Abstract of Oil and Gas Mining Lease

This is an abstract of an Oil and Gas Mining Lease executed and made effective on the ___ day of ___________ by which Northwest Farm Credit Services, FLCA, c/o AgriBank, FSB, 30 East Seventh Street, Suite 1600, St. Paul, Minnesota 55101, incorporated under the laws of the United States, herein called Lessor, has leased and let unto:

herein called Lessee, its successors and assigns, certain mineral interests, located in the County of ____________________, State of ________________, described as follows:

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<th>East of the Montana Principal Meridian</th>
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The Oil and Gas Mining Paid-Up Lease is granted for a primary term of ___ 3 ___ years and as long thereafter as operations leading to or resulting in the production of the commodities so designated in the lease, continue on the leased premises as specified in the lease, unless sooner terminated.

All payments are to be sent to the lessor’s agent’s corporate headquarters at NWFCS, FLCA, c/o AgriBank, Attn: Minerals-Controllers Dept 14E, 30 East Seventh Street, Suite 1600, St. Paul, MN 55101. All legal notices and other correspondence is to be sent to NWFCS, FLCA, c/o AgriBank, Attn: Minerals Management 1W, 30 East Seventh Street, Suite 1600, St. Paul, MN 55101 (Telephone 651-232-8419). Corporate headquarters of Northwest Farm Credit Services, FLCA is located at 1700 South Assembly Avenue, Spokane, WA 99224-2121.

A full and complete copy of the above described Oil and Gas Mining Lease may be obtained without cost from Lessee at the above address.

In witness hereof, Lessor has executed this Abstract of Oil and Gas Mining Lease as a true representation of the actual lease, effective on the day and year above written.

LESSOR
NORTHWEST FARM CREDIT SERVICES, FLCA
(Tax Identification No. 91-2006138)

By: __________________________________________ Authorized Agent

STATE OF MINNESOTA )
COUNTY OF RAMSEY ) SS.

On the ____ day of _____ in the year __2015__ before me, a Notary Public, personally appeared _______ known to me to be an Authorized Agent of the corporation that executed the within instrument, and acknowledged to me that such corporation executed the same.

Notary Public for the State of

Residing at

My commission expires

Printed Name

Signature
Oil and Gas Mining Lease

THIS AGREEMENT MADE THIS ___ day of _____________, ____ by and between NORTHWEST FARM CREDIT SERVICES, FLCA, c/o AgriBank, FCS, 30 East Seventh Street, Suite 1600, St. Paul, Minnesota 55101, incorporated under the laws of the United States, hereinafter called Lessor, and

hereinafter called Lessee,

WITNESSETH:

In consideration of the premises, Lessor and Lessee covenant and mutually agree as follows:

1. Consideration and Grant – The Lessor, for and in consideration of TEN AND NO/100 DOLLARS ($10.00) cash in hand paid, and other good and valuable consideration, the receipt of which is hereby acknowledged, and of the covenants and agreements hereinafter contained on the part of Lessee to be paid, kept and performed, has leased and let, and by these presents does lease and let unto Lessee, with the exclusive right and privilege to prospect (including geophysical exploration) and drill for, mine and extract all of the Oil and/or Gas in, on, or under the land described below, together with the right to pipe, store, and remove Oil and Gas and to occupy and use so much of the surface of the land described below, as may reasonably be necessary to carry on the work of prospecting for, extracting, piping, storing, and removing such Oil and/or Gas, all of the Lessor’s title, right and interest in that certain tract of land together with any reversionary rights therein, situated in the County of ______ State of ______ described as follows (“leased premises”):

   Township ______ Range ______ East. of the Montana Principal Meridian ______ Section ______

   and comprising ______ acres, more or less.

2. Title

   (a) Subsurface Rights Only – Lessor intends to lease and let all of its right, title and interest in the leased premises. However, Lessor rarely, if ever, owns any of the surface estate. In addition, Lessor may have released its right of entry and its interest in the mineral estate down to a depth of 500 feet. Therefore, NOTWITHSTANDING ANY PROVISIONS TO THE CONTRARY HEREIN CONTAINED, this lease and all rights granted to Lessee are expressly limited to those depths lying 500 feet below the surface of the leased premises. Lessee shall not have the right to enter upon or use any portion of the leased premises lying above said depth, unless, Lessee determines that Lessor’s title is not so restrictive or Lessee obtains the right to enter from other interest owners.

   (b) No Warranty of Title – This lease is made without warranty of title express, implied or statutory. This lease is subject to all easements, rights-of-way, oil and gas leases covering rights or formations not covered in this lease, and other mineral leases recorded prior to the recording of this lease. Lessor will not furnish an abstract or any other evidence of title or defend title to the leased premises nor will it protect against claims for the payment of taxes, privilege taxes or tax proceedings. All monies paid pursuant to this lease are non-refundable.

3. Definitions – It is mutually agreed that the following terms as used in this agreement, whether capitalized or not, shall be defined as follows:

   (a) Oil – Shall mean liquid hydrocarbon compounds and their related Non-Hydrocarbon Constituent Parts.

   (b) Gas – Shall mean gaseous hydrocarbon compounds and their contained dissolved liquid hydrocarbon compounds and their related Non-Hydrocarbon Constituent Parts.

   (c) Non-Hydrocarbon Constituent Parts – Shall mean non-hydrocarbon compounds included as a part of either liquid or gaseous hydrocarbon production which is economically marketable and is separated for its own value. These include, but are not limited to, helium, carbon dioxide, nitrogen, sulfur dioxide, and sulfur compounds. All other minerals and mineral deposits of any kind, character, type and nature whatsoever, which are not associated with liquid or gaseous hydrocarbon production, are expressly excepted and reserved to Lessor.

   (d) Market Pipeline – Shall mean either (i) any pipeline subject to federal jurisdiction or (ii) any pipeline of twenty-four (24) inches or more in diameter.

   (e) Unit – Shall mean a bounded area formed for the purpose of producing Oil and Gas, which may be described by, but not limited to, the following terms: spacing unit, drilling unit, production unit, secondary recovery unit or federal unit. This area may contain one or more leases which have been merged together, either voluntarily or by the result of action by any duly authorized authority having jurisdiction, to function as if a single entity. The size and shape of the unit is to be determined by special field rules granted by the governmental regulatory body having jurisdiction or, in the absence of special field rules, by the general statewide rules and regulations and rules of practice and procedure which relate to oil and gas.

   (f) Drilling Operations – Shall mean the drilling, fracturing, fracking, hydraulic fracturing, testing and completion of a well on the leased premises, or lands pooled therewith, with the intent of discovering commercial quantities of Oil and Gas, with the well projected to such depth to intersect a target formation which is believed to have a potential for the economic recovery of Oil and/or Gas. Drilling Operations are interpreted to be from the time surface well site preparation begins to the final completion or abandonment of the well.

   (g) Reworking Operations – Shall mean the reworking, recompleted, deepening, plugging back or repairing of a well on the leased premises, or lands pooled therewith, with the intent of obtaining commercial quantities of Oil or Gas.

   (h) Operations – Shall mean Drilling Operations and/or Reworking Operations.
(i) Diligently Prosecuted – Operations shall be considered diligently prosecuted if conducted in good faith with due diligence and no cessation of Operations greater than 60 days. In no event shall Operations under this lease be deemed to have occurred, unless the Lessee has obtained a valid drilling permit for the leased premises and/or lands pooled or utilized therewith.

4. Term, Extensions thereof:
It is agreed that this lease shall remain in full force for a primary term of ___ years from this date, and so long thereafter as any leased substance is produced in paying quantities from the leased premises or lands pooled or utilized therewith or for so long as Lessee is conducting Diligently Prosecuted Operations on the leased premises, or lands pooled or utilized therewith.

(a) No Delay Rentals – This is a three (3) year "Paid-up" lease and no rentals are due during the primary term.

(b) Shut-In Gas Royalty – Notwithstanding anything herein to the contrary, if, at the expiration of the primary term, all wells on the leased premises or in a Unit that includes all or a part of the leased premises, capable of producing Gas in paying quantities, for lack of a market or of a pipeline, or production therefore is ceased due to adverse economic conditions, and this lease is not otherwise kept in force pursuant to the terms hereof, the Lessee may maintain this lease for a period of one year by tendering to Lessor a shut-in royalty for such annual period equal to two dollars ($2.00) per net acre then covered by this lease or a total of Three Hundred Dollars ($300.00), whichever is greater. The shut-in royalty shall be paid or tendered to the Lessee at the beginning of each annual period in which all wells are so shut-in. For the purpose of this clause the "annual period" will begin on the month and day of the lease date. Whereas delay rental payments are required to be received in advance of the lease anniversary date, the receipt of shut-in payments under this clause shall be received within 30 days following the lease anniversary date. Upon payment of the shut-in royalty as provided herein, this lease will continue in force as if production were being obtained from the leased premises. After the end of the primary term, this lease may not be maintained in force solely by reason of the shut-in royalty payments, as provided herefore, for any one shut-in period of more than thirty-six (36) consecutive months, or for more than sixty (60) cumulative months. The basis of the time limit provisions of this clause will be the production records of the state regulatory authority. The consecutive and cumulative monthly time limits of shut-in Oil and Gas shall run from the expiration of the primary term for which shut-in is maintained.

(c) Dry Hole / Interruption of Production – If at any time during the extended term of this lease, Lessee shall drill a dry hole or holes on the leased premises, or lands pooled or utilized therewith, or if, after production is obtained, production should cease, Lessee shall have sixty (60) days to commence Operations to re-establish production, either by drilling a new well or by reworking a previously drilled well, and there shall not be any lapses in said Operations of longer than sixty (60) days. Lessee shall furnish Lessor with sufficient information to document the Operations being performed. If production is established as a result of such Operations, this lease will remain in effect as long as any leased substance is produced hereunder.

5. Royalty
The royalty share shall be __________% percent

Lessor expressly reserves the right, at its option, to take its royalty share of production in kind, as set out below, and Lessor agrees:

(a) Oil – To deliver or cause to be delivered to Lessor at the well or to the credit of Lessor into the pipeline to which the well may be connected, Lessor's royalty share of the Oil produced from the leased premises, provided, however, that in the event of storage of Oil by Lessee, such storage shall be at the expense of the Lessee without charge to Lessor. In the alternative, at Lessee's option, Lessee may pay Lessor royalty in kind or Oil produced based on a royalty share of the price prevailing in the market place for Oil of like kind and quality at the time, but such share shall never be less than the total proceeds received by Lessee in connection with the sale of the Oil and produced and sold.

(b) Gas – To deliver or cause to be delivered to the credit of Lessor into the pipeline to which the well may be connected and into which Lessor is delivering its share of production, Lessor's royalty share of the Gas produced from the leased premises, or at Lessor's option as hereinafter provided, to pay Lessor royalty for Gas as follows:

(1) On Gas produced from the leased premises and sold by Lessee or used off the leased premises and to which subparagraph (2) does not apply, the royalty share of the market value of Gas of like kind and quality at the time at the point the Gas enters a Market Pipeline.

(2) On Gas produced from the leased premises that is processed in a processing plant, the higher of the royalty percentage of the market value of the Gas at the inlet to the processing plant, or the royalty percentage of the market value of all processed liquids saved from the Gas at the plant plus the royalty percentage of the market value of all residue gas at the point the Gas enters a Market Pipeline.

(c) Value – For purposes of payment of royalties, except as expressly provided herein, Lessor's royalty will never bear, either directly or indirectly, any part of the costs or expenses of production, separation, gathering, dehydration, compression, transportation, trucking, processing, treatment, storage, or marketing, which limitation shall specifically include all such costs incurred prior to the point the Oil or Gas enters a Market Pipeline, or any part of the costs of construction, operation, or depreciation of any pipelines, roads, tanks, plants, or other facilities or equipment used in the handling of Oil or Gas.

(d) Reports – At Lessor's request, Lessee shall provide Lessor copies of any agreements relating to the sale, processing, or transportation of Oil or Gas produced from the leased premises together with copies of all checks or other evidence of payment under such agreements and other information as may be reasonably requested by Lessor to confirm the calculation of the price paid for Lessor's royalty. If requested by Lessor, Lessee shall provide Lessor quarterly reports showing the amounts paid for Oil and Gas processed, the amount of Oil and Gas, the identity of each purchaser, the price received, and other information as may be necessary to verify the royalty paid. The information provided shall include an itemization of any deductions or charges from or to the proceeds from the sale of such production.

(e) Minimum Royalty – Where Gas only is found and Lessor elects to be paid the above stated royalty, the annual cumulative royalty paid to Lessor shall never be less than one dollar ($1.00) per net acre then covered by this lease or one hundred dollars ($100.00), whichever is greater. The balance of minimum royalty due shall be paid within sixty (60) days following the lease anniversary date.

(f) Lessor's Royalty Option – Lessor shall have the right on one hundred twenty (120) days' notice in writing to Lessee a any time and from time to time, as often as Lessor may desire, to change the method of payment of any or all of its royalty from payment in kind to payment in money or vice versa. Until Lessor elects otherwise, the entire royalty hereunder shall be payable in money.

If Lessor should exercise this option and take its royalty share in kind, Lessor shall be obligated to pay the following:

(1) Oil – To pay Lessor's proportionate share of any transportation and storage costs only if said Oil is transported by Lessee and stored off the leased premises.
17. Denial of Entry - If a person shall enter the premises without authority, the premises shall be returned to the Lessors at the expiration of the term of the lease or within 24 hours after notice of such entry.

18. Fencing - The Lessee, at his option, shall erect a fence around the premises to prevent unauthorized entry thereon.

19. Restoration of Premises - The Lessee shall restore the premises to the condition existing at the commencement of the tenancy, reasonable wear and tear excepted.

20. Indemnification - The Lessee agrees to indemnify the Lessors against all claims and damages arising out of the use or occupancy of the premises.

21. Assignment of Premises - The Lessee may assign the premises to any person with the consent of the Lessors.

22. Legal Action - In case of any dispute arising out of the tenancy, both the parties agree to submit to the jurisdiction of the courts of the State of [State Name].
b) Vertical Pugh Clause. One year after the expiration of the primary term, this lease shall terminate as to all depths and horizons lying below the stratigraphic equivalent of one hundred feet (100') below the base of the deepest producing formation in any well drilled on the leased premises or on lands with which the leased premises has been pooled or united.

18. Information – Upon request by Lessor, Lessee shall furnish to Lessor copies of file opinions, applications to drill, daily drilling reports, well tests, completion reports, summary of frac treatments (all separately reported per frac stage and including, fluid types and volumes, (volume and type) and number and spacing of frac stages), plugging records, purchase contracts, and production reports. Lessor will have the right to inspect and take samples of all cores and cuttings and witness the taking of all logs and drill stem tests, and Lessee agrees to furnish Lessor with copies of all logs and surveys taken promptly after taking them, including seismic surveys, data, and interpretations. Lessee will divulge to Lessor true and correct information as requested by Lessor as to each well, the production therefrom, and such technical information as Lessee may acquire. Lessor hereby agrees to keep any and all such information strictly confidential until such time as the information is no longer confidential. Lessor has the right to have a representative present when wells or tanks are gauged and production metered and has the right to examine all run tickets and to have full information as to production and runs and to receive copies of all run tickets upon request.

19. Notice of Operations and Agency Actions - Lessee shall give Lessor advance written notice of the spud date, commencement and completion of drilling or other wellbore completion Operations, temporary abandonment, and plugging and final abandonment of any well producing from the leased premises whether or not such well is located on the leased premises or lands pooled therewith. Such notice shall be provided or delivered to Lessor no less than three (3) business days prior to such an event. Lessee shall give Lessor written notice of any hearings or actions, whether by a governmental agency or a court, affecting the leased premises; such notice shall be provided or mailed to Lessor within five (5) business days following the date that Lessee learns of same.

20. Indemnity - Lessee and its successors and assigns, shall defend, indemnify, release and hold harmless Lessor and Lessor's heirs, successors, representatives, agents and assigns ("Indemnitees"); from and against any and all claims, liabilities, judgments, demands and causes of action for injury (including death) or damages and losses to persons or property arising out of, incidental to or resulting from the Operations of or under the terms of this lease, or due to, Lessee or Lessee's servants, agents, employees, guests, licensees, invitees or independent contractors, and from and against all costs and expenses incurred by Indemnitees by reason of any such liabilities, claims, regulatory or environmental issues, damages or loss of any property, injuries or death, including reasonable attorneys' fees, fines, penalties, interests, costs, and losses; and each assignee of this Lease, or an interest holder therein, agrees to indemnify and hold harmless Indemnitees in the same manner provided above. Each assignee of the Lessee, or any interest therein, agrees to indemnify and hold harmless the Indemnitees as if said assignees were party to this lease when executed. Such indemnity shall apply to any claim arising out of Operations conducted under or pursuant to this lease, howsoever caused. The provisions of this paragraph shall survive the termination of this lease.

21. Attorney's Fees - In the event either party commences litigation to enforce the provisions of this lease, the prevailing party in such litigation shall be entitled to reasonable attorney fees plus its cost of suit.

22. Notices – All payments are to be sent to the lessor's agent's corporate headquarters at NWFCS, FLCA, c/o Agribank, Attn: Minerals-Controllers Dept 14E, 30 East Seventh Street, Suite 1600, St. Paul, MN 55101. All legal notices and other correspondence is to be sent to NWFCS, FLCA, c/o Agribank, Attn: Minerals Management 1W, 30 East Seventh Street, Suite 1600, St. Paul, MN 55101 (Telephone 651-262-8419). Corporate headquarters of Northwest Farm Credit Services, FLCA is located at 2001 South Flint Road, Spokane, WA 99224-9128.

23. Severability - If any provision of this lease is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this lease will remain in full force and effect. Any provision of this lease held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

24. Governing Law - This Lease shall be governed and construed in accordance with the laws of the state where the leased premises is located and any and all disputes must be resolved in a circuit court located solely in such state.

LEASOR
Northwest Farm Credit Services, FLCA
(Tax Identification No. 91-2006136)

By: ____________________________________________
Authorized Agent

STATE OF MINNESOTA

COUNTY OF RAMSEY

On this _______ day of ______________ in the year ______________, before me, a Notary Public, personally appeared

____________________________
known to me to be an Authorized Agent of the corporation that executed the within instrument, and
acknowledged to me that such corporation executed the same.

Notary Public for the State of

Residing at __________________________

My commission expires __________________________

Printed Name __________________________

Signature __________________________