such proportion of the royalties stipulated herein as the amount of Lessors' acreage placed in the unit bears to the total acreage included in the particular unit involved. If operations be conducted on or production be secured from land in any pooled unit other than land covered by this lease, it shall have the same effect as to maintaining Lessor's and Lessee's rights in force hereunder as if operations were on or production from the lands covered hereby, except that this effect shall be limited to the land covered hereby which is included in such pooled unit. The remainder may be maintained in any manner elsewhere provided herein, provided that if maintained by rental payment, the rental shall be reduced by the acres included in such unit.

At the end of the primary term of this lease all acreage not contained in a unit productive of oil or gas will expire and will not be held by production unless on or before 120 days after the primary term of this lease a well be drilled in search of oil and gas; and thereafter, no more than 120 days shall elapse between the official completion of one well and the actual beginning of another well. This lease shall remain in full force and effect so long as a well is drilled every 120 days as provided above. No obligation to drill these wells is implied, and the only penalty for failure to drill these wells will be the loss of all rights earned hereunder except those lands in producing units. This lease shall continue in full force and effect as to all lands contained in producing units so long thereafter as production continues pursuant to the terms of this lease.

If prior to discovery of oil, gas or other mineral on said land or on acreage pooled therewith Lessee should drill a dry hole or holes thereon, or if after discovery of oil, gas or other mineral, the production thereof should cease from any cause, this lease shall not terminate if Lessee commences additional drilling or reworking operations within 120 days thereafter or if it be within the primary term, commences or resumes the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of 120 days from date of completion of dry hole or cessation of production. If at any time subsequent to 120 days prior to the beginning of the last year of the primary term and prior to the discovery of oil, gas or other mineral on said land, or on acreage pooled therewith, 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. If at the expiration of the primary term, oil, gas or other mineral is not being produced on said land, or on acreage pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon or shall have completed a dry hole thereon within 120 days prior to the end of the primary term, the lease shall remain in force so long as operations are prosecuted with no cessation of more than 120 consecutive days, and if they result in the production of oil, gas or other mineral, so long thereafter as oil, gas or other mineral is produced from said land or acreage pooled therewith.

Signed for Identification
The Union Central Life Insurance Company

By: William G. Brenner

William G. Brenner, Treasurer

Exhibit "B" (continued) Page-2 attached hereto and made a part of that certain Oil and Gas Lease between The Union Central Life Insurance Company, as Lessor, and Clayton W. Williams, Jr., as Lessee, dated August 7, 1981.

"It is the intent of both parties to this lease to treat each tract described in "Exhibit A" as a separate lease for all purposes (including, but not limited to, rental payment and production). Therefore, each individual tract can be held in force only by the payment of the delay rental for that tract (per paragraph 7 of this lease) during the primary term, or by production on that individual tract (per paragraph 3 of the lease)".

Signed for Identification
The Union Central Life Insurance Company

By: William G. Brenner

William G. Brenner, Treasurer