

OIL AND GAS LEASE

THIS AGREEMENT is entered into as of August 8, 1957

between FRANK B. CERNIK and MARIAN J. CERNIK, husband and wife,
1620 North Bell, Fremont, Nebraska

and THE A. F. STROCK, P.O. Box 66, Casner, Wyoming

hereinafter called Lessor,

hereinafter called Lessee.

1. Lessor, for and in consideration of Ten and Additional Dollars, the receipt of which is hereby acknowledged and the covenants and agreements herein contained, does grant, demise, lease and let exclusively unto Lessee, for the purpose and with exclusive right of mining, exploring by geophysical and other methods, drilling and operating for and producing therefrom oil, gas and associated hydrocarbons, with the exclusive right of injecting water, brine and other fluids and gases into subsurface strata, with rights of way and easements for laying pipe lines, telephone and power lines, tanks, powerhouses, stations, gasoline plants, ponds, roadways and fixtures for producing, saving, treating and caring for such products and housing and boarding employees, and all other rights and privileges necessary, incident to, or convenient for the economical operation, alone or conjointly with neighboring land, on said land for said purposes, and upon the terms hereinafter provided, all that certain land situated in the County of

Saunder

State of Nebraska

described as follows (herein called "said land"):

TOWNSHIP 15 NORTH, RANGE 6 EAST, 6th P., Nebraska

Section 32: N15W

and also the 1/8 of Fractional Section 31

102.11 acres.

2. Subject to the other provisions herein contained, this lease shall be for a term of ten years from this date (herein called "primary term") and as long thereafter as oil or gas is or can be produced from said land hereunder, or as long thereafter as Lessee shall conduct drilling, reworking, deepening, mining, producing, remedial, or other operations hereunder and during the production of oil or gas resulting therefrom.

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 royalty the market price for oil of like grade and gravity prevailing in the same field or area on the day such oil is run into the pipe line or into storage tanks.

4. The Lessee shall pay to Lessor a royalty on gas produced and sold from said land or used for the manufacture of gasoline or any other product, one-eighth of the market value of such gas at the mouth of the well. Where gas is not sold or used, Lessee shall pay or tender at the end of each anniversary period during which such gas is not sold or used, as royalty, an amount equal to the delay rental provided in paragraph 5 hereof less any amount paid as royalty on gas sold or used during such period, and while said 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 August 6, 1958

this lease shall terminate, unless the Lessee shall on or before said date pay or tender to the Lessor or for the Lessor's credit in the

FREEMONT NATIONAL BANK Bank at Fremont, Nebraska

or its successors, which Bank and its successors are 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 TWENTY SEVEN AND 28/100 (27.28) Dollars, 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 or any assignee thereof, mailed or delivered on or before the rental date, either direct to Lessor or assigns or to said depository bank, and it is understood and agreed that the consideration first recited herein covers not only the privilege 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. Notwithstanding the death of the Lessor or its successors, in interest, the payment or tender of rentals in the manner above shall be binding on the heirs, devisees, executors, and administrators of such persons. If Lessee shall, in good faith, and with reasonable diligence, attempt to pay any rental, but shall fail to pay or incorrectly pay some portion thereof, this lease shall not terminate unless Lessee, within thirty days after written notice of its error or failure, shall fail to rectify the same.

6. If at any time prior to the discovery of oil or gas on said land and during the term of this lease, the Lessee shall drill a dry hole, or holes on said land, this lease shall not terminate, provided operations for the drilling of a further well shall be commenced within 12 months from the expiration of the last rental period for which rental has been paid or provided the Lessee, on or before the expiration of said 12 months begins or resumes the operations for drilling in the manner and amount hereinabove provided; and in this event the preceding section hereof governing the payment of rentals and the manner and effect thereof shall continue in force.

7. In case said Lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein then the royalties and rentals herein provided for shall be paid the said Lessor only in the proportion which his interest bears to the whole and undivided fee. However, such rental shall be increased at the next succeeding rental anniversary after any reversion occurs to cover the interest so acquired.

8. The Lessee shall have the right to use, free of cost, gas, oil and water found on said land for its operation thereon, except water from the wells of the Lessor. When required by 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 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.

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 the above described ownership in the land or in the rentals of royalties or any sum due under this lease shall be binding on the Lessee until 30 days after it has been furnished with either the original record or a duly certified copy of a duly certified copy of the complete chain of title back to Lessor to the full interest claimed, and all advance payments of rentals made hereunder before receipt of said 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 nevertheless shall be developed and operated as one lease, and all royalties accruing hereunder shall be treated as an entirety and shall be divided among and paid to such separate owners in the proportion that the acreage owned by each separate owner bears to the entire leased acreage. There shall be no obligation on the part of the Lessee to offset wells on separate tracts 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 rentals accruing hereunder. Lessor further agrees that any interest or title to said land acquired by Lessor after the date hereof shall be subject to this lease to the same extent as if said interest or title had been held by Lessor at the date hereof. In such event the amount of rental payable hereunder shall be appropriately adjusted at the next ensuing rental date after Lessee has been advised of such after acquired title.

12. Notwithstanding anything in this lease contained to the contrary, it is expressly agreed that if Lessee shall commence operations for drilling at any time while this lease is in force, this lease shall remain in force and its terms shall continue so long as operations are continuously prosecuted and, if production results therefrom, then as long as production continues. As used in this lease continuously prosecuted shall mean that not more than thirty days shall elapse without operations on any well or that not more than ninety days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well.

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 the 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 hereinbefore provided. 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 sixty 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 same of record in the proper county. In case said lease is surrendered and canceled as to only a portion of the acreage covered hereby, then all payments and liabilities thereafter accruing under the terms of said lease as to the portion canceled shall cease and determine 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 (and interpretations thereof) 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 (or interpretations) authority having jurisdiction thereover, or if Lessee should be unable during said period to drill a well hereunder due to equipment necessary in the drilling thereof not being available on account of any cause, the primary term of this lease shall continue until six months after said order is suspended and/or said equipment is available, but the Lessee shall pay delay rentals herein provided during such extended time.

16. Lessee shall have the right as to all or any of the land herein leased, to combine the leasehold estate and Lessor's mineral and royalty estate created hereby with any other lease or leases, royalty or mineral estate or estates, in or under any other tract or tracts of land, whether owned by Lessor, Lessee, or another party and thereby create one or more pooling areas of approximately forty acres as to oil or six hundred forty acres as to gas in any pooling area. If spacing regulations of any state or federal agency purporting to have jurisdiction shall prescribe a spacing pattern for orderly development or for the acquisition or use of material and equipment or for permission to produce a well or allocate a producing allowable based on acreage per well, then the pooling areas herein contemplated may have the maximum surface acreage content so prescribed or allocated, in effect at the time of Lessee's designation of any such area even though such pooling area may exceed the above specified acreage; each pooled area shall comprise a single contiguous tract of land. If Lessee shall create any such pooling area it shall promptly file in the appropriate county records a written designation of such pooled area and describe the several tracts of land combined therein. In computing royalties on production from any pooled area created hereunder, Lessor shall receive and will accept, even though such production be not obtained from any land subject hereto, the respective pooled area; such portion of said one-eighth royalty shall be paid in the manner and under the same conditions as other royalties may be payable to Lessor, and shall be in lieu of any other royalty which would otherwise accrue to Lessor hereunder on account of production of oil or gas from any part or parts of lands herein described which may be included in any pooled area created pursuant hereto. The conduct of drilling or producing operations at any place within any pooled area shall constitute at all times full compliance with and performance of all development and production obligations, expressed or implied, under this operations affecting all lands under any pooled area created pursuant hereto, and Lessee shall not be liable to make any retroactive acreage content within a pooled area resulting from loss of its title or for any cause beyond its control; nor shall Lessee be obligated to make any retroactive apportionment of any royalties or sums paid on production in the event of any reduction in acreage content. If and when Lessee shall voluntarily surrender its rights in any pooled area, all rights and obligations therein created pursuant to the pooling provisions hereof shall terminate as to all parties participating therein.

17. Lessor hereby waives and releases all rights of dower and homestead in said lands insofar as the rights granted under this lease might be affected thereby. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said Lessor and Lessee.

Frank B. Cernik

Marian J. Cernik

Marian J. Cernik

ASSIGNMENT IN BOOK 29 OF MORTGAGES, PAGE 29

ASSIGNMENT IN BOOK 29 OF RELEASES, PAGE 29

ACKNOWLEDGMENT FOR INDIVIDUAL

State of Nebraska } ss.
 County of WABASH SAUNDERS
 On this 12th day of August, 1957,

before me personally appeared FRANK B. CERNIK and MARLAN J. CERNIK, husband and wife,
 known to me to be the person or persons described in and who executed the foregoing instrument, and who acknowledged that he
 (or she or they) executed same freely and voluntarily.

Witness my hand and seal

[Signature]
 Notary Public in and for
 said county and state

My commission expires May 8, 1959 Residing at Wabash, Nebraska

ACKNOWLEDGMENT FOR INDIVIDUAL

State of _____ } ss.
 County of _____
 On this _____ day of _____, 19____,

before me personally appeared _____
 known to me to be the person or persons described in and who executed the foregoing instrument, and who acknowledged that he
 (or she or they) executed same freely and voluntarily.

Witness my hand and seal

Notary Public in and for
 said county and state

My commission expires _____ Residing at _____

ACKNOWLEDGMENT FOR CORPORATION

State of _____ } ss.
 County of _____
 On this _____ day of _____, 19____,

before me personally appeared _____, to me personally known,
 and who, being fully sworn, did say that they are the _____ of _____
 and the _____ the corporation that is described in and that executed the foregoing instrument, and they acknowledged the execution thereof to be
 the voluntary and duly authorized act and deed of said corporation.

Witness my hand and seal on the day above first written.

Notary Public in and for
 said county and state

My commission expires _____ Residing at _____

RECORDING DATA

STATE OF NEBRASKA } ss.
 SAUNDERS COUNTY }
 ENTERED IN NUMERICAL INDEX AND FILE
 RECORDED IN THE REG. T. OF DEEDS OF
 SAID COUNTY ON THE 24 DAY OF
Sept. 1957 AT 1.0
 O' CLOCK AND — MINUTES 9 A.M.
 RECORDED IN BOOK 99 OF Deeds
 PAGE 51
 BY W. A. Johnson
 REGISTER OF DEEDS
 DEPUTY

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