

OIL AND GAS LEASE  
PAID UP

AGREEMENT: Made and entered into the 12th day of December, 1994  
by and between Daryl McKibbin and Marilyn McKibbin (husband and wife)

of 3791 Foust Road, Osseo, Michigan 49266 hereinafter called lessor (whether one or more),  
and WESTERN LAND SERVICES, INC., A MICHIGAN CORPORATION, OF PO BOX 110, LUDINGTON, MI 49431, hereinafter called lessee:

1. Witnesseth: That the said lessor, for and in consideration of \$10.00 Dollars and other valuable consideration, cash in hand paid, the receipt of which is hereby acknowledged and the covenants and agreements hereinafter contained on part of lessee to be paid, kept and performed, has granted, demised, leased and let, and by these presents does grant, demise, lease and let unto the said lessee for the sole and only purpose of mining, exploring and operating for oil and gas including the uses of the seismograph and other geophysical and geological methods, and of laying of pipe lines with the right to install and maintain lines to convey water, oil, steam, electricity, air and gas to, from, over, or across said premises, and of building tanks, power stations, and structures thereon to produce, save and take care of said products, and further does hereby grant unto lessee to act as lessor's agent to enter into a unit plan for development of operations and to make a Declaration for lessor to effectuate such a plan vesting in the agent the authority to do for his principal any lawful act performable by the principal, all that certain tract of land situated in the  
Township of Cambria, County of Hilldale, State of Michigan  
described as follows, to-wit:

See Exhibit "A"

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ALCO, MICH.

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John W. VanFarnum  
REC OF DEEDS

of Section 12 & 13, Township 7 S, Range 3 W, and containing 194.68 acres, more or less, and including all lands and interests therein, contiguous or appurtenant to said described land and owned or claimed by lessor, whether or not specifically described above. If this land is riparian to, bounds, or embraces within its boundaries a stream, lake or other body of water, then all of lessor's oil and/or gas rights and lands under said bodies of water, and all area now or hereafter added by accretion, are included and covered by this lease.

2. It is agreed that this lease shall remain in force for a primary term of five (5) years from this date, and as long thereafter as operations are conducted upon said land or upon a unit which includes all or part of said land with no cessation for more than 90 consecutive days. Provided, in the event of production of oil and/or gas in paying quantities during said primary term or during any extension of this lease pursuant to other terms hereof, the provision for "no cessation for more than 90 consecutive days" set forth above shall be extended to "no cessation for more than 180 consecutive days." Whenever used in this lease the word "operations" shall refer to any of the following activities: preparing location for drilling, drilling, testing, completing, reworking, recompleting, deepening, plugging back or repairing of a well in search for or in an endeavor to obtain production of oil and/or gas, and production of oil and/or gas.

3. In consideration of the premises the lessee covenants and agrees:

To deliver to the credit of lessor, free of cost, into tank reservoirs or into the pipe line to which lessee may connect wells on said land, the equal one-eighth (1/8) part of all oil produced and saved from the leased premises, or at the lessee's option may pay to the lessor for such one-eighth (1/8) royalty the market price for oil of like grade and gravity prevailing on the day such oil is run into the pipe line or into storage tanks.

To pay lessor one-eighth (1/8) of the gross proceeds at the wellhead, payable quarterly, for the gas from each well where gas is found, while the same is being used off the premises, and if used in the manufacture of gasoline of a royalty of one-eighth (1/8), payable monthly at the prevailing market rate for gas at the wellhead.

To pay lessor for gas produced from any oil well and used off the premises or in the manufacture of gasoline or any other product a royalty of one-eighth (1/8) of the proceeds, payable monthly at the prevailing market rate at the wellhead.

Lessor agrees to pay one-eighth (1/8) of any and all taxes levied or assessed upon the production of oil or gas from said land, and lessee is hereby authorized to pay such taxes and assessments on behalf of lessor and to deduct the amount so paid from any monies payable to lessor hereunder.

4. If any well, capable of producing oil and/or gas, located on the leased lands, or on lands pooled or communitized with all or part of the leased lands, is at any time shut-in and production therefrom is not sold or used off the premises, nevertheless such shut-in well shall be considered a well producing oil and/or gas and this lease will continue in force while such well is shut-in, whether before or after expiration of the primary term. Lessee shall use reasonable diligence to market oil and/or gas capable of being produced from such shut-in well, but shall be under no obligation to reinject or recycle gas, or to market such oil and/or gas under terms, conditions, or circumstances which in Lessee's judgment are uneconomic or otherwise unsatisfactory. For each well shut-in on the leased land, or on lands pooled or communitized with all or part of the leased lands, lessee shall be obligated to pay or tender to Lessor in the same manner provided for payment of delay rentals within 60 days after expiration of each period one year in length (annual period) during which such well is shut-in, as royalty, the sum of \$1.00 multiplied by the number of acres subject to this lease, provided, however, that if production from said well or wells is sold or used off the premises before the end of any such period, or, if at the end of any such annual period this lease is being maintained in force and effect other than by reason of such shut-in well, lessee shall not be obligated to pay or tender said sum of money for that annual period for any shut-in well on the leased lands. Lessee is not to be in any way liable for insufficient supply caused by the use of pumping stations, breakage of lines, or otherwise; and nothing herein shall prevent the lessee from abandoning any well or wells and removing the pipe therefrom. The lessee shall have the right to utilize all hydrocarbons produced from the premises, free of cost, for power, on the said and adjoining premises, including but not limited to any waste or casinghead gas produced on the premises.

5. This lease is a paid up lease for the primary term and shall require no rental payments.

6. If said lessor owns a less interest in the above described land than the entire undivided fee simple estate therein, then the royalties and rentals therein provided for shall be paid to the lessor only in the proportion which lessor's interest bears to the whole and undivided fee.

7. Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for lessee's operation thereon except water from the wells of lessor. When requested by lessor, lessee shall bury lessee's pipe line below plow depth. No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of lessor. Lessee shall pay for damages caused by lessee's operations to growing crops on said land. The amount of such damage payment shall be based upon the fair market value of actual crops destroyed. Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

8. For the purpose of oil and/or gas development and production under this lease, lessor does hereby grant to lessee the right to pool or communitize said premises, or any part thereof, with other land to comprise an oil development unit of not more than one hundred sixty (160) acres, more or less, and/or a gas development unit of not more than six hundred forty (640) acres, more or less, but lessee shall in no event be required to drill more than one well on said unit. Each unit may be created by lessee's recording in the Register of Deeds office within the county or counties in which said unit is situated, an instrument identifying the unit so created. If such gas well or wells as contemplated by this clause shall not be drilled on the premises herein leased it shall nevertheless be deemed to be upon the leased premises within the meaning of all covenants, expressed or implied, in this lease and lessor shall participate in the one-eighth (1/8) royalty from such oil and/or gas development unit only in the proportion that the number of acres owned by the lessor within the limitation of such development unit bears to the total number of acres included therein. At the option of lessee, a diagonal well spacing pattern may be followed.

5. For purposes of promoting the development of shallow hydrocarbon production, Lessee is granted the power to pool and unitize this lease into a development pooled unit of up to 2,660 acres. This grant shall only be effective if Lessee drills or has drilled no later than one (1) year from declaration of pooling, at least one well completed in a shallow formation (as hereinafter defined) for each 160 acres of the pooled unit. This special pooling grant is only effective as to shallow formations hereby defined as geologic formations from the surface to the top of the Traverse Limestone Formation. The pooled unit must consist of all contiguous acreage but may be any combination of governmental quarter-quarter sections with at least one common side. To utilize the pooling grant Lessee shall file with the Register of Deeds of the relevant county or counties a declaration of the exact description of the unit formed pursuant to the clause. Subject to fulfilling the above described drilling requirements, such declaration is all that is required to establish the pooled unit. If such gas well or wells as contemplated by this clause shall not be drilled on the premises herein said it shall nevertheless be deemed to be upon the leased premises within the meaning of all covenants, expressed or implied. In this lease, Lessor shall receive on hydrocarbon production thus pooled such proportion of the royalty stipulation herein reserved as the amount of Lessor's acreage placed in the unit bears to the total acreage so pooled in the particular declared unit, regardless of which wells the production actually comes from. After one such unit has been declared, Lessee may add other lands to such unit up to the limit of 2,660 acres provided that such lands in turn have a well drilled and completed per each 160 acres.

10. Notwithstanding anything to the contrary herein contained or implied by law, all present and future laws and rules and regulations of any governmental agency pertaining to well spacing, use of material equipment or otherwise shall be binding on the parties hereto with like effect as though incorporated herein at length, provided however that no governmental regulation shall be interpreted to require more wells than one (1) for each one hundred-sixty (160) acres for shallow hydrocarbon production as provided in and pursuant to Paragraph 5 of this lease. If drilling or other operations are delayed, hindered or prevented by any such laws, rules or regulations at the expiration of the primary term hereof, the primary term shall extend for a period equal to the full term of such hindrance, delay or prevention and for a period of six (6) months thereafter.

11. 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 their heirs, executors, administrators, successors or assigns, but no change in the ownership of the land or assignment of rentals or royalties shall be binding on Lessee until thirty (30) days after Lessee has been furnished with a written transfer or assignment or a true copy thereof, and rentals shall be adjusted in accordance with such change of ownership or assignment at the next succeeding rental anniversary after receipt by Lessee of evidence satisfactory to Lessee of such change of ownership or assignment. It is hereby agreed that in the event this lease shall be assigned as to a part or as to parts of the above described lands and the assignee or assignees of such part or parts shall fail or make default in the payment of the proportionate part of the rents due from him or them, such default shall not operate to defeat or effect this lease insofar as it covers a part or parts of said lands upon which the said Lessee or any assignees thereof shall make due payments of said rentals, however, the Lessee making due payments, shall, after notice, have 30 days to cure the default.

12. Lessor expressly grants to Lessee the right to inject water, brine or other fluids produced from these leased premises or lands other than said leased premises for disposal. The injection of water, brine, or other fluids into subsurface strata shall be made only into strata below those furnishing domestic fresh water.

13. Lessor hereby warrants and agrees to defend the title to said lands herein described, and agrees that the Lessee shall have the right at any time to redeem for Lessor, by payments, any mortgage, taxes, or other liens on the above described lands, in the event of default of payment by Lessor, and be subrogated to the rights of the holder thereof and the undersigned lessors for themselves and their heirs, successors, and assigns, hereby surrender and release all rights of dower and homestead in the premises herein described, insofar as said right of dower and homestead may in any way affect the purposes for which this lease is made as recited herein.

14. Lessee may at any time surrender this lease as to all or any part of the lands covered thereby, by delivering or mailing a release thereof to the Lessor, if lease is not recorded, or by placing a release thereof of record in the proper county. If lease is recorded, and if surrendered only as to a part of said lands, any delay rentals or acreage payments which may thereafter be payable hereunder shall be reduced proportionately.

15. In the interest of conservation, the protection of reservoir pressures, or the recovery of the greatest ultimate yield of oil and gas, Lessee shall have the right to combine the leased premises with other premises in the same general area for the purpose of operating and maintaining, repressuring and re-cycling facilities, and for such purposes may locate such facilities, including input wells, upon the leased premises.

16. At Lessee's option the primary term of this lease may be extended from five years to ten years by paying or tendering to Lessor, on or before the expiration of said primary term, a bonus of \$ 3.00 per acre for the land then covered hereby, said bonus to be paid or tendered to Lessor by U.S. Mail at the above address.

17. If during the primary term of this lease, or any extension thereof, Lessor receives a bona fide written offer to enter into a new Oil and Gas Lease from any third party and such offer is acceptable to Lessor, Lessee shall have the first right to have the new lease executed in its favor, upon the same terms and conditions. Said right shall be exercised by Lessee within thirty (30) days from the date Lessee receives written notice from Lessor of said right, and terminates. Lessee agrees to comply with the terms of any Conservation Reserve Program contract.

18. covering the herein leased lands, Lessee further agrees to reimburse Lessor for any  
refunds, interest and damages owed by Lessor as a result of Lessee drilling a well upon

IN TESTIMONY WHEREOF WE SIGN, This the 12th day of December, 1994, said lands,

Witness:

Leilah M. Bohner  
Leilah M. Bohner  
Raymond Bohner  
Raymond Bohner

Daryl M. McKibbin  
Daryl McKibbin SS# 373-22-0181  
Marilyn McKibbin  
Marilyn McKibbin SS# 366-30-6769

NOTE: PLEASE HAVE TWO WITNESSES TYPE OR PRINT THEIR NAMES UNDER EACH SIGNATURE

STATE OF Michigan

SS.

ACKNOWLEDGMENT TO THE LEASE

COUNTY OF Hillsdale

On this 12th day of December, 1994, before me the undersigned a Notary Public in and for said county, in the State aforesaid personally appeared Daryl McKibbin and Marilyn McKibbin (husband and wife)

to me known as the person as described in and who executed the foregoing instrument and acknowledged that he y had executed the same as their free act and deed.

My Commission Expires 3-22, 1999

Leilah M. Bohner  
Leilah M. Bohner Notary Public  
In and For Hillsdale County, State of Michigan  
Acting in \_\_\_\_\_ County, State of \_\_\_\_\_

STATE OF \_\_\_\_\_

SS.

CORPORATE ACKNOWLEDGMENT TO THE LEASE

COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1994, by \_\_\_\_\_ as \_\_\_\_\_ of \_\_\_\_\_ Corporation, on behalf of said corporation.

My Commission Expires \_\_\_\_\_, 1999

Notary Public  
In and For \_\_\_\_\_ County, State of \_\_\_\_\_  
Acting in \_\_\_\_\_ County, State of \_\_\_\_\_

Prepared by: Leilah M. Bohner of PO BOX 110, Ludington, MI 49831

FORM 5000184 dec

EXHIBIT "A"

This Exhibit A is attached to and made a part thereof that certain Oil and Gas Lease dated December 12, 1994, by and between Daryl McKibbin and Marilyn McKibbin (husband and wife) as Lessor (whether one or more) and Western Land Services, Inc. as Lessee.

Township 7 South, Range 3 West

- Section 12: The South  $\frac{1}{4}$  of the South East  $\frac{1}{4}$  - 430, 440
- Section 12: COMMENCING 412.5 Feet South of the North West Corner of the South West  $\frac{1}{4}$ , THENCE East 990 Feet, THENCE South to the South Line Section, Thence West 990 Feet, THENCE North on the West Line Section 2227.5 Feet to the Point of Beginning, EXCEPT COMMENCING at the West  $\frac{1}{4}$  Post, THENCE East 322.67 Feet, THENCE South 1537.5 Feet, THENCE West 322.67 Feet, THENCE North 1537.5 Feet to the Point of Beginning, ALSO EXCLUDING, COMMENCING at the South West Corner of the South West  $\frac{1}{4}$ , THENCE East 485 Feet, THENCE North 235 Feet, THENCE West 485 Feet THENCE South 235 Feet to the Point of Beginning
- Section 13: The West  $\frac{1}{4}$  of the North East  $\frac{1}{4}$ , Except part of the South West  $\frac{1}{4}$  of the North East  $\frac{1}{4}$  of Section 13, COMMENCING AT THE North  $\frac{1}{4}$  Corner of said Section, THENCE South along the North-South  $\frac{1}{4}$  Line 1511.53 Feet to the Point of Beginning, THENCE South 89 Degrees 31M 0" East 318.40 Feet, THENCE South 684.07 Feet, THENCE North 89 Degrees 31M 0" West 318.40 Feet, THENCE North along the North-South  $\frac{1}{4}$  line of Said Section 684.07 Feet to the Point of Beginning

SIGNED FOR IDENTIFICATION

Daryl McKibbin 373-22-0181  
Daryl McKibbin SS#

Marilyn McKibbin 366-36-0969  
Marilyn McKibbin SS#

Form blank for

200  
511

LIBER 544 PAGE 950  
OIL AND GAS LEASE

THIS AGREEMENT made this 4th day of March 1986

Daryl McKibbin and Marilyn McKibbin, husband and wife

lessor (whether one or more), whose address is 379 Foust Rd. Osseo, Mi.

and Charlie Hudson & Assoc., Inc. 14363-E Torrey Chase Houston, Texas 77046 lessee, WITNESSETH

that ten and other valuable consideration\*\*\*  
1. Lessor, in consideration of which is hereby acknowledged, and of the covenants and agreements of lessee hereinafter contained, does hereby grant, lease and let unto lessee the land covered hereby for the purposes and with the exclusive right of exploring, drilling and operating for producing and owning oil, gas, sulphur and all other minerals produced in conjunction therewith, together with the right to make surveys on said land, lay pipe lines, establish and utilize facilities for surface or subsurface disposal of salt water, construct roads and bridges, dig canals, build tanks, power stations, telephone lines, and other structures on said land, necessary or useful in lessee's operations in exploring, drilling for, producing, treating, storing and transporting minerals produced from the land covered hereby or any other land adjacent thereto, when said adjacent land is spaced, pooled or unitized with any lands covered hereby. The land

covered hereby, herein called "said land", is located in the County of Hillsdale State of Michigan and is described as follows: Township 7 South, Range 3 West: The South 1/2 of the Southeast 1/4 of Section 12, also the West 1/2 of the Northeast 1/4 of Section 13 except therefrom; commencing at the North 1/4 corner of Section 13, thence South 1511.53 feet to POB, thence East 318.4 feet, thence South 684.07 feet, thence West 318.4 feet, thence North 684.07 feet to POB. The above described tracts containing 155.00 acres M/L. \*This lease is subordinate to an Oil & Gas Lease dated 1/15/77, recorded in Liber 472, Page 553, of the Hillsdale County, Michigan records, covering the above described land, the primary term of which expires 1/15/87.

This lease also covers and includes any land contiguous to or adjoining the land above described and (a) owned or claimed by lessor by limitation prescription, possession, reversion or unrecorded instrument or (b) as to which lessor has a preference right of acquisition. For the purpose of determining the amount of any bonus, delay rental or other payment hereunder, said land shall be deemed to contain 155.00 acres

whether actually containing more or less, and the above recital of acreage in any tract shall be deemed to be the true acreage thereof from this date until January 16, 1990.

2. Unless sooner terminated or longer kept in force under other provisions hereof, this lease shall remain in force for a term of 20 years from the date hereof, hereinafter called "primary term", and as long thereafter as operations, as hereinafter defined, are conducted upon said land with no cessation for more than ninety (90) consecutive days.

3. As royalty, lessee covenants and agrees: (a) To deliver to the credit of lessor in the pipe line to which lessee may connect its wells, the equal one-eighth part of all oil produced and saved by lessee from said land, or from time to time, at the option of lessee, to pay lessor the average posted market price of such one-eighth part of such oil at the wells as of the day it is run to the pipe line or storage tanks, lessor's interest, in either case, to bear one-eighth of the cost of treating oil to render it marketable pipe line oil; (b) To pay lessor on gas and casinghead gas produced from said land (1) when sold by lessee, one-eighth of the amount realized by lessee, computed at the mouth of the well, or (2) when used by lessee off said land or in the manufacture of gasoline or other products, the market value, at the mouth of the well, of one-eighth of such gas and casinghead gas; (c) To pay lessor on all other minerals mined and marketed or utilized by lessee from said land, one-tenth either in kind or value at the well or mine at lessee's election, except that on sulphur mined and marketed the royalty shall be one dollar (\$1.00) per long ton. If, at the expiration of the primary term or at any time or times thereafter, there is any well on said land or on lands with which said land or any portion thereof has been pooled, capable of producing oil or gas, and all such wells are shut-in, this lease shall, nevertheless, continue in force as though operations were being conducted on said land for so long as said wells are shut-in, and thereafter this lease may be continued in force as if no shut-in had occurred. Lessee covenants and agrees to use reasonable diligence to produce, utilize, or market the minerals capable of being produced from said wells, but in the exercise of such diligence, lessee shall not be obligated to install or furnish facilities other than well facilities and ordinary lease facilities of flow lines, separator, and lease tank, and shall not be required to settle labor trouble or to market gas upon terms unacceptable to lessee. If, at any time or times after the expiration of the primary term, all such wells are shut-in for a period of ninety consecutive days, and during such time there are no operations on said land, then at or before the expiration of said ninety day period, lessee shall pay or tender, by check or draft of lessee, as royalty, a sum equal to the amount of annual delay rental provided for in this lease. Lessee shall make like payments or tenders at or before the end of each anniversary of the expiration of said ninety day period if upon such anniversary this lease is being continued in force solely by reason of the provisions of this paragraph. Each such payment or tender shall be made to the parties who at the time of payment would be entitled to receive the royalties which would be paid under this lease if the wells were producing, and may be deposited in a depository bank provided for below. Nothing herein shall impair lessee's right to release as provided in paragraph 5 hereof. In event of assignment of this lease in whole or in part, liability for payment hereunder shall rest exclusively on the then owner or owners of this lease, severally as to acreage owned by each.

4. Lessee is hereby granted the right, at its option, to pool or unitize any land covered by this lease with any other land covered by this lease, and/or with any other land, lease, or leases, as to any or all minerals or horizons, so as to establish units containing not more than 80 surface acres, plus 10% acreage tolerance provided, however, units may be established as to any one or more horizons, or existing units may be enlarged as to any one or more horizons, so as to contain not more than 640 surface acres plus 10% acreage tolerance, if limited to one or more of the following: (1) gas, other than casinghead gas, (2) liquid hydrocarbons (condensate) which are not liquids in the subsurface reservoir, (3) minerals produced from wells classified as gas wells by the conservation agency having jurisdiction. If larger units than any of those herein permitted, either at the time established, or after enlargement, are required under any governmental rule or order, for the drilling or operation of a well at a regular location or for obtaining maximum allowable from any well to be drilled, drilling, or already drilled, any such unit may be established or enlarged to conform to the size required by such governmental order or rule. Lessee shall exercise said option as to each desired unit by executing an instrument identifying such unit and filing it for record in the public office in which this lease is recorded. Each of said options may be exercised by lessee at any time and from time to time while this lease is in force, and whether before or after production has been established either on said land, or on the portion of said land included in the unit, or on other land unitized therewith. A unit established hereunder shall be valid and effective for all purposes of this lease even though there may be mineral, royalty, or leasehold interests in lands within the unit which are not effectively pooled or unitized. Any operations conducted on any part of such unitized land shall be considered for all purposes, except the payment of royalty, operations conducted upon said land under this lease. There shall be allocated to the land covered by this lease within each such unit that proportion of the total production of unitized minerals from the unit, after deducting any used in lease or unit operations, which the number of surface acres in such land covered by this lease within the unit bears to the total number of surface acres in the unit, and the production so allocated shall be considered for all purposes, including payment or delivery of royalty, overriding royalty and any other payments out of production, to be the entire production of unitized minerals from the land to which allocated in the same manner as though produced therefrom under the terms of this lease. The owner of the reversionary estate of any term royalty or mineral estate agrees that the accrual of royalties pursuant to this paragraph or of shut-in royalties from a well on the unit shall satisfy any limitation of term requiring production of oil or gas. The formation of any unit hereunder shall not have the effect of exchanging or transferring any interest under this lease between parties. Neither shall it impair the right of lessee to release as provided in paragraph 5 hereof except that lessee may not so release as to land within a unit while there are operations thereon for unitized minerals unless all pooled leases are released as to lands within the unit. At any time while this lease is in force lessee may dissolve any unit established hereunder by filing for record in the public office where this lease is recorded a declaration to that effect, if at that time no operations are being conducted thereon for unitized minerals. Subject to the provisions of this paragraph 4, a unit once established hereunder shall remain in force so long as any lease subject thereto shall remain in force. If this lease now or hereafter covers separate tracts, no pooling or unitization of royalty interests as between any such separate tracts is intended or shall be implied or result merely from the inclusion of such separate tracts within this lease but lessee shall nevertheless have the right to pool or unitize as provided in this paragraph 4 with consequent allocation of production as herein provided. As used in this paragraph 4, the words, "separate tract" mean any tract with royalty ownership differing, now or hereafter, either as to parties or amounts, from that as to any other part of the leased premises.

5. If operations are not conducted on said land on or before the first anniversary date hereof, this lease shall terminate as to both parties, unless lessee on or before said date shall, subject to the further provisions hereof, pay or tender to lessor or to lessor's credit in the

Branch County Bank Bank at 108 N Main, Reading, Mi. 49274  
successors, which shall continue as the depository, regardless of changes in ownership of delay rental, royalties, or other moneys, the sum of

\$155.00 (one hundred fifty five and 00/100) which shall operate as delay rental and cover the privilege of deferring operations for one year from said date, in like manner and upon like payments or tenders, operations may be further deferred for like periods of one year each during the primary term. If at any time that lessee pays or tenders delay rental, royalties, or other moneys, two or more parties are, or claim to be, entitled to receive same, lessee may, in lieu of any other method of payment herein provided, pay or tender such rental, royalties, or other moneys, in the manner herein specified, either jointly in such parties or separately to each in accordance with their respective ownerships thereof, as lessee may elect. Any payment hereunder may be made by check or draft of lessee deposited in the mail or delivered to lessor or to a depository bank on or before the last date for payment. Said delay rental shall be apportionable as to said land on an acreage basis, and a failure to make proper payment or tender of delay rental as to any portion of said land or as to any interest therein shall not affect this lease as to any portion of said land or as to any interest therein as to which proper payment or tender is made. Any payment or tender which is made in an attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depository, shall nevertheless be sufficient to prevent termination of this lease and to extend the time within which operations may be conducted in the same manner as though a proper payment had been made; provided, however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof from lessor. Lessee may at any time and from time to time execute and deliver to lessor or file for record a release or releases of this lease as to any part or all of said land or of any mineral or horizon thereunder, and thereby be relieved of all obligations as to the released acreage or interest. If this lease is so released as to all minerals and horizons under a portion of said land, the delay rental and other payments computed in accordance therewith shall thereupon be reduced in the proportion that the acreage released bears to the acreage which was covered by this lease immediately prior to such release.

6. If at any time or times during the primary term operations are conducted on said land and if all operations are discontinued, this lease shall thereafter terminate on its anniversary date next following the ninetieth day after such discontinuance unless on or before such anniversary date lessee either (1) conducts operations or (2) commences or resumes the payment or tender of delay rental, provided, however, if such anniversary date is at the end of the primary term or if there is no further anniversary date of the primary term, this lease shall terminate at the end of such term or on the ninetieth day after discontinuance of all operations, whichever is the later date, unless on such later date either (1) lessee is conducting operations or (2) the shut-in well provisions of paragraph 3 or the provisions of paragraph 11 are applicable. Whenever used in this lease the word "operations" shall mean operations for and any of the following: drilling, testing, completing, reworking, recompleting, deepening, plugging back or repairing of a well in search for or in an endeavor to obtain production of oil, gas, sulphur or other minerals, production of oil, gas, sulphur or other minerals, whether or not in paying quantities.

7. Lessee shall have the use, free from royalty, of water, other than from lessor's water wells, and of oil and gas produced from said land in all operations hereunder. Lessee shall have the right at any time to remove all machinery and fixtures placed on said land, including the right to draw and remove casing. No well shall be drilled nearer than 200 feet to the house or barn now on said land without the consent of the lessor. Lessee shall pay for damages caused by its operations to growing crops and timber on said land.

8. The rights and estate of any party hereto may be assigned from time to time in whole or in part and as to any mineral or horizon. All of the covenants, obligations, and considerations of this lease shall extend to and be binding upon the parties hereto, their heirs, successors, assigns, and successive assigns. No change or division in the ownership of said land, royalties, delay rental, or other moneys, or any part thereof, howsoever effected, shall increase the obligations or diminish the rights of lessee, including, but not limited to, the location and drilling of wells and the maintenance of production. Notwithstanding any other actual or constructive knowledge or notice thereof or to lessee, its successors or assigns, no change or division in the ownership of said land or of the royalties, delay rental, or other moneys, or the right to receive the same, howsoever effected, shall be binding upon the then record owner of this lease until thirty (30) days after there has been furnished to such record owner at his or its principal place of business by lessor or lessor's heirs, successors, or assigns, notice of such change or division, supported by either originals or duly certified copies of the instruments which have been properly filed for record and which evidence such change or division, and of such court records and proceedings, transcripts, or other documents as shall be necessary in the opinion of such record owner to establish the validity of such change or division. If any such change in ownership occurs by reason of the death of the owner, lessee may, nevertheless pay or tender such royalties, delay rental, or other moneys, or part thereof, to the credit of the decedent in a depository bank provided for above. In the event of assignment of this lease as to any part (whether divided or undivided) of said land, the delay rental payable hereunder shall be apportionable as between the several leasehold owners, ratably according to the surface area or undivided interests of each, and default in delay rental payment by one shall not affect the right of other leasehold owners hereunder.

9. In the event lessor considers that lessee has not complied with all its obligations hereunder, both express and implied, lessor shall notify lessee in writing, setting out specifically in what respects lessee has breached this contract. Lessee shall then have sixty (60) days after receipt of said notice within which to meet or commence to meet all or any part of the breaches alleged by lessor. The service of said notice shall be precedent to the bringing of any action by lessor on said lease for any cause, and no such action shall be brought until the lapse of sixty (60) days after service of such notice on lessee. Neither the service of said notice nor the doing of any acts by lessee aimed to meet all or any of the alleged breaches shall be deemed an admission or presumption that lessee has failed to perform all its obligations hereunder. If this lease is cancelled for any cause, it shall nevertheless remain in force and effect as to (1) sufficient acreage around each well as to which there are operations to constitute a drilling or maximum allowable unit under applicable governmental regulations, (but in no event less than forty acres), such acreage to be designated by lessee as nearly as practicable in the form of a square centered at the well, or in such shape as then existing spacing rules require, and (2) any part of said land included in a pooled unit on which there are operations. Lessee shall also have such easements on said land as are necessary to operations on the acreage so retained.

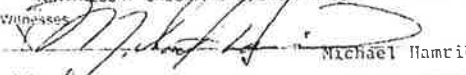
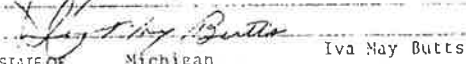
10. Lessor hereby warrants and agrees to defend title to said land against the claims of all persons whomsoever. Lessor's rights and interests hereunder shall be charged primarily with any mortgages, taxes or other liens, or interest and other charges on said land, but lessor agrees that lessee shall have the right at any time to pay or reduce same for lessor, either before or after maturity, and be subrogated to the rights of the holder thereof and to deduct amounts so paid from royalties or other payments payable or which may become payable to lessor and/or assigns under this lease. If this lease covers a less interest in the oil, gas, sulphur, or other minerals in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not), or no interest therein, then the royalties, delay rental, and other moneys accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any covered by this lease, bears to the whole and undivided fee simple estate therein. All royalty interest covered by this lease (whether or not owned by lessor) shall be paid out of the royalty herein provided. This lease shall be binding upon each party who executes it without regard to whether it is executed by all those named herein as lessor.

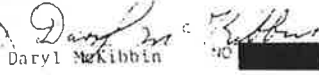
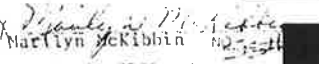
11. If, while this lease is in force, at or after the expiration of the primary term hereof, it is not being continued in force by reason of the shut-in well provisions of paragraph 3 hereof, and lessee is not conducting operations on said land by reason of (1) any law, order, rule or regulation, (whether or not subsequently determined to be invalid) or (2) any other cause, whether similar or dissimilar, (except financial beyond the reasonable control of lessee), the primary term and the delay rental provisions hereof shall be extended until the first anniversary date hereof occurring ninety (90) or more days following the removal of such delaying cause, and this lease may be extended thereafter by operations as if such delay had not occurred.

12. Lessor hereby expressly relinquishes, conveys and releases and waives all rights under and by virtue of the homestead exemption laws insofar as they may in any way affect the purpose for which this lease is made.

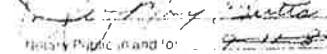
13. In the event that lessor, during the primary term of this lease, receives a bona fide offer which lessor is willing to accept from any party offering to purchase from lessor a lease covering any or all of the substances covered by this lease and covering all or a portion of the land described herein, with the lease becoming effective upon expiration of this lease, lessor hereby agrees to notify lessee, its successors or assigns, in writing of said offer immediately, including in the notice the name and address of the offeror, the price offered and all other pertinent terms and conditions of the offer. Lessee for a period of fifteen days after the receipt of the notice shall have prior and preferred right and option to purchase the lease or part thereof or interest therein, covered by the offer at the price and according to the terms and conditions specified in the offer. All offers made up to and including the last day of the primary term of this lease shall be subject to the terms and conditions of this Section. Should lessee elect to purchase the lease pursuant to the terms hereof, it shall so notify lessor in writing by mail or telegram prior to expiration of said 15-day period. Lessee shall promptly thereupon furnish to lessor the new lease for execution on behalf of lessor(s) along with lessee's sight draft payable to lessor in payment of the specified amount as consideration for the new lease. Such draft being subject only to approval of title according to the terms thereof. Upon receipt thereof, lessor(s) shall promptly execute said lease and return same along with the endorsed draft to lessee's representative or through lessor(s) bank of record for payment. See Exhibit A attached to and made part hereof.

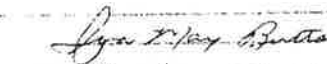
IN WITNESS WHEREOF, this instrument is executed on the date first above written.

Witnesses:  
  
 Michael Hamric  
  
 Iva May Butts  
 STATE OF Michigan  
 COUNTY OF Hillsdale JSS

  
 Daryl McKibbin  
  
 Marilyn McKibbin  
 ACKNOWLEDGEMENT  
 0769

The foregoing instrument was acknowledged before me this 4 day of March, 1986  
Daryl McKibbin and Marilyn McKibbin, husband and wife

My Commission Expires 8-11-89  
  
 Notary Public in and for Hillsdale County, State of MI  
 Iva May Butts  
 STATE OF Michigan JSS  
 COUNTY OF Hillsdale ACKNOWLEDGEMENT

The foregoing instrument was acknowledged before me this 4 day of March, 1986  
 My Commission Expires 8-11-89  
  
 Notary Public in and for Hillsdale County, State of MI  
 Iva May Butts  
 This instrument prepared by Michael Hamric of 14363-E Torrey Chase Houston, Texas 77014

When recorded return to

RECORDED  
 HILLSDALE CO MICH.  
 1986  
 APR 18 PM 1:08  
 Gary Van Zandt

This lease was filed the 4 day of March, 1986  
 at 10 o'clock AM and recorded in Book        Page        of the  
       Records of this office  
 Register of Deeds of        County,

1987 APR 24 AM 11:45

## AFFIDAVIT

*James VanZant*  
REG. OF DEEDS

Daryl McKibbin and Marilyn McKibbin, husband and wife  
379 Foust Road, Osseo, Michigan 49266  
being first duly sworn depose and say:

that they are the present owner(s) of the following described lands, situated  
in Hillsdale County, State of Michigan, to-wit:

T7S-R3W  
Cambria Township

Township 7 South - Range 3 West

Sections 12 & 13: The South 1/2 of the Southeast 1/4 of Section 12, also the  
West 1/2 of the Northeast 1/4 of Section 13 except therefrom; commencing at  
the North 1/4 corner of Section 13, thence South 1511.53 feet to POB, thence  
East 318.4 feet, thence South 684.07 feet, thence West 318.4 feet, thence  
North 684.07 feet to POB.

which land is described in that certain Oil and Gas Lease executed on the  
4th day of March, 1986 by Daryl McKibbin and Marilyn McKibbin,  
husband and wife  
as Lessor, and Charlie Hudson & Assoc., Inc., 14363-E Torrey Chase, Houston,  
Texas 77014  
as Lessee, recorded in Liber 544, Page 950, in the office of the Register  
of Deeds of said county.

That said lease was subject to conditions as stated in that certain  
unrecorded letter agreement dated March 4, 1986, as follows:

-----  
"It is understood and agreed that the total bonus consideration for the above  
described lease to Charlie Hudson & Assoc., Inc. shall be \$7,750.00, subject  
to the further conditions hereof. Charlie Hudson & Assoc., Inc. agrees to pay  
you \$1,937.50 of that consideration concurrently with your execution of the  
Charlie Hudson & Assoc., Inc. lease. The balance of the bonus consideration  
being \$5,812.50 shall be paid to you within fifteen (15) days after the end  
of the primary term of the existing Oil & Gas lease (hereinafter referred to  
as "existing lease") as identified in the Charlie Hudson & Assoc., Inc. lease  
and to which the Charlie Hudson & Assoc., Inc. lease is subordinate unless (1)  
Charlie Hudson & Assoc., Inc. should elect not to maintain the Charlie Hudson &  
Assoc., Inc. lease or (2) the existing lease is maintained in effect beyond  
the end of its primary term by drilling or production in which event (a) the  
\$5,812.50 installment of bonus consideration shall not be payable and (b)  
Charlie Hudson & Assoc., Inc. shall promptly execute and record a release of  
the Charlie Hudson & Assoc., Inc. lease.

It is further understood and agreed that if a well is drilled under the terms  
and provisions of the existing lease and is completed as a dry hole prior to  
the end of the primary term of the existing lease, Charlie Hudson & Assoc.,  
Inc., shall have the right to execute and file for record a release of the  
Charlie Hudson & Assoc., Inc. lease within fifteen (15) days after the end of  
the primary term of the existing lease in which event the \$5,812.50 install-  
ment of bonus consideration shall not be payable."

-----  
That since the date of said leases, there has been no well drilled upon  
said land, or lands pooled therewith, and furthermore the optional payment of  
the balance of bonus consideration in the amount of \$5,812.50, to effectuate  
the Charlie Hudson & Assoc., Inc. lease, due to be paid within fifteen (15)  
days after the end of the primary term of the Oil & Gas Lease recorded in  
Liber 472, Page 553, of the Register of Deeds, Hillsdale County, Michigan,  
said expiration date being January 15, 1987, was in fact not paid to the  
Lessor or any bank for their credit, as of February 3, 1987.

Affiant further states that by reason of the noncompliance with the terms of said lease and letter agreement, by Lessee or his assigns, affiant hereby declares said lease to be void, and will not in any manner recognize the same as a valid or existing lease.

Witnesses

X Judy Zuver  
Judy Zuver

X Daryl McKibbin  
Daryl McKibbin

X William K. McGuire  
William K. McGuire

X Marilyn McKibbin  
Marilyn McKibbin

State of Michigan  
County of Hillsdale ) SS

(Individual Acknowledgement)

On this 25th day of February, 1987, before me, the undersigned, Notary Public, in and for said county in the state aforesaid, personally appeared Daryl McKibbin and Marilyn McKibbin, husband and wife.

William K. McGuire Notary Public

My Commission Expires: 12-13-88

Jackson County, Michigan  
Acting in Hillsdale County, Michigan

Prepared by: David K. McGuire, 4123 Okemos Road, Suite 17, Okemos, MI 48864



Produced by  
Ind. Mich. Ohio (1-76)

Recorded FEB 28 1977  
9:30 o'clock A.M.  
Betty J. Arch  
Register of Deeds - Kalamazoo County, Mich

1140

MH 12649-/

LIBER 472 PAGE 553

# OIL, GAS AND MINERAL LEASE

THIS AGREEMENT made this 15th day of January 1977, between  
Daryl McKibbin and Marilyn McKibbin, Husband and wife

lessor (whether one or more), whose address is: 379 Foust Road, Rt. #2, Osseo, Michigan 49266  
and K. E. Johnson, 113 North Jefferson, Marshall, Michigan 49068, lessee, WITNESSETH:

1. Lessor, in consideration of Ten and More Dollars, receipt of which is hereby acknowledged, and of the covenants and agreements of lessee hereinafter contained, does hereby grant, lease and let unto lessee the land covered hereby for the purposes and with the exclusive right of exploring, drilling, mining and operating for, producing and owning oil, gas, sulphur and all other minerals (whether or not similar to those mentioned), together with the right to make surveys on said land, lay pipe lines, establish and utilize facilities for surface or subsurface disposal of salt water, construct roads and bridges, dig canals, build tanks, power stations, telephone lines, employee houses and other structures on said land, necessary or useful in lessee's operations in exploring, drilling for, producing, treating, storing and transporting minerals produced from the land covered hereby or any other land adjacent thereto. The land covered hereby, herein called "said land", is located in the County of Kalamazoo State of Michigan, and is described as follows:

TOWNSHIP 7 SOUTH, RANGE 3 WEST

Section 12: S 1/2 S 1/2 E 1/2

Section 13: W 1/2 E 1/2, EXCEPT commencing at the North Quarter corner of Section 13, th South 1511.53 feet to the P.O.B.; th E. 318.4 feet; th S. 684.07 feet; th W. 318.4 feet; th N. 684.07 feet to P.O.B.

This lease also covers and includes any land contiguous to or adjoining the land above described and (a) owned or claimed by lessor by limitation, prescription, possession, reversion or unrecorded instrument or (b) as to which lessor has a preference right of acquisition. For the purpose of determining the amount of any bonus, delay rental or other payment hereunder, said land shall be deemed to contain 155 acres, whether actually containing more or less, and the above recital of acreage in any tract shall be deemed to be the true acreage thereof.

2. Unless sooner terminated or longer kept in force under other provisions hereof, this lease shall remain in force for a term of ten (10) years from the date hereof, hereinafter called "primary term", and as long thereafter as operations, as hereinafter defined, are conducted upon said land with no cessation for more than ninety (90) consecutive days.

3. As royalty, lessee covenants and agrees: (a) To deliver to the credit of lessor, in the pipe line to which lessee may connect its wells, the equal one-eighth part of all oil produced and saved by lessee from said land, or from time to time, at the option of lessee, to pay lessor the average posted market price of such one-eighth part of such oil at the wells as of the day it is run to the pipe line or storage tanks, lessor's interest, in either case, to bear one-eighth of the cost of treating oil to render it marketable pipe line oil; (b) To pay lessor on gas and casinghead gas produced from said land (1) when sold by lessee, one-eighth of the amount realized by lessee, computed at the mouth of the well, or (2) when used by lessee off said land or in the manufacture of gasoline or other products, the market value, at the mouth of the well, of one-eighth of such gas and casinghead gas; (c) To pay lessor on all other minerals mined and marketed or utilized by lessee from said land, one-tenth either in kind or value at the well or mine at lessee's election, except that on sulphur mined and marketed the royalty shall be one dollar (\$1.00) per long ton. If, at the expiration of the primary term or at any time or times thereafter, there is no well on said land or on lands with which said land or any portion thereof has been pooled, capable of producing oil or gas, and all such wells are shut-in, this lease shall, nevertheless, continue in force as though operations were being conducted on said land for so long as said wells are shut-in, and thereafter this lease may be continued in force as if no shut-in had occurred. Lessee covenants and agrees to use reasonable diligence to produce, utilize, or market the minerals capable of being produced from said wells, but in the exercise of such diligence, lessee shall not be obligated to install or furnish facilities other than well facilities and ordinary lease facilities of flow lines, separator, and lease tank, and shall not be required to settle labor trouble or to market gas upon terms unacceptable to lessee. If, at any time or times after the expiration of the primary term, all such wells are shut-in for a period of ninety consecutive days, and during such time there are no operations on said land, then at or before the expiration of said ninety day period, lessee shall pay or tender, by check or draft of lessee, as royalty, a sum equal to the amount of annual delay rental provided for in this lease. Lessee shall make like payments or tenders at or before the end of each anniversary of the expiration of said ninety day period if upon such anniversary this lease is being continued in force solely by reason of the provisions of this paragraph. Each such payment shall be made to the parties who at the time of payment would be entitled to receive the royalties which would be paid under this lease if the wells were producing, and may be deposited in a depository bank provided for below. Nothing herein shall impair lessee's right to release as provided in paragraph 5 hereof. In event of assignment of this lease in whole or in part, liability for payment hereunder shall rest exclusively on the then owner or owners of this lease, severally as to acreage owned by each.

4. Lessee is hereby granted the right, at its option, to pool or unitize any land covered by this lease with any other land covered by this lease, and/or with any other land, lease, or leases, as to any or all minerals or horizons, so as to establish units containing not more than 80 surface acres, plus 10% acreage tolerance; provided, however, units may be established as to any one or more horizons, or existing units may be enlarged as to any one or more horizons, so as to contain not more than 640 surface acres plus 10% acreage tolerance, if limited to one or more of the following: (1) gas, other than casinghead gas, (2) liquid hydrocarbons (condensate) which are not liquids in the subsurface reservoir, (3) minerals produced from wells classified as gas, and the conservation agency having jurisdiction. If larger units than any of those herein permitted, either at the time established, or later enlargement, are required under any governmental rule or order, for the drilling or operation of a well at a regular location, or for obtaining maximum allowable from any well to be drilled, drilling, or already drilled, any such unit may be established or enlarged to conform to the size required by such governmental order or rule. Lessee shall exercise said option as to each desired unit by executing an instrument identifying such unit and filing it for record in the public office in which this lease is recorded. Each of said options may be exercised by lessee at any time and from time to time while this lease is in force, and whether before or after production has been established either on said land, or on the portion of said land included in the unit, or on other land unitized therewith. A unit established hereunder shall be valid and effective for all purposes of this lease even though there may be mineral, royalty, or leasehold interests in lands within the unit which are not effectively pooled or unitized. Any operations conducted on any part of such unitized land shall be considered for all purposes, except the payment of royalty, operations conducted upon said land under this lease. There shall be allocated to the land covered by this lease within each such unit that proportion of the total production of unitized minerals from the unit, after deducting any used in lease or unit operations, which the number of surface acres in such land covered by this lease within the unit bears to the total number of surface acres in the unit, and the production so allocated shall be considered for all purposes, including payment or delivery of royalty, overriding royalty and any other payments out of production, to be the entire production of unitized minerals from the land to which allocated in the same manner as though produced therefrom under the terms of this lease. The owner of the reversionary estate of any term royalty or mineral estate agrees that the accrual of royalties pursuant to this paragraph or of shut-in royalties from a well on the unit shall satisfy any limitation of term requiring production of oil or gas. The formation of any unit hereunder shall not have the effect of exchanging or transferring any interest under this lease between parties. Neither shall it impair the right of lessee to release as provided in paragraph 5 hereof, except that lessee may not so release as to lands within a unit while there are operations thereon for unitized minerals unless all pooled leases are released as to lands within the unit. At any time while this lease is in force lessee may dissolve any unit established hereunder by filing for record in the public office where this lease is recorded a declaration to that effect, if at that time no operations are being conducted thereon for unitized minerals. Subject to the provisions of this paragraph 4, a unit once established hereunder shall remain in force so long as any lease subject thereto shall remain in force. If this lease now or hereafter covers separate tracts, no pooling or unitization of royalty interests as between any such separate tracts is intended or shall be implied or result merely from the inclusion of such separate tracts within this lease but lessee shall nevertheless have the right to pool or unitize as provided in this paragraph 4 with consequent allocation of production as herein provided. As used in this paragraph 4, the words "separate tract" mean any tract with royalty ownership differing, now or hereafter, either as to parties or amounts, from that as to any other part of the leased premises.

5. If operations are not conducted on said land on or before the first anniversary date hereof, this lease shall terminate as to both parties, unless lessee on or before said date shall, subject to the further provisions hereof, pay or tender to lessor or to lessor's credit in the Branch County Bank of Reading, Michigan 49274 or its successors, which shall continue as the depository, regardless of change in ownership of delay rental, royalties, or other moneys, the sum of \$155.00 (One Hundred Fifty Five and NO/100 Dollars)

which shall operate as delay rental and cover the privilege of deferring operations for one year from said date. In like manner and upon like payments or tenders, operations may be further deferred for like periods of one year each during the primary term. If at any time that lessee pays or tenders delay rental, royalties, or other moneys, two or more parties are, or claim to be, entitled to receive same, lessee may, in lieu of any other method of payment herein provided, pay or tender such rental, royalties, or other moneys, in the manner herein specified, either jointly to such parties or separately to each in accordance with their respective ownerships thereof, as lessee may elect. Any payment hereunder may be made by check or draft of lessee deposited in the mail or delivered to lessor or to a depository bank on or before the last date for payment. Said delay rental shall be apportionable as to said land on a acreage basis, and a failure to make proper payment or tender of delay rental as to any portion of said land or as to any interest therein shall not affect this lease as to any portion of said land or as to any interest therein as to which proper payment or tender is made. Any payment or tender which is made in an attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depository, shall nevertheless be sufficient to prevent termination of this lease and to extend the time within which operations may be conducted in the same manner as though a proper payment had been made; provided, however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof from lessor. Lessee may at any time and from time to time execute and deliver to lessor or file for record a release or releases of this lease as to any part or all of said land or of any mineral or horizon thereunder, and thereby be relieved of all obligations as to the released acreage or interest. If this lease is so released as to all minerals and horizons under a portion of said land, the delay rental and other payments computed in accordance therewith shall thereupon be reduced in the proportion that the acreage released bears to the acreage which was covered by this lease immediately prior to such release.

6. If at any time or times during the primary term operations are conducted on said land and if all operations are discontinued, this lease shall thereafter terminate on its anniversary date next following the ninetieth day after such discontinuance unless on or before such anniversary date lessee either (1) conducts operations or (2) commences or resumes the payment or tender of delay rental; provided, however, if such anniversary date is at the end of the primary term, or if there is no further anniversary date of the primary term, this lease shall terminate at the end of such term or on the ninetieth day after discontinuance of all operations, whichever is the later date, unless on such later date either (1) lessee is conducting operations or (2) the shut-in well provisions of paragraph 3 or the provisions of paragraph 4 are applicable. Whenever used in this lease the word "operations" shall mean operations for and any of the following: drilling, testing, completing, reworking, recompleting, deepening, plugging back or repairing of a well in search for or in an endeavor to obtain production of oil, gas, sulphur or other minerals, excavating a mine, production of oil, gas, sulphur or other mineral, whether or not in paying quantities.



7. Lessee shall have the use, free from royalty, of water, other than from lessor's water wells, and of oil and gas produced from said land in all operations hereunder. Lessee shall have the right at any time to remove all machinery and fixtures placed on said land, including the right to draw and remove casing. No well shall be drilled nearer than 200 feet to the house or barn now on said land without the consent of the lessor. Lessee shall pay for damages caused by its operations to growing crops and timber on said land.

8. The rights and estate of any party hereto may be assigned from time to time in whole or in part and as to any mineral or hydrocarbon. All of the covenants, obligations, and considerations of this lease shall extend to and be binding upon the parties hereto, their heirs, successors, assigns and successive assigns. No change or division in the ownership of said land, royalties, delay rental, or other moneys, or any part thereof, howsoever effected, shall increase the obligations or diminish the rights of lessee, including, but not limited to, the location and drilling of wells and the measurement of production. Notwithstanding any other actual or constructive knowledge or notice thereof of or to lessee, its successors or assigns, no change or division in the ownership of said land or of the royalties, delay rental, or other moneys, or the right to receive the same, howsoever effected, shall be binding upon the then record owner of this lease until thirty (30) days after there has been furnished to such record owner at his or its principal place of business by lessor or lessor's heirs, successors, or assigns, notice of such change or division, supported by either originals or duly certified copies of the instruments which have been properly filed for record and which evidence such change or division, and of such court records and proceedings, transcripts, or other documents as shall be necessary in the opinion of such record owner to establish the validity of such change or division. If any such change in ownership occurs by reason of the death of the owner, lessee may, nevertheless pay or tender such royalties, delay rental, or other moneys, or part thereof, to the credit of the decedent in a depository bank provided for above. In the event of assignment of this lease as to any part (whether divided or undivided) of said land, the delay rental payable hereunder shall be apportionable as between the several leasehold owners, ratably according to the surface area or undivided interests of each, and default in delay rental payment by one shall not affect the right of other leasehold owners hereunder.

9. In the event lessor considers that lessee has not complied with all its obligations hereunder, both express and implied, lessor shall notify lessee in writing, setting out specifically in what respects lessee has breached this contract. Lessee shall then have sixty (60) days after receipt of said notice within which to meet or commence to meet all or any part of the breaches alleged by lessor. The service of said notice shall be precedent to the bringing of any action by lessor on said lease for any cause, and no such action shall be brought until the lapse of sixty (60) days after service of such notice on lessee. Neither the service of said notice nor the doing of any acts by lessee aimed to meet all or any of the alleged breaches shall be deemed an admission or presumption that lessee has failed to perform all its obligations hereunder. If this lease is cancelled for any cause, it shall nevertheless remain in force and effect as to (1) sufficient acreage around each well as to which there are operations to constitute a drilling or maximum allowable unit under applicable governmental regulations, (but in no event less than forty acres), such acreage to be designated by lessee as nearly as practicable in the form of a square centered at the well, or in such shape as then existing spacing rules require; and (2) any part of said land included in a pooled unit on which there are operations. Lessee shall also have such easements on said land as are necessary to operations on the acreage so retained.

10. Lessor hereby warrants and agrees to defend title to said land against the claims of all persons whomsoever. Lessor's rights and interests hereunder shall be charged primarily with any mortgages, taxes or other liens, or interest and other charges on said land, but lessor agrees that lessee shall have the right at any time to pay or reduce same for lessor, either before or after maturity, and be subrogated to the rights of the holder thereof and to deduct amounts so paid from royalties or other payments payable or which may become payable to lessor and/or assigns under this lease. If this lease covers a less interest in the oil, gas, sulphur, or other minerals in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not), or no interest therein, then the royalties, delay rental, and other moneys accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. All royalty interest covered by this lease (whether or not owned by lessor) shall be paid out of the royalty herein provided. This lease shall be binding upon each party who executes it without regard to whether it is executed by all those named herein as lessor.

11. If, while this lease is in force, at, or after the expiration of the primary term hereof, it is not being continued in force by reason of the shut-in well provisions of paragraph 3 hereof, and lessee is not conducting operations on said land by reason of (1) any law, order, rule or regulation, (whether or not subsequently determined to be invalid) or (2) any other cause, whether similar or dissimilar, (except financial) beyond the reasonable control of lessee, the primary term and the delay rental provisions hereof shall be extended until the first anniversary date hereof occurring ninety (90) or more days following the removal of such delaying cause, and this lease may be extended thereafter by operations as if such delay had not occurred.

12. Lessor hereby expressly relinquishes dower and releases and waives all rights under and by virtue of the homestead exemption laws insofar as they may in any way affect the purpose for which this lease is made.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

Signed in the presence of:

Baron Ludwick  
Baron Ludwick

J. C. Spradlin  
J. C. Spradlin

Daryl McKibbin  
Daryl McKibbin No.       -0181

Marilyn McKibbin  
Marilyn McKibbin No.       

No.       

No.       

STATE OF Michigan  
COUNTY OF Hillsdale

#### ACKNOWLEDGEMENT

Before me the undersigned authority personally appeared the above-named Daryl McKibbin and Marilyn McKibbin, known to me to be the person(s) described in and who executed the within instrument, who acknowledged that they did sign and execute the foregoing oil, gas and mineral lease and that the same is THEIR (their) free act and deed.

IN TESTIMONY WHEREOF I have hereunto subscribed my name at Osseo, Michigan this 15th day of January, 19 77.

My Commission Expires

December 23, 1978

James C. Spradlin  
James C. Spradlin Notary Public in and for  
Grand Traverse County, Michigan  
Acting in Hillsdale County, Michigan

#### ACKNOWLEDGEMENT

Before me the undersigned authority personally appeared the above-named       , known to me to be the person(s) described in and who executed the within instrument, who acknowledged that he did sign and execute the foregoing oil, gas and mineral lease and that the same is his (her) (their) free act and deed.

IN TESTIMONY WHEREOF I have hereunto subscribed my name at        this        day of       , 19       .

My Commission Expires

Notary Public in and for  
County,       

This instrument prepared by J. C. Spradlin of Traverse City, Michigan

This lease was filed the        day of FEB 28 1977, 19       , at 9:30 o'clock A. m. and recorded in Book 472, Page 553 of the        Records of this office.

Betty J. Arch  
County,       

RECORDED AT OSSEO  
HILLSDALE COUNTY, MICHIGAN