

OIL AND GAS LEASE

Agreement: Made and entered into the 22nd day of February 1984, by and between MICHAEL A. STEIL & LYNN E. STEIL, husband & wife

of 12085 Dutch Settlement Rd., Marcellus, Michigan 49067 hereinafter called lessor (whether one or more), and ROBERT J. MANNES
of P.O. Box 819 E. Holland, Michigan 49423 hereinafter called lessee

1. Witnesseth That for and in consideration of One & More Dollars = = = = = cash, hand paid the receipt of which is hereby acknowledged, and the covenants and agreements hereinafter contained on the 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 lessee, and its heirs, assigns, devisees, executors, administrators, and assigns, the right of prospecting and existing by geophysical and other methods, drilling, mining, operating for and producing oil and gas, and of laying pipelines, building and maintaining roadways and of building tanks, power stations and structures thereon to produce, treat, save, care for and remove said products from all that certain tract of land situated

in the Township of NE BRG County of CASS
State of MICHIGAN described as follows, to wit: SECTION 2: Com. @ NW cor., th. E. 10 ft., th. S. 0° 0' 30" E. 600 ft., th. S. 89° 11' 52" E. 627.24 ft., th. N. 0° 47' 52" W. 72.24 ft., th. S. 47° 25' 27" E. 283.15 ft., th. S. 21° 38' 31" E. 269.1 ft., th. S. 89° 47' 54" W. 6.38 ft., th. S. 19° 56' 52" E. 193.54 ft., th. S. 46° 36' 54" W. 1041.92 ft., th. S. 85° 30' 52" W. to Sec. ln., th. N. to beg.
SECTION 3: Com. @ NE cor., th. S. 89° 12' W. 1260.39 ft., th. S. 3° 33' 50" E. 627 ft., th. S. 88° 44' 44" E. 264.15 ft., th. S. 9° 50' 6" W. 116.27 ft., th. S. 2° 45' 20" E. 179.63 ft., th. S. 25° 9' 42" E. 183.96 ft., th. S. 7° 35' 18" W. 237.37 ft., th. S. 26° 10' 2" W. 82.8 ft., th. N. 85° 48' 11" E. 68.07 ft., th. S. 41° 10' 48" E. 219.06 ft., th. S. 29° 57' 2" W. 59.08 ft., th. S. 87° 19' W. 109.96 ft., th. S. 4° 51' E. 288.26 ft., th. S. 43° 38' 15" E. 96.09 ft., th. S. 22° 49' 34" W. 77.14 ft., th. N. 85° 30' 52" E. to Sec. ln., th. N. alg. Sec. ln. to beg.

of Sections 2&3 Township T6N Range R13W and containing 54 acres, more or less, and including all lands and interests therein, not obvious or apparent to said described land and owned or claimed by lessor, whether or not specifically described above

2. It is agreed that this lease shall remain in force for a primary term of Five years from this date and if lessee fails to commence to drill within said primary term or any extension thereof, lessee shall have the right to continue drilling to completion with respect to said land and term shall extend as long thereafter as oil and gas or other minerals or can be produced by lessee within said land or from any other land owned or controlled by lessee hereinafter provided

3. In consideration of the premises lessee covenants and agrees

To deliver to the credit of lessor, free of cost, its tank cars, tanks 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

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, where the same is being used off the premises, and if used in the manufacture of gasoline a royalty of one-eighth (1/8) payable monthly at the prevailing market rate for gas at the wellhead. Where such gas is not sold or used for a period of one year, and there is no producing gas or oil well on said land or on a communized unit, as hereinafter provided, including said land, lessee may pay or tender as royalty the sum of One Dollar (\$1.00) multiplied by the number of acres subject to this lease at the end of each such one year period, payable annually at the end of each such year during which gas is not sold or used, and while such royalty is so paid or tendered this lease shall be held as a producing property under the above paragraph setting forth the primary term hereof

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 no well be commenced on said land on or before the 22nd day of February 1984 this lease shall terminate as to its parties, unless lessee shall on or before that date pay or tender to lessor or lessor's credit of the

First National BANK at Three Rivers, Michigan 49093

or its successors, as lessor's agent, which shall continue as the depository regardless of changes in ownership of said land, the sum of One Hundred Sixty-Two & 00/100 = = = = = Dollars \$162.00

which shall operate as rental and cover the privilege of deferring the commencement or a lease for 12 months from said date and the depositing of such currency, draft or check on or before said last mentioned date, shall be commencement of a well may be further deferred for 12 months from said date, and lessee and agreed that the consideration first rental is payable as aforesaid but also it shall be understood and agreed that the consideration first rental is payable as aforesaid but also it shall be

5. If during the primary term of this lease and prior to the discovery of oil or gas, lessor shall drill a dry hole or holes on this land or land communized therewith shall cease from any rental period for which rental has been paid or before the next ensuing rental paying date, whichever occurs later in time, operations for the discovery of a well shall be commencement or lessee tenders the payment of rentals in the manner and amount hereinafter provided

6. If lessor owns a less interest in the above described land than the entire undivided therein provided for shall be paid to 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 wells of lessor. When requested by lessor, lessee shall bury lessee's pipe line below plow, house or barn now on said premises without written consent of lessor. Lessee shall pay for the removal of said pipe line, house or barn. Lessee shall have the right at any time to remove all lessee's machinery, fixtures placed on said premises, including the right to draw and remove casing

8. If lessor's operation thereon except water from the surface. No well shall be drilled nearer than 200 feet to the images caused by lessee's operations to growing crops or fixtures placed on said premises, including the right to

8. For the purpose of oil and/or gas development, the production under this lease, lessor does hereby grant to lessee the right to pool or commingle said premises, or any part thereof, with other and to comprise an oil development unit of not more than approximately eighty (80) acres and/or a gas development unit of not more than approximately three hundred twenty (320) acres but lessee shall in no event be required to drill more than one well on said land. 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 oil or gas well 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 the covenants, expressed or implied in this lease, and the 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 lessor within the limitations 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.

9. Notwithstanding anything to the contrary herein contained or implied by law, all present and future rules and regulations of any governmental agency pertaining to well spacing, drilling or production units, use of material and equipment or otherwise shall be binding on the parties hereto with like effect as though incorporated herein at length.

10. 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 30 days after lessee has been furnished with a written transfer or assignment of a true copy thereof, and rentals shall be adjusted in accordance with 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 defaults shall not operate to defeat or affect this lease insofar as it covers a part or parts of said lands upon which the said lessee or any assignee thereof shall make due payments of said rentals.

11. Whenever any well or wells on said lands shall be used by lessee for the injection of water, brine or other fluids produced from lands other than said leased premises for disposal as a conservation measure, lessee shall pay to lessor the sum of One Hundred Dollars (\$100.00) per year for each well so used in addition to all other considerations specified in this lease. The injection of water, brine, or other fluids into subsurface strata shall be made only into strata below furnishing domestic fresh water and lessee agrees to protect adequately lessor's fresh water supply from injury as a result of any of its operations.

12. If the leased premises are now or shall hereafter be owned in severally or in separate tracts, the premises, nevertheless, shall be developed and operated as one lease and all royalties accruing hereunder shall be treated as an entirety and shall be divided among and paid to such separate owners in the proportion that the acreage owned by each separate owner bears to the entire leased acreage. Provided, however, if the leased premises consist of two or more non-abutting tracts, this paragraph shall apply separately to each non-abutting tract, and further provided that if a portion of the leased premises is hereafter consolidated with other lands for the purpose of operating the consolidated tract as one lease, this paragraph shall be inoperative as to such portion so consolidated. There shall be no obligation on the part of the lessee to offset wells on separate tracts into which the land covered by this lease may be hereafter divided by sale, devise, or otherwise, or to furnish separate measuring or receiving tanks.

13. Lessor hereby warrants and agrees to defend the title to said lands herein described and agrees that 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 lessor, if the lease is not recorded, or by placing a release thereof of record in the proper county, if the 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.

IN TESTIMONY WHEREOF WE SIGN, This the 22nd day of February, 1983
Witnesses

Gregory J. Stewart
Noralyne E. Frye

Michael A. Steil
Lynn E. Steil

STATE OF Michigan JSS
COUNTY OF Cass

ACKNOWLEDGMENT TO THE LEASE

On this 22nd day of Feb., A.D. 1983, before me, the undersigned, a Notary Public in and for said county, the State aforesaid, personally appeared Michael A. Steil Lynn E. Steil, husband & wife.

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

Gregory J. Stewart
Notary Public Isabella County Michigan

My Commission Expires January 21, 1985 Acting in Cass County Michigan
STATE OF Michigan JSS
COUNTY OF Cass

ACKNOWLEDGMENT TO THE LEASE

On this 22nd day of Feb., A.D. 1983, before me, the undersigned, a Notary Public in and for said county, in the State aforesaid, personally appeared _____

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

Notary Public _____ County _____

My Commission Expires 19 Acting in _____ County _____
This form was prepared by Gregory J. Stewart of Mt. Pleasant, Michigan 48858
WHEN RECORDED RETURN TO _____

RF CLINE MARKETING, 209 W. Broadway, Mt. Pleasant, MI 48858 Dial (517) 773-7767
FORM M A.P.L. - 2B Producers 88 **CLINE MARK**

RECORDED
1983 FEB 23 PM 3:27

Sally C. ...
REGISTER OF DEEDS
CASS COUNTY, MICHIGAN
LIBER 425 PAGE 903