

U.S. DEPARTMENT OF THE INTERIOR
BUREAU OF INDIAN AFFAIRS, OSAGE AGENCY
813 Grandview, P.O. Box 1539, Pawhuska, Oklahoma, 74056
(918) 287-5740 FAX: (918) 287-5786

OIL MINING LEASE

This lease made and entered in duplicate, _____ on this day of _____ by and between the Osage Nation, Party of the first part, designated as Lessor, and _____, party of the second part, designated as Lessee, under and pursuant to Section 3 of the Act of June 28, 1906, (34 Stat. 539), the Act of March 3, 1921 (41 Stat.1249), Section 1 of the Act of March 2, 1929 (45 Stat. 1478), the Act of June 24, 1938 (52 Stat. 1034), the Act of October 6, 1964 (78 Stat. 1008), and the Act of October 21, 1978 (92 Stat. 1660), witnesseth:

1. The Lessor, in consideration of a bonus of \$ _____, paid to the Superintendent, receipt of which is hereby acknowledged, and of the royalties, covenants, stipulations, and conditions herein contained, and hereby agreed to paid, observed, and performed by the lessee, does hereby grant and lease to the lessee for _____ years from the date of approval hereof and as long thereafter as oil is produced in paying quantities all the oil deposits except as hereinafter provided, in or under land described as follows:

Tr: _____ Sec. _____ Twp. _____ N. _____ Rge. _____ E. _____ Containing _____ acres, more or less.

Lessee or his authorized representative shall have the right to use so much of the surface of the land within the Osage Mineral Estate as may be reasonable for operations and marketing. This includes but is not limited to the right to lay and maintain pipelines, electric lines, pull rods, and other appliances necessary for operations and marketing; the right-of-way for ingress and egress to any point of operations; and the right to use water for lease operations as set out in 25 CFR 226. Lessee shall conduct his operations in a workmanlike manner, commit no waste and allow none to be committed upon the land, nor permit any nuisance to be maintained on the premises under his control.

The Act of June 28, 1906 (34 Stat. 539-543) as amended reserves to the Osage Nation the oil, gas, coal or other minerals covered by said land in perpetuity.

2. Definitions – When used herein the following terms shall be defined as:

- A “Secretary” refers to the Secretary of the Interior or his authorized representative.
- B “Osage Tribal Council” means the duly elected governing body of the Osage Nation or Tribe of Indians of Oklahoma vested with the authority to lease or take other actions on oil and gas mining pertaining to the Osage Mineral Estate.
- C “Superintendent” refers to the Superintendent of the Osage Indian agency or his authorized representative.
- D “Regulations” refers to the regulations in 25 CFR Part 226, promulgated by the Secretary of the Interior and applicable to this lease.
- E “Casinghead gas” means gas produced from an oil well as a consequence of oil production from the same formation.

3. In consideration of the foregoing, the Lessee hereby agrees:

- A. Bond – To furnish such bond as may be required by the Superintendent, with acceptable surety, of United States bonds as surety therefore, conditioned upon compliance with the terms of this lease and the regulations.
- B. Rental – Unless Lessee shall complete and place on production a well producing and selling oil in paying quantities on the land embraced within the lease within 12 months from the date of approval of the lease, or as otherwise provided in the lease terms, or 12 months from the date the Superintendent consents to drilling on any restricted homestead selection, this lease shall terminate unless rental at the rate of One Dollars (\$1) per acre shall be paid before the end of the first year of the lease. The lease may also be held without drilling for the remainder of its primary term upon payment of the specified rental annually in advance, commencing with the second lease year, unless otherwise provided. The completion of a well producing in paying quantities shall, for so long as such production continues, relieve lessee from any further payment of rental, except that should such production cease during the primary term the lease may be continued only during the remaining primary term of the lease by payment of advance rental which shall commence on the next anniversary date of the lease.
- C. Royalty – Lessee shall pay or cause to be paid to the Superintendent, as royalty on oil, the sum of $\frac{1}{5}$ of the gross proceeds from sales after deducting the oil used by lessee for development and operation purposes on the lease: Provided, that when the quantity of oil taken from all the producing wells on any quarter-section or fraction thereof, according to the public survey, during any calendar month is sufficient to average one hundred or more barrels per active producing well per day the royalty on such oil shall be 20 percent; payment shall be made at the time of sale or removal of the oil, except where payments are made on division orders, and settlements shall be based on the actual selling price, or the highest posted or offered price by a major purchaser in the Kansas-Oklahoma area whichever is higher on the day of sale or removal.

D. Casinghead Gas - All casinghead gas shall belong to the oil lessee subject to any rights under existing gas leases. All casinghead gas removed from the lease from which it is produced shall be metered unless otherwise approved by the Superintendent and subject to a royalty of $\frac{1}{5}$ of the market value of the gas and all products extracted there from, less a reasonable allowance for manufacture or processing. If oil lessee supplies casinghead gas produced from one lease for operation and - or development of other leases, either his or others, a royalty of $\frac{1}{5}$ shall be paid on the value of all casinghead gas so used. All casinghead gas not utilized by the oil lessee may, with the approval of the Superintendent, be utilized by the gas lessee, subject to the prescribed royalty of $\frac{1}{5}$.

E. Development -

(1) Lessee shall drill and produce all wells necessary to offset or protect the leased land from drainage by wells on adjoining lands on which Lessor is not the owner of the minerals, or in lieu, thereof, to compensate the Lessor in full each month for the estimated loss of royalty through drainage; Provided, that during the period of supervision by the Secretary, the necessity for offset wells shall be determined by the Superintendent and payment in lieu of drilling and production shall be with the consent of, and in amount determined by the Superintendent. The Superintendent in his discretion may order further development of any leased acreage or separate horizon if, in his opinion, a prudent operator would conduct further development.

(2) The lessee accepts this lease with the understanding that the lands covered hereby are or may be leased to another party who shall have the exclusive right to prospect for and produce gas. If lessee is notified of indications of possible oil production as the result of drilling by a gas lessee, he shall have the option to take over the well subject to acceptance and payment as provided in the regulations in 25 CFR Part 226.

(3) If the oil lessee drills a gas well, he shall immediately, without removing from the well any of the casing or other equipment, notify the gas lessee and Superintendent. If the gas lessee does not, within 15 days after receipt of notice and cost of drilling elect to take over the well, he shall immediately notify the oil lessee, and the disposition of such well and the production therefrom shall be subject to the approval of the Superintendent. Should the gas lessee elect to take over the well, he shall pay the oil lessee the cost of drilling the same, including all damages paid and cost in place of casing and other equipment. If the oil lessee shall drill a gas well upon lands not leased for gas purposes, he shall immediately notify the Superintendent who may, until such time as said lands are leased, permit the lessee to operate and market the production therefrom. Where said lands are later leased, the lessee who drilled and completed the well shall be reimbursed by the gas lessee, the cost of drilling said well, including all damages paid and the cost in place of casing and other equipment. If the gas lessee does not elect to take over said well as provided above, the disposition of such well and the production therefrom shall then be subject to the approval of the Superintendent.

F. Regulations - It is specifically understood this lease is subject to the current regulations of the Secretary contained in CFR 226, "LEASING OF OSAGE RESERVATION LANDS FOR OIL AND GAS MINING," and any amendments to the regulations hereinafter promulgated are made a part of this lease and lessee hereby agrees to abide and conform thereto.

4. Operations.

A. Restrictions - The Superintendent may impose restrictions as to time of drilling and rate of production from any well or wells when, in his judgment, such action may be necessary or proper for the protection of the natural resources of the leased land and the interests of the

Osage Nation. No productive well shall be abandoned until its lack for further profitable production has been demonstrated to the satisfaction of the Superintendent.

B. Pollution - Lessee and his employees, contractors and other representatives shall, to the satisfaction of the Superintendent, take all proper precautions and measures to prevent damage to or pollution of oil, gas, fresh water, or other minerals bearing formations and prevent the migration of oil, gas, salt water or other substance from one stratum into another including any fresh water bearing formation.

C. Homesteads - Neither lessee nor those acting for lessee shall conduct operations on any homestead selection, title to which has continued in the original allottee, without written consent of the Superintendent.

D. Drilling - Before commencing a drilling operation, Lessee shall pay or tender to the surface owner commencement money as set out in the regulations in 25 CFR 226, after which lessee shall be entitled to immediate possession of the drilling site. Lessee shall not drill within 300 feet of boundary line of leased lands, nor locate any well or tank within 200 feet of any public highway, established watering place, or building used as a dwelling, granary, or barn, except with the written permission of the Superintendent.

E. Tank sites - Lessee shall pay for tank sites as set out in 25 CFR 226.

F. Damages - All claims for damages for use of the surface other than tank sites, all claims for damages to growing crops or improvements on the lands, and all other claims for damages to the surface owners or their lessees arising from operations by the Lessee shall be settled amicable if possible, but if the parties are unable to agree they shall resort to arbitration in the manner provided in the regulations. Nothing contained in this lease shall be construed to deny to either party to the controversy the right to appeal to the court in the event he is dissatisfied with the award to or against him.

G. Use of water – Lessee or his contractor may with the approval of the Superintendent, use water from streams and natural water courses to the extent that same does not diminish the supply below the requirement of the surface owner from whose land the water is taken. Similarly, Lessee or his contractor may use water from reservoirs formed by the impoundment of water from such streams and natural water courses, and pipe the same in accordance with the provisions of 25 CFR 226.

5. Other – A. Assignment – This lease or any interest therein may be assigned or transferred only with the approval of the Superintendent. The assignee must be qualified to hold such lease under existing rules and regulations and shall furnish a satisfactory bond conditioned for the faithful performance of the covenants and conditions thereof. Lessee must assign either his entire interest in the lease or legal subdivision thereof, of an undivided interest in the whole lease: Provided, that when an assignment covers only a portion of the lease or covers interests in separate horizons such assignment shall be subject to both the consent of the Osage Minerals Council and approval of the Superintendent. If the lease is divided by the assignment of an entire interest in any part, each part shall be considered a separate lease and the assignee shall be bound to comply with all the terms and conditions of the original lease. A fully executed copy of the assignment shall be filed with the Superintendent within 30 days after the date of execution by all parties.

B. Surrender – Lessee may, with the approval of the Superintendent and payment of a \$10 dollar filing fee surrender all or any portion of this lease, have the lease cancelled as to the portion surrendered and be relieved from all subsequent obligations and liabilities. If the lease, or portion being surrendered, is owned in undivided interests by more than one party, then all parties shall join in the application for cancellation: Provided, that if this lease has been recorded, Lessee shall execute a release and record the same in the proper office. Such surrender shall not entitle Lessee to a refund of the unused portion of rental paid in lieu of development, nor shall it relieve Lessee and his sureties of any obligation and liability incurred prior to such surrender. Provided, further, that when there is a partial surrender of any lease and the acreage to be retained is less than 160 acres or there is a surrender of a separate horizon, such surrender shall become effective only with the consent of the Osage Minerals Council and approval of the Superintendent.

C. Penalty – Violation of any of the terms or conditions of this lease or of the regulations in 25 CFR 226 shall subject the lease to cancellation by the Superintendent, or Lessee to a fine of not more than \$500 per day for each day of such violation or noncompliance with the orders of the Superintendent, or to both such fine and cancellation.

D. Form of payment – Lessee shall make all payments, maintain all required records, and file all applications and reports in a timely manner as prescribed by 25 CFR 226. Sums due under this lease and-or the regulations shall be paid by cash or check made payable to the Bureau of Indian Affairs and delivered to the Osage Agency, Pawhuska, Oklahoma 74056.

E. Termination –

(1) Upon termination of lease: Permanent improvements, unless otherwise provided by written agreement with the surface owner and filed with the Superintendent, shall remain a part of said land and become the property of the surface owner upon termination of the lease, other than by cancellation, excepting personal property which may include tools, tanks, pipelines, pumping and drilling equipment, derricks, engines, machinery, and the casings of all wells: Provided, that when any lease terminates all such personal property shall be removed within 90 days or such reasonable extension of time as may be granted by the Superintendent. Otherwise, the ownership of all casings shall revert to Lessor and all other personal property and permanent improvements to the surface owner. Nothing herein shall be construed to relieve Lessor of responsibility for removing any such personal property or permanent improvements from the premises if so required by the Superintendent and restoring the premises as near as practicable to its original state.

(2) Upon cancellation of lease: When there has been a cancellation for cause, Lessor shall be entitled and authorized to take immediate possession of the lease premises and all permanent improvements and all other equipment necessary for the operation of the lease.

F. Force Majeure – All express or implied covenants of this lease shall be subject to all Federal Laws, Executive Orders, Rules or Regulations, and this lease shall not be terminated, in whole or in part, nor lessee held liable in damages, for failure to comply therewith, if compliance is prevented by, or if such failure is a result of, any such Law, Order, Rule or Regulation.

6. Successors in Interest – It is covenanted and agreed that all obligations hereunder shall extend to and be binding upon, and every benefit hereof shall inure to, the heirs, executors, administrators, successors of, or assigns of the respective parties hereto.

In witness whereof, the said parties have hereunto subscribed their names and affixed their seals on the day and year first above mentioned.

Chairperson, Osage Minerals Council

Lessee

Lessee

ACKNOWLEDGMENT OF CHAIRPERSON

STATE OF OKLAHOMA, COUNTY OF OSAGE, ss:

Before me, a Notary Public on this _____ day of _____, 20 _____, personally appeared

To me known to be the _____ Chairperson, of the Osage Minerals Council, and the identical person who executed the within and foregoing lease, and acknowledged to me that he/she executed the same as his/her voluntary act and deed on behalf of the Osage Nation and in accordance with the authority given him/her by the Osage Minerals Council.

My commission expires _____

Notary Public

ACKNOWLEDGMENT OF INDIVIDUAL

STATE OF _____, COUNTY OF _____, ss:

Before me, a Notary Public, in and for said County and State, on this _____ day of _____, 20 _____, personally appeared _____, to me known to be the identical person _____ who executed the within and foregoing lease, and acknowledged to me that _____ executed the same as _____ free and voluntary act and deed for the uses and purposes therein set forth.

My commission expires _____

Notary Public

ACKNOWLEDGMENT OF CORPORATION

STATE OF _____, COUNTY OF _____, ss:

On this _____ day of _____, A.D. 20 _____, before me a Notary Public within and for the State and County aforesaid, personally appeared

And _____ to me personally known, who being by me duly sworn, did each say that _____ is the president and _____ is the

Secretary of

a corporation, and that the seal affixed to the foregoing and annexed instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors; and said

_____ and _____ duly acknowledged that they each had in their said official capacities executed the foregoing instrument as the act and deed of the said company for the consideration and purposes therein mentioned as set forth.

Witness my hand and official seal this _____ day of _____, 20 _____.

My commission expires _____

Notary Public

