This lease, executed on the date indicated below, is for the property described herein. The lessee shall pay the rent and all other sums due under this lease in lawful money of the United States of America, to the lessee, except that all bonuses and rentals will be returned to the lessee in the event the lessor does not have a lawful right to lease the premises or for injection into any oil or gas producing formation underlying the leased premises after the last year of the primary term.

A. Lessee agrees to pay lessor a royalty of $1.00 per barrel of crude oil produced from the leased premises.

B. Lessee agrees to pay lessor $2.00 per thousand cubic feet of gas produced from the leased premises.

C. Lessee agrees to pay lessor a royalty of 15% of the gross market value of all other oil, gas, carbon black, sulphur, or any other products produced or manufactured from gas, including liquid hydrocarbons recovered from gas processed in a plant, does not constitute an arm's length transaction. All royalties not taken in kind and other payments under this lease shall be paid to the Commissioner of University and School Lands, except that all bonuses and rentals will be returned to the lessee in the event the lessor does not have a lawful right to lease the premises or for injection into any oil or gas producing formation underlying the leased premises after the last year of the primary term. The lessee shall have the free use of oil, gas, saltwater, and other products produced from the leased premises where the same are reasonably used by lessee to produce oil and gas in commercial quantities from the leased premises. Notwithstanding anything contained herein to the contrary, royalties due under this lease shall be subject to any lawful price controls governing the oil and/or gas produced from the leased premises.
lease for an additional one hundred eighty (180) day period from and after the expiration of the initial extended period of one hundred eighty (180) days, and as long as oil and/or gas is produced in commercial quantities; this lease shall not be extended for more than a total of three hundred sixty (360) days from and after the expiration of the primary term unless production in commercial quantities has been obtained or unless extended by some other provision hereof.

9. After a well producing, or capable of producing, oil and/or gas has been completed on the leased premises, lessee shall exercise the diligence of a reasonably prudent operator in drilling such additional well or wells as may be reasonably necessary for the proper development of the leased premises and in marketing the production therefrom. Lessee shall adequately protect the leased premises from drainage from adjacent lands or leases. Without limiting the generality of the preceding sentence, if oil and/or gas is produced in commercial quantities from adjacent state owned mineral land leased at a lesser royalty or any other adjacent mineral land where the well is within one thousand (1,000) feet of the leased premises and where the leased premises are not entitled to an interest in such well by reason of spacing, pooling, or unitization, lessee shall, within one hundred twenty (120) days after completion of such well, and subject to oil and gas conservation laws, rules, and orders, 1) diligently begin in good faith the drilling of a corresponding offset well on the leased premises, or on lands pooled therewith, and such offset well shall be drilled to such depth as may be necessary to prevent the drainage of the leased premises, 2) agree with lessor to pay a compensatory royalty in lieu of the drilling of an offset well, 3) release sufficient leased acreage (not less than a governmental quarter-quarter section or comparable legal subdivision) to avoid the offset requisites, or 4) apply to lessor for a waiver of the offset obligation the granting of which shall be subject to the sole discretion and approval of the Board of University and School Lands. If an offset well is drilled lessee shall use all means necessary in a good faith effort to make such offset well produce oil and/or gas in commercial quantities.

10. In the event lessee discovers gas in commercial quantities but is unable to market same and this lease is not otherwise being maintained in force and effect, lessee may pay the sum of $1,000.00 per annum for each well capable of producing gas in commercial quantities; such payment shall be made prior to the expiration of the primary term of this lease or if the primary term has expired within sixty (60) days after lessee shuts in such well or ceases to market same gas in commercial quantities but is unable to market same and this lease is not otherwise being maintained in force and effect for the period of such shut-in gas well payment shall extend the term of this lease for a period of one (1) year from the end of the primary term or, if after the primary term, from the first day of the month next succeeding the month in which such well was shut in or production ceased or this lease ceased to be otherwise maintained in force and effect. Thereafter, if no suitable market for such gas exists, lessee may extend this lease for two (2) additional and successive periods of one (1) year each by the payment of a like sum of money each year as above provided, on or before the expiration of the extended term. If, while this lease is being maintained in force and effect by payment of such shut-in gas well payments, gas should be sold from a well or wells situated within 1,000 feet of the leased premises and completed in the same producing reservoir, or in any case where drainage is occurring, the right to further extend this lease by such shut-in gas well payments shall cease and this lease shall remain in force and effect for the remainder of the current one-year period for which the shut-in gas well payment has been made and for an additional period not to exceed two (2) years from the expiration of the primary term by payment by lessee of compensatory royalty at the royalty rate provided for herein, of the value of production from the well completed in the same producing reservoir from which gas is being sold and which is situated within 1,000 feet of or draining the leased premises on which such shut-in gas well is situated; this compensatory royalty shall be paid monthly to lessor beginning on or before the last day of the month next succeeding the month in which such gas is sold, provided further that such compensatory royalties paid in any twelve-month period must be at least equal to the annual shut-in gas well payment provided for herein. Nothing herein shall relieve lessee of the obligation of reasonable development, nor of the obligation to drill offset wells as required by law or by this lease.

11. Whenever as a result of war, rebellion, riots, acts of God, or a governmental law, order, or regulation, other than a Title 15 or Chapter 38-09 of the North Dakota Century Code and other than an order or regulation of the Board of University and School Lands (unless such order or regulation specifically provides otherwise), lessee, despite his good faith effort, is prevented from exercising any rights or performing any obligations under this lease, and this lease is not kept in force and effect by other provisions contained herein, this lease shall remain in full force and effect for the period of such prevention provided lessee acts diligently, when possible, to legally overcome such law, order, or regulation that is preventing lessee from exercising any rights under this lease. This provision shall not operate to extend the lease for a period of more than two (2) years. The operation of this paragraph shall not release lessee from paying royalties on actual production, compensatory royalty under paragraph 9 or the continuing payment of any sum in accordance with a shut-in agreement entered into under paragraph 10. Lessee shall pay lessor the amount of the annual rental specified in paragraph 1 for each year during the period of prevention unless lessor is receiving other compensation under this lease.

12. Lessee agrees to indemnify lessor from any and all lawful claims against lessor for loss, injury or damage resulting from the activities of lessee under this lease.

13. This lease shall be subject to all rules and regulations of the Board of University and School Lands in effect on the date of this lease; such rules and regulations are herein incorporated by reference. If lessor shall fail or refuse to make the payment of any sum due under the lease or if any of the terms of this lease shall be violated, this lease may be cancelled by lessor in accordance with such rules.

14. The rights of Lessee hereunder may not be assigned or subleased in whole or in part without Lessor’s prior written consent.

15. Time is of the essence; however, sufficient time allowances will be given so that a lease will not expire due to delays resulting from the failure of the Board of University and School Lands to act on a proposal under paragraph 9 of this lease.

16. The lessor hereby reserves and retains title to any and all historical, archaeological, and paleontological materials, whether such materials are found upon the surface or below the surface of the land. If the lessee discovers a historical, archaeological, or paleontological resource during its operations on the leased premises, the lessee shall immediately stop work and do nothing to disturb or alter the resource. The lessee shall notify the North Dakota Department of Trust Lands and shall not resume work until the North Dakota Department of Trust Lands notifies the lessee what protective measures, if any, the Commissioner may require to preserve or protect the resource.

17. The covenants, conditions, and agreements contained herein shall extend to and be binding upon the heirs, executors, administrators, successors, or assigns of the lessee.