

OIL AND GAS LEASE

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THIS AGREEMENT made this 5th day of January 19 88, betweenElizabeth Modderman, a widowREGISTER OF DEEDS
OT TAWA COUNTY, MIlessor (whether one or more), of: 9485 South Cedar St., West Olive, Michigan 49460and Western States Oil Company, Inc., a Michigan Corp., P.O. Drawer D, Ludington, MI 49431 lessee, WITNESSETH:

1. Lessor, in consideration of Ten or 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 by geophysical and other means, drilling and operating for, producing and mining oil, gas and all other minerals produced in conjunction therewith, together with the right to make surveys on said land, lay pipelines, 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 Ottawa, State of Michigan, and is described as follows:TOWNSHIP 7 NORTH-RANGE 14 WEST

Section 19: That part of the SW fractional 1/4 described as:
Beginning at the S 1/4 corner of Section 19, thence S 90°00'00" West 272.00 feet along the S line of the SW/4, thence North 01°05'23" West 293.56 feet parallel with the N-S 1/4 line, thence N 88°32'19" East 271.96 feet along a line which has been an Easterly end being on the N-S 1/4 line of said Section, 300.50 feet N of the S 1/4 corner and a Westerly end being on the W line of the E 1/4 of E/2 of SW/4 292 feet North of the South line of the SW/4, thence S 01°05'23" East 300.50 feet along the N-S 1/4 line to place of beginning.

containing 1.85 acres, more or less, and including all lands and interests therein contiguous or appurtenant to said land, and owned or claimed by Lessor, or to which Lessor has a preference right of acquisition, whether or not specifically described above. The term "oil" when used in this lease shall mean crude oil and other hydrocarbons in liquid form at the wellhead. The term "gas" when used in this lease shall mean natural gas, casinghead gas, or any other substance in a gaseous state at the wellhead.

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. 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 endeavor to obtain production of oil and/or gas, and production of oil and/or gas whether or not in paying quantities.

3. As royalty, lessee covenants and agrees: (a) To deliver to the credit of lessor, in the pipeline 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 pipeline or storage tanks, lessor's interest, in either case, to bear one-eighth of the cost of treating oil to render it marketable pipeline 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 produced and marketed or utilized by lessee from said land, one-tenth either in kind or value at the well at lessee's election.

4. 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 one dollar (\$1.00) for each acre of land then covered hereby. 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 the First Mich. Bank or its successors, which shall continue as the depository, regardless of changes in the ownership of shut-in royalty. If at the time that lessee pays or tenders shut-in royalty, 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 shut-in royalty, in the manner above specified, either jointly to such parties or separately to each in accordance with their respective ownership thereof, as lessee may elect. Any payment hereunder may be made by check or draft of lessee deposited in the mail or delivered to the party entitled to receive payment or to a depository bank provided for above on or before the last date for payment. Nothing herein shall impair lessee's right to release as provided in paragraph 5 hereof. In the 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.

5. 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.

6. Lessee shall have the use, free from royalty, of water, other than from lessors' 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.

7. Lessee is hereby granted the right to pool or unitize said land, or any part of said land, with other lands, as to any or all minerals or horizons, to comprise an oil development unit or units of not more than approximately 160 acres and/or a gas development unit or units of not more than approximately 640 acres; provided, however, that if larger units than those permitted above, either at the time established or thereafter, are required or permitted under any governmental rule or order for the drilling or operation of a well at a regular location for obtaining the maximum allowable from any well or for any other reason, then the maximum unit size authorized hereby shall conform to the size required or permitted by such governmental rule or order. Lessee may enlarge the unit to the maximum area permitted herein and reform said unit to include after acquired leases within the unit area. Lessee may create, enlarge or reform the unit or units as above provided at any time, and from time to time, during the continuance of this lease, either before or after production is obtained. In no event shall Lessee be required to drill more than one well in each unit. Lessee may reduce or terminate such unit or units at any time prior to the discovery of oil or gas on the pooled acreage, or at any time after discovery subsequent to the cessation of production. Lessee shall create, enlarge, or reform, reduce, or terminate each unit by recording a written declaration to that effect in the office of the Register of Deeds in the county or counties in which such unit is located. Any operations conducted on any part of the lands pooled shall be deemed to be on the lands leased herein within the meaning of all provisions of this lease. Production of oil and/or gas from the unit shall be allocated to the lands described herein which are included in the unit in the same proportion as the number of surface acres in the lands described herein which are included in the unit bears to the total number of surface acres in the unit.

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, or other moneys, or any part thereof, howsoever effected, shall increase the obligations or diminish the rights of the lessee. 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 forty-five (45) 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, or other moneys, or part thereof, to the credit of the decedent in a depository bank provided for above.

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, 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, 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 interests 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. Lessee's express or implied obligations hereunder shall be suspended and Lessee shall not be liable in damages while compliance with such obligations is prevented or hindered 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, and 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 or in any other manner provided in this lease as if such a 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.

Witnesses:

Marilyn H. James
Marilyn H. James

Elizabeth Modderman
Elizabeth Modderman
SS#: 362-76-4254

Roger Modderman
Roger Modderman

STATE OF Michigan
COUNTY OF Ottawa

ACKNOWLEDGEMENT

The foregoing instrument was acknowledged before me this 2nd day of January, 1988, by Elizabeth Modderman, a widow

My Commission Expires: 3-26-89

Marilyn H. James
Marilyn H. James
Notary Public in and for Kent County, State of Michigan
Acting in Ottawa County, Michigan

ACKNOWLEDGEMENT

STATE OF _____
COUNTY OF _____

The foregoing instrumental was acknowledged before me this _____ day of _____, 19____, by _____

My Commission Expires: _____

Notary Public in and for _____ County, State of _____

This instrument prepared by Marilyn H. James of P.O. Box 3765, Grand Rapids, MI 49501

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Henry L. Snyder, et al Received for Record the 19th day of April A. D. 1937 at 9 o'clock A. M. Frank Botte Register.

Consumers Power Company Parcel No. 10 RIGHT OF WAY

Henry L. Snyder and Kathy M. Snyder, his wife and in her own right; William Bouwman and Hattie Bouwman, his wife and in her own right... first parties... in consideration of One Dollars (\$ 1.00) to them paid by the CONSUMERS POWER COMPANY... situate in the Township of Allendale County of Ottawa, and State of Michigan, to-wit: the South one half (1/2) of the Southeast one quarter (1/4) of the Southwest one quarter (1/4) of Section nineteen (19) Township seven (7) North, Range fourteen (14) West.

The route to be taken by said line of towers, poles, wires, cables and conduits across, over and under said land being more specifically described as follows: Second party may locate said route North of and not more than three hundred (300) feet from the center line of the highway on the South side of said above described land; also conveying the right to erect and maintain lines of poles and wires leading laterally from said route to the center line of said highway.

With full right and authority to the second party, its successors, licensees, lessees or assigns, and its and their agents and employees, to enter at all times upon said premises for the purpose of constructing, repairing, removing, replacing, improving, enlarging and maintaining such cables, conduits and towers, poles and other supports, with all necessary braces, guys, anchors, manholes and transformers, and stringing thereon and supporting and suspending therefrom lines of wire, cables or other conductors for the transmission of electrical energy and/or communication, and to trim or remove any trees which at any time may interfere or threaten to interfere with the maintenance of such lines. It is expressly understood that no buildings or other structures will be placed under such wires and/or over such cables without the written consent of said second party. It is expressly understood that non-use or a limited use of this easement by second party shall not prevent second party from later making use of the easement to the full extent herein authorized.

Second party to pay first party for any damage to crops in erecting and maintaining said line of poles and wires

Witness the hand, seal and seal of the parties of the first part, this 30th day of April, 1937.

Signed, Sealed and Delivered in Presence of

Witneses: Dan Bourbeau, Roy J. Cook

Henry L. Snyder, Kathy M. Snyder, William Bouwman, Hattie Bouwman

STATE OF MICHIGAN

County of Ottawa ss. On this 30th day of April 1937, before me, a Notary Public of Jackson County, Michigan, acting in Ottawa County, personally appeared Henry L. Snyder, Kathy M. Snyder, William Bouwman and Hattie Bouwman

to me known to be the same persons named in and who executed the foregoing instrument, and severally acknowledged the execution of the same to be their free act and deed.

Roy J. Cook

My commission expires July 26, 1939

Notary Public, Jackson County, Mich.