

## STATE OF NEBRASKA OIL AND GAS LEASE

Lease No. \_\_\_\_\_

Annual Delay Rental \$ \_\_\_\_\_

THIS AGREEMENT made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between THE STATE OF NEBRASKA, acting by and through the Board of Educational Lands and Funds, designated herein as "Lessor", under authority of and by virtue of the provisions of Sections 72-901 to 72-912, R.R.S. 1943, and pursuant to an order made by said Board on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ directing the execution of this lease, and \_\_\_\_\_ of \_\_\_\_\_, designated herein as "Lessee", WITNESSETH:

1. Lessor, in consideration of \_\_\_\_\_ DOLLARS in hand paid, receipt of which is hereby acknowledged, and of the royalties herein provided and of the agreements of the Lessee herein contained, hereby grants, leases and lets unto Lessee, for the purpose of exploring, drilling and operating for and producing oil and gas, laying pipelines, storing oil, building tanks, power stations and other structures and things thereon to produce, save, take care of, treat, store and transport said oil and gas produced thereon, the following described land in \_\_\_\_\_ County, Nebraska, to-wit:

subject to all easements, restrictions, reservations, rights-of-way and other matters of record in the office of the Board of Educational Lands and Funds and all public roads.

2. Subject to the provisions herein contained, this lease shall remain in force for a term of \_\_\_\_\_ years from this date (called primary term) and as long thereafter as oil or gas is produced from said land in paying quantities.

3. Lessor reserves and Lessee agrees to pay to Lessor the following royalties: (a) On oil, \_\_\_\_\_ part of that produced and saved from said land and not used in connection with the development and operation of the leased premises, or the market value thereof at the leased premises, at the option of Lessor; (b) on gas, \_\_\_\_\_ part of that produced and saved from said land and not used in connection with the development and operation of the leased premises, or the market value thereof at the leased premises, at the option of Lessor; and (c) on all other hydrocarbons and all other petroleum products, \_\_\_\_\_ part of that produced and saved from said land and not used in connection with the development and operation of the leased premises, or the market value thereof at the leased premises, at the option of Lessor. Such royalty interests so reserved shall be produced and paid free of cost to Lessor and an accounting shall be made therefor by Lessee on a monthly basis.

4. If no well be commenced on said land on or before one year from this date, this lease shall terminate as to both parties, unless on or before one year from this date Lessee shall pay or tender to Lessor a rental of \_\_\_\_\_ DOLLARS 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 of said rentals shall be made to the Board of Educational Lands and Funds at its office at Lincoln, Nebraska.

5. If during the primary term of this lease, Lessee should drill or abandon a dry hole or holes, or if after the discovery of oil or gas the production thereof should cease from any cause, this lease shall not terminate if Lessee commences additional drilling or re-working operations within sixty (60) days thereafter, or commences or resumes the payment or tender of rentals on or before the rental paying date next ensuing after the date of completion or abandonment of said hole or holes of the cessation of production. If the Lessee shall commence to drill a well within the term of this lease, said Lessee shall have the right to drill such well to completion with reasonable diligence and dispatch, and if oil or gas, or either of them, be found in paying quantities, this lease shall continue and be in force with a like effect as if the well had been completed within the primary term of the lease. If while this lease is in effect, gas is discovered on said land capable of being produced in paying quantities but which cannot be produced because of a lack of market therefor at the well or wells, Lessee may pay to the Lessor an amount equal to the annual delay rental as royalty, payable on or before the rental payment date next ensuing after the shutting in of the gas well or wells and on or before each succeeding rental payment date thereafter for so long as the well or wells are shut-in for lack of market, and so long as the well or wells are shut-in for lack of a market and the royalties herein provided for are paid as prescribed, said well or wells shall be considered as producing in paying quantities for all purposes under this lease.

6. Lessee shall protect the oil and gas under the above-described land from drainage from adjacent lands or leases and shall drill such offset wells as a reasonable prudent operator would drill under the same or similar circumstances.

7. Subject to the provisions of paragraph 10 hereof Lessee shall have free use of the oil, gas and water from said lands for all operations hereunder, and the royalties shall be computed after deducting any so used. Lessee shall have the right at any time during or for a period of six months 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 and shall restore the premises pursuant to paragraph 10, herein.

8. Except as herein provided, this lease may be assigned in whole or in part. No assignment shall be binding upon Lessor until filed with the Board of Educational Lands and Funds accompanied by a filing and recording fee of \$10.00 and a bond approved by the Board or its lawful representatives, such bond to comply in form and substance with said Sections 72-901 to 72-912, R.R.S. 1943, and the regulations of the Board of Educational Lands and Funds; provided that the approval of such assignment so filed and supported shall not be withheld where satisfactory compliance has been made with the requirements hereof. In no case shall said Board be required to approve an assignment of a lease in part covering a tract of less than 40 acres, nor shall it be required to approve an assignment of an undivided interest in such lease until a showing satisfactory to the Board has been made evidencing which one of said parties, assignor or assignee, is to be the one to pay the delay rentals thereafter accruing as to an undivided interest thereafter, to be jointly owned, nor shall it be required to approve an assignment covering an undivided interest of less than 40 leasehold acres. In the event of an assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. An assignment of this lease, in whole or in part, shall, when approved by the Board of Educational Lands and Funds, to the extent of such assignment, relieve and discharge Lessee of any obligations hereunder and if Lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of the rentals due from such Lessee or assignee or fail to comply with any other provision of the lease, such default shall not affect this lease insofar as it covers a part of said lands upon which Lessee or any assignee thereof shall make payment of said rentals.

9. This lease may be forfeited and cancelled upon the failure of Lessee to fully discharge the obligations hereof after written notice from Lessor to Lessee and after a reasonable time is allowed Lessee for the performance of any undertaking or obligation specified in such notice concerning which Lessee is in default. Such notice shall not be required in case of failure of Lessee to pay any delay rental provided for in this lease.

10. In addition to the oil and gas Lessee herein, the Lessor may have "other" Lessees of its land (including wind Lessees) which are not oil and gas Lessees; such non-oil and gas Lessees are described herein as Lessor's "other Lessees." There is reserved to the Lessor and its other Lessees the right to use and enjoy the land described herein for any reasonable purpose; however, Lessor and its other Lessees may not use such parts of the land as are reasonably necessary for the use by the oil and gas Lessee for the development, operation, production, and marketing of oil and gas. The oil and gas Lessee agrees to cooperate with Lessor and its other Lessees in order to minimize the impact of the oil and gas Lessee's operations upon the operations of Lessor and its other Lessees. Lessor and its other Lessees shall have prior right to the use of water on the land. Lessor does not warrant access to this leased land across land owned by persons or entities other than the Lessor. The oil and gas Lessee shall pay for all damages to growing crops, including grass, and any other damages to any improvements of Lessor and Lessor's other Lessees caused by the oil and gas Lessee's operations under this Lease, and after due notice, the oil and gas Lessee herein shall indemnify Lessor from any damage claims resulting from this Lessee's operations. All topsoil stripped or removed, shall be separately stockpiled by Lessee for use in the land restoration process. Upon the termination of this Lease, either in whole or with respect to any particular area, or upon the ending of production from any particular area, whichever first occurs, or at any time upon the Board's request, the entire area or in the Board's discretion, any part thereof, shall be returned to its original condition, to include but not be limited to, grading to a reasonably smooth surface, and all topsoil previously stockpiled shall be replaced. If the area was previously grass, the area shall be seeded with native grasses specified by the Board and mulched or cover cropped in accordance with specifications and recommendations of the Board, or the United States Department of Agriculture Natural Resources Conservation Service for critical area seeding, all at the sole and exclusive cost and expense of Lessee. Any area with respect to which the initial seeding is unsuccessful shall be seeded and mulched or cover cropped additional times in accordance with such specifications and recommendations, all also at the sole and exclusive cost and expense of the Lessee. Upon request by the Board, all grassland areas which are or were disturbed by drilling operations shall be fenced by Lessee. The location and or boundary of said fence will be determined by the Board and or its Field Representative prior to construction of said fence. The fence shall be constructed of new or like new materials. Said fence shall be constructed of wood posts with corner posts of no less than 8 inches diameter, supported by "H" braces; and all other posts with a top diameter of no less than 3.5 inches and said wood posts shall be placed not more than one rod apart and not less than four (4) strands of 12.5 gauge double strand barbed wire strung tightly between such posts and securely fastened to said posts. Such fences shall be constructed in a good and workmanlike manner, shall remain in place at all times thereafter; and shall be maintained by Lessee in good and satisfactory condition at all times during the term of this Lease, all at Lessee's sole and exclusive cost and expense. No disturbance or piling of material shall be permitted outside of such fences or within ten (10) feet of such fences on the inside thereof. Such fences shall be owned wholly and exclusively by the Board upon the termination of this Lease; and Lessee shall not receive any payment or other compensation for such fences from the Board.

11. When requested by the Lessor or by the Lessee of the surface rights, the Lessee herein shall bury its pipelines below plow depth.

12. No well shall be drilled nearer than two hundred (200) feet to the house or barn on said premises without the written consent of the Lessee of the surface rights and payments shall be made for damages to any improvements owned by the Lessee of the surface rights.

13. Lessee, its successors and assigns, shall have the right at any time to surrender this lease entirely or to surrender the same insofar as it covers any section or subdivision of any section containing not less than 40 acres, by delivering or mailing a release thereof to the Board of Educational Lands and Funds accompanied by a check for \$5.00 and thereupon Lessee shall be relieved from all obligations, expressed or implied, of this agreement as to the acreage so surrendered; provided such release shall not thereby relieve Lessee of any liabilities which may have accrued in connection with the lease prior to the surrender of such acreage.

14. This lease is executed under the provisions of Sections 72-901 to 72-912, R.R.S. 1943, and should there be any provision herein not in conformity with the law, said law is recognized and understood to prevail notwithstanding anything in this lease to the contrary.

IN WITNESS WHEREOF, this instrument is executed effective as of the date first above written.

STATE OF NEBRASKA  
BY BOARD OF EDUCATIONAL LANDS AND FUNDS

\_\_\_\_\_  
Lessee  
By: \_\_\_\_\_  
Executive Secretary

ACKNOWLEDGEMENT FOR LIMITED LIABILITY COMPANY

STATE OF \_\_\_\_\_ )  
 ) ss.  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_,  
by \_\_\_\_\_, the \_\_\_\_\_ of  
(name of manager or managing member) (manager or managing member)  
\_\_\_\_\_ a \_\_\_\_\_ Limited Liability Company on  
(name of Limited Liability Company) (state)

behalf of said Limited Liability Company. Said person states that he (she) has full authority to execute this document on behalf of said Limited Liability Company.

My commission expires: \_\_\_\_\_  
\_\_\_\_\_  
Notary Public