

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

STATE OF NEBRASKA OIL AND GAS LEASE

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 to the same condition they were in prior to the time of commencement of operations.

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.



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