

Producers 88  
Western States

#189

OIL AND GAS LEASE

THIS AGREEMENT made this 4th day of February 19 84 between  
Walter O. Marolf and Helen E. Marolf, husband and wife.

Route 1  
Waverly, Nebraska 68462

Lessor (whether one or more), and Lessee, WITNESSETH:  
Leaseholds Unlimited Ltd., Englewood, Colorado 80111

1. Lessor in consideration of ten and more Dollars  
(\$ 10.00+) in hand paid, the receipt and sufficiency of which is hereby acknowledged, of the royalties herein provided, and of the agreement of Lessee herein  
gas producible from coal-bearing formations) and all substances produced in association therewith, laying pipe lines, building tanks, power stations, telephone lines, roads and other structures  
thereon to produce, save, take care of, treat, transport and own said products, and housing its employees, the following described land in Lancaster County  
and Cass County, Nebraska

TOWNSHIP 11 NORTH, RANGE 8 EAST, 6th. P.M., Lancaster County, Nebraska  
Section 35: NE 1/4,  
TOWNSHIP 12 NORTH, RANGE 8 EAST, 6th. P.M., Lancaster County, Nebraska  
Section 25: SW 1/4,  
TOWNSHIP 11 NORTH, RANGE 9 EAST, 6th. P.M., Cass County, Nebraska  
Section 6: Lot 4 (34.99 acres), Lot 5 (33.83 acres),  
TOWNSHIP 12 NORTH, RANGE 9 EAST, 6th. P.M., Cass County, Nebraska  
Section 29: NW 1/4 SE 1/4, NE 1/4 SW 1/4, NW 1/4 NE 1/4,  
Section 31: Lot 3 (36.93 acres), Lot 4 (36.10 acres), E 1/2 SW 1/4.

FILED FOR RECORD 3-16-84 AT 3:50 P.M. IN BOOK 28 OF Mine  
PAGE 249 REGISTER OF DEEDS, CASS CO., NEBR.  
Betty Philpot # 11.50

COMPARED

of Section XXXXXXXXXX Township XXXXXXXXXX Range XXXXXXXXXX  
In addition to the land above described, Lessor hereby grants, leases and lets exclusively unto Lessee to the same extent as if specifically described herein all lands owned or claimed by  
Lessor which are adjacent, contiguous to or form a part of the lands above particularly described, including all oil, gas and all substances produced in association therewith underlying lakes, rivers,  
streams, roads, easements and rights-of-way which traverse or adjoin any of said lands. For rental payment purposes, the land included within this lease shall be deemed to contain 661.85  
acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall be for a term of 10 years from this date (called "primary term") and as long thereafter as oil, or gas is produced from said  
land hereunder, or operations for drilling or reworking are conducted thereon.

3. The royalties to be paid by Lessee are: (a) on oil and other liquid hydrocarbons, one-eighth of that produced and saved from said land, the same to be delivered at the wells, or to the credit of  
Lessor into the pipe line to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefor prevailing for the field where  
produced on the date of purchase; (b) on gas and the constituents thereof produced from said land and sold or used off the premises or in the manufacture of gasoline or other products therefrom, the  
market value at the well of one-eighth of the product so sold or used, provided that on product sold at the wells the royalty shall be one-eighth of the amount realized from such sale. Lessee shall have  
the free use of oil, gas, and water from said land, except water from Lessor's wells, streams, lakes and ponds, for all operations hereunder, and the royalty on oil and gas shall be computed after deducting  
any so used.

4. If a well capable of producing gas in paying quantities is completed on the above described land and is shut in, this lease shall continue in effect for a period of one year from the date such  
well is shut in. Lessee may thereafter, in the manner provided herein for the payment or tender of delay rentals, pay or tender to Lessor as royalty, on or before one year from the date such well is shut in,  
an amount equal to the rental, and, if such payment or tender is made, such well shall continue this lease in effect for a further period of one year. In like manner and upon like payments or tenders  
annually made on or before each anniversary of the shut-in date of such well, such well shall continue this lease in effect for successive periods of twelve (12) months each. Notwithstanding any other  
provision to the contrary, this lease shall not terminate because of a failure to properly or timely make shut-in gas well payments unless Lessor shall have given Lessee written notice of such failure to  
properly or timely make such shut-in gas well payment and Lessee shall have failed for a period of thirty (30) days after receipt of such notice to tender such payment in the proper amount, together with  
a late or improper payment penalty of \$100.00.

5. If operations for drilling are not commenced on said land as hereinafter provided, on or before one year from this date, the lease shall then terminate as to both parties, unless on or before  
such anniversary date Lessee shall pay or tender to Lessor or to the credit of Lessor in Lancaster County  
Waverly, Nebraska 68462

Bank of  
[which bank and its successors are Lessor's agent and shall continue as the depository for all rentals  
payable hereunder regardless of changes in ownership of said land or the rentals either by conveyance or by the death or incapacity of Lessor] the sum of Six Hundred  
Sixty One and 85/100 \*\*\*\*\* Dollars \$ 661.85

operations for drilling for a period of twelve (12) months. In like manner and upon like payments or tenders annually the commencement of operations for drilling may be further deferred for successive  
periods of twelve (12) months each during the primary term. The payment or tender of rental herein referred to may be made in currency, draft, check, or by electronic funds transfer at the option of the  
Lessee; and the depositing of such currency, draft or check in any post office, properly addressed to the Lessor or said bank, or the transfer of such funds to said bank on or before the rental paying date,  
shall be deemed payment hereof as provided. If such bank (or any successor bank) should fail, liquidate or be succeeded by another bank, or for any reason fail or refuse to accept rental, Lessee shall not be  
held in default for failure to make such payment, tender or transfer of rental until thirty (30) days after Lessor shall deliver to Lessee a proper recordable instrument, naming another bank as agent to receive  
such payment, tender or transfer. The down cash payment is consideration for this lease according to its terms and shall not be allocated as mere rental for a period. Lessee may at any time execute and  
deliver to Lessor or to the depository above named or place of record a release or releases covering any portion or portions of the above described premises and thereby surrender this lease as to such  
portion or portions and be relieved of all obligations as to the acreage surrendered, and thereafter the rentals payable hereunder shall be reduced in the proportion that the acreage covered hereby is  
reduced by said release or releases.

If Lessee shall, on or before any rental date make a bona fide attempt to pay or deposit a rental payment due hereunder, and if such payment or deposit shall be erroneous in any regard (whether  
deposited in the wrong depository, paid to persons other than the parties entitled thereto, in an incorrect amount, or otherwise), Lessee shall be unconditionally obligated to pay to such Lessor the  
rental properly payable for the period involved, but this lease shall be maintained in the same manner as if such erroneous payment or deposit had been properly made, provided that the erroneous  
payment or deposit be corrected within thirty (30) days after receipt by Lessee of written notice from such Lessor of such error accompanied by any documents and other evidence necessary to enable  
Lessee to make proper payment.

6. Should any well drilled on the above described land during the primary term before production is obtained be a dry hole, or should production be obtained during the primary term and  
thereafter cease, on either event, if operations for drilling an additional well are not commenced or operations for reworking an old well are not pursued on said land on or before the first rental  
paying date next succeeding the expiration of sixty (60) days after the cessation of production or drilling or reworking operations on said well or wells, then this lease shall terminate unless Lessee, on or  
before said date, shall resume the payment of rentals. Upon resumption of the payment of rentals, Section 5 governing the payment of rentals, shall continue in force just as though there had been no  
interruption in the rental payments. If during the last year of the primary term and prior to the discovery of oil, gas, or other hydrocarbons on said land Lessee should drill a dry hole thereon, or if after  
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 Lessee is conducting operations for drilling or reworking on  
this lease or shall have completed a dry hole thereon within one hundred twenty (120) days prior to the end of the primary term or, if after the expiration of the primary term, production on this lease shall  
cease, this lease nevertheless shall continue in force so long as operations for drilling or reworking on any existing or succeeding well are being conducted with no cessation of more than one hundred  
twenty (120) consecutive days and, if such operations result in production, so long thereafter as oil or gas is produced from this lease.

7. Lessee, at its option, is hereby given the right and power to pool or combine the land covered by this lease, or any portion thereof, as to oil and gas, or either of them, with any other land,  
lease or leases 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 a well unit or units not exceeding one hundred  
and sixty (160) acres, plus an acreage tolerance of ten percent (10%) of one hundred and sixty (160) acres, for oil, and not exceeding six hundred and forty (640) acres, plus an acreage tolerance of ten percent  
(10%) of six hundred and forty (640) acres for gas, except that larger units may be created to conform to any spacing or well unit pattern that may be prescribed by governmental authorities having jurisdiction,  
Lessee may pool or combine acreage covered by this lease, or any portion thereof, as above provided, as to oil or gas in any one or more strata, and units so formed need not conform in size or area with  
the unit or units into which the lease is pooled or combined as to any other stratum or strata, and oil units need not conform to area with gas units. The pooling in one or more instances shall not  
exhaust the rights of the Lessee hereunder to pool this lease or portions thereof into other units. Lessee shall execute in writing and place of record an instrument or instruments identifying and describing  
the pooled acreage. The entire acreage so pooled into a unit shall be treated for all purposes, except the payment of royalties, as if it were included in this lease, and drilling or reworking operations thereon  
or production of oil or gas therefrom, or the completion thereon of a well as a shut-in gas well, shall be considered for all purposes except the payment of royalties, as if such operations were on or such  
production were from or such completion were on the land covered by this lease, whether or not the well or wells be located on the premises covered by this lease. In lieu of the royalties elsewhere  
herein specified, Lessor shall receive from a unit so formed, only such portion of the royalty stipulated herein as the amount of his acreage placed in the unit or his royalty interest therein bears to the total  
acreage so pooled in the particular unit involved. Should any unit as originally created hereunder contain less than the maximum number of acres above specified, then Lessee may at any time  
thereafter, whether before or after production is obtained on the unit, enlarge such unit by adding additional acreage thereto, but the enlarged unit shall in no event exceed the acreage content  
hereinabove specified. In the event an existing unit is so enlarged Lessee shall execute and place of record a supplemental declaration of unitization identifying and describing the land added to the  
existing unit; provided, that if such supplemental declaration of unitization is not filed until after production is obtained on the unit as originally created, then and in such event the supplemental  
declaration of unitization shall not become effective until the first day of the calendar month next following the filing thereof. In the absence of production Lessee may terminate any unitized area by  
filing of record notice of termination.

8. Lessee also shall have the right to unitize, pool, or combine all or any part of the above described lands with other lands in the same general area by entering into a cooperative or unit plan of  
development or operation approved by any governmental authority and, from time to time, with like approval, to modify, change or terminate any such plan or agreement and, in such event,  
the terms, conditions, and provisions of this lease shall be deemed modified to conform to the terms, conditions, and provisions of such approved cooperative or unit plan of development or operation  
and, particularly, all drilling and development requirements of this lease, express or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or  
agreement, and this lease shall not terminate or expire during the life of such plan or agreement. In the event that said above described lands or any part thereof, shall hereafter be operated under any  
such cooperative or unit plan of development or operation whereby the production therefrom is allocated to different portions of the land covered by said plan, then the production allocated to any  
particular tract of land shall, for the purpose of computing the royalties to be paid hereunder to Lessor, be regarded as having been produced from the particular tract of land to which it is allocated and not  
from any other tract of land; and the royalty payments to be made hereunder to Lessor shall be based upon production only as so allocated. Lessor shall formally express Lessor's consent to any  
cooperative or unit plan of development or operation adopted by Lessee and approved by any governmental agency by executing the same upon request of Lessee.

9. Lessee shall have the right at any time without Lessor's consent to surrender all or any portion of the leased premises and be relieved of all obligation as to the acreage surrendered. Lessee  
shall have the right within a reasonable time after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When  
required by Lessor, Lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred (200) feet of any residence or barn now on said land without Lessor's  
consent. The Lessee agrees to promptly pay to the owner thereof any damages to crops, or improvements, caused by or resulting from any operations of Lessee.

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