

## OIL AND GAS LEASE

Doc # 163  
 Betty Philpot  
 FILED FOR RECORD 1-13-84 AT 10:16 A.M. IN BOOK 28 OF Maps 4 11.50  
 PAGE 23 REGISTER OF DEEDS, CASS CO., NEBR.

NE-1-L-11C  
 COMPARED

THIS AGREEMENT is made as of the 20th day of December, 1983, between  
Wiles Brothers, Inc., a corporation, lessor (whether one or more,) whose address is Rt. 1, P.O. Box 148, Plattsmouth, Nebraska 68048, and KEWA EXPLORATION, INC., a Colorado Corporation, lessee whose address is: Suite 1550, 1616 Glenarm, Denver, Colorado 80202.

## WITNESSETH:

1. **DESCRIPTION.** In consideration of a cash bonus in hand paid and the covenants herein contained, lessor does hereby grant, demise, lease and let to lessee, its successors and assigns the following described land:

Township 12 North, Range 13 East, 6th P.M.

Section 22:  $S\frac{1}{2}SE\frac{1}{4}$ ,  $S\frac{1}{2}SW\frac{1}{4}$

Section 23:  $S\frac{1}{2}SW\frac{1}{4}$ , Lots 7, 8, in the  $NW\frac{1}{4}SE\frac{1}{4}$ , Lots 9, 10, in the  $NE\frac{1}{4}SE\frac{1}{4}$ ,  $SW\frac{1}{4}SE\frac{1}{4}$ , Lot 11 in the  $SE\frac{1}{4}SE\frac{1}{4}$

Section 25: Lot 3 in the  $NW\frac{1}{4}NE\frac{1}{4}$ , Lot 4 in the  $SW\frac{1}{4}NE\frac{1}{4}$ , Lot 5 in the  $NE\frac{1}{4}NW\frac{1}{4}$ , part Lot 8 in the  $NW\frac{1}{4}NW\frac{1}{4}$ ,  $S\frac{1}{2}NW\frac{1}{4}$  less highway,  $SW\frac{1}{4}$  less highway,  $NW\frac{1}{4}SE\frac{1}{4}$ ,  $SW\frac{1}{4}SE\frac{1}{4}$

in the county of Cass, State of Nebraska, containing --774.00-- 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, gas, casinghead gas, casinghead gasoline, distillate, and all other gases and their respective constituent vapors 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 Seven Hundred Seventy Four & <sup>00/100</sup> DOLLARS (\$ 774.00) which 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

Plattsmouth State Bank at Plattsmouth, Nebraska 68048 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 ( $\frac{1}{8}$ ) 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 ( $\frac{1}{8}$ ) 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 ( $\frac{1}{8}$ ) 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 ( $\frac{1}{8}$ ) of the value at field market price; (c) on any substance produced, saved and sold and not subject to (a) or (b), one-eighth ( $\frac{1}{8}$ ) 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. Lessor agrees that the lessee at its option may pay or discharge in whole or in part any taxes, mortgages, or other liens, existing, levied or assessed on or against the above 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 rentals accruing hereunder.

7. **LESSOR 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. Upon request of lessor, lessee agrees that all pipeline shall be laid below plow depth.

9. **RESTORATION; DAMAGES.** 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.

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.