OMB# 1076-0180
Expires 07/31/2029

FORM A **CONTRACT NUMBER**

Approved by Secretary of the Interior
(Revised March 2015)

GAS MINING LEASE **14-20-G06-_____**
OSAGE RESERVATION, OKLAHOMA

This lease made and entered into in duplicate, on this day of by and between the Osage Minerals Council,

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 gas is produced in paying quantities all the gas 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 operation; 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 the oil, gas, coal or other minerals covered by said land in perpetuity.

2. Definitions – Unless otherwise defined herein terms shall be defined as set forth in 25 CFR 226.
3. In consideration of the foregoing, the Lessee hereby agrees to comply with 25 CFR Part 226, including not limited to:
   A. Bond – To furnish such bond as is required by 25 CFR 226.9 or .10, 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 in production a well producing and selling gas 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 Three Dollars ($3) 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 a royalty of **1/5** of the value of all gas and products extracted there-from produced and sold from this lease, unless the Superintendent provides notice at least thirty (30) days in advance directing the lessee to calculate gross proceeds at the higher royalty value described in 25 CFR 226.20(b) or (c). Gas used in the reasonable and prudent operation and development of said lease shall be exempted from royalty payment. In no event shall the royalty paid from this lease during any year be less than an amount equal to the annual rental specified above.
   D. Development –
      (1) If this lease covers more than one quarter section, the Lessee is subject to the following requirements:
      a. Lessee shall drill at least one well by the end of the third year of the lease for each four quarter sections or fraction thereof covered by this lease to the Mississippi Limestone formation unless natural gas in paying quantities is found at a lesser depth. Failure of the lessee to comply with this requirement shall subject the lease to cancellation.
      b. Lessee, before the end of the fourth year of the lease, shall submit a plan for continued development of the leased acreage, and upon approval thereof by the Superintendent shall proceed with its diligent execution. Failure to submit such plan may subject Lessee to a fine or to lease cancellation.
      c. The Superintendent may at any time after approval of the initial development plan convene a hearing at which Lessee will be required to submit justification for continuation of the plan then in effect.
      (2) Lessee shall drill and produce all wells necessary to offset or protect the leased land from drainage in accordance with 226.15, in addition, the Superintendent in accordance with 25 CFR 226.16, may serve a demand letter to the lessee to take action to prevent drainage. 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.
      (3) 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 oil. If lessee is notified of indications of possible gas production as the result of drilling by an oil 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.
      (4) If the gas lessee drills an oil well, he shall immediately, without removing from the well any of the casing or other equipment, notify the oil lessee and the Superintendent and follow the procedures set forth in 25 CFR 226.49.
   E. Regulations – It is specifically understood this lease is subject to the 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 shall be conducted in accordance with 25 CFR 226, including but not limited to:
   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 interest of

the Osage mineral estate. 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 amicably 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 in accordance with 25 CFR 226.48.

H. Use of gas – Lessee shall furnish an oil lessee on or adjacent to the leased premises sufficient gas for operating purposes in accordance with the provisions of 25 CFR 226. Gas shall be furnished any Tribal-owned building or enterprise at a rate not to exceed the price offered by a gas purchaser less royalty being received. Any member of the Osage Tribe residing in Osage County and outside a corporate city is entitled to the use of gas at his own expense not to exceed 400,000 cubic feet per calendar year for his principal residence at a rate not to exceed the amount paid by a gas purchaser plus 10 percent. The requirement to furnish gas for tribal or individual purposes shall be subject to the determination by the Superintendent that gas in sufficient quantities is available above that needed for lease operation and that no waste would result.

5. Other –

A. Assignment – This lease or any interest therein may be assigned or transferred in accordance with 25 CFR 226.29 and 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, or an undivided interest in the whole lease: Provided, that when an assignment covers only a portion of the lease 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 in accordance with 25 CFR 226.6 and with the approval of the Superintendent and payment of a $75 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 such surrender shall become effective only with the consent of the Osage Minerals Council and approval of the Superintendent.

C. 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 check, unless otherwise specified by the Superintendent, made payable to the Bureau of Indian Affairs and delivered to the Osage Agency, Pawhuska, Oklahoma 74056.

D. 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.

E. 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.

F. Penalties – Notwithstanding the fines and penalties provisions contained in 25 CFR 226, as allowed by 25 CFR 226.67 & .68 the Lessee agrees to the following fines and penalties:

(1) Violation of any of the terms or conditions of any lease or of the regulations in this part shall subject the lease to termination by the Superintendent after consultation with the Osage Minerals Council; or the lessee to a fine of not more than $1000 per day for each day of noncompliance with the written orders of the Superintendent; or to both such fine and lease termination. All penalties and fines shall be paid to the Superintendent in the form of a money order, cashier's check or electronic funds transfer.

(2) However, in lieu of the penalties provided above, penalties may be imposed by the Superintendent for violation of certain sections of the regulations of this part as follows,:

(a) For failure to obtain permission to start operations required by § 226.34(a), $150 per day.
(b) For failure to file records required by§§ 226.26, 226.53(d), 226.56, $150 per day until compliance is met.
(c) For failure to mark wells or tank batteries as required by § 226.58, $150 per day for each well or tank battery.
(d) For failure to construct and maintain pits as required by § 226.44(b)-(d), $150 for each day after operations are commenced on any well until compliance is met.
(e) For failure to comply with § 226.60 regarding control of wells, $250 per day.
(f) For failure to notify Superintendent before drilling, redrilling, deepening, plugging, or abandoning any well, as required by §§ 226.34(b)-(c) and 226.49, $400 per day.
(g) For failure to properly care for and dispose of deleterious fluids as provided in § 226.44(e), $1000 per day until compliance is met.
(h) For failure to perform or start an operation within five (5) days after ordered by the Superintendent in writing, if said operation is thereafter performed by or through the Superintendent, the actual cost of performance thereof, plus 25 percent.
(i) For failure to maintain adequate bonding, $500 per day.
(j) Whenever a transporter fails to permit inspection for proper documentation by any authorized representative of the Superintendent, the transporter shall be liable for a civil penalty of up to $1000 per day for the violation, not to exceed a maximum of 20 days, dating from the date of notice of the failure to permit inspection and continuing until the proper documentation is provided.

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 _____, 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.

_____
Notary Public

My commission expires _____

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.

_____
Notary Public

My commission expires _____

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 _____.

_____
Notary Public

My commission expires _____

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_____

UNITED STATES
DEPARTMENT OF THE INTERIOR
Bureau of Indian Affairs
Osage Agency
P.O. Box 1539
Pawhuska, Oklahoma

Date _____

APPROVED: Under the authority delegated by 200 DM 1, 209 DM 8, 230 DM 1, 3 IAM 4.1 and Muskogee Area Addendum 9901 to 3 IAM 4 issued June 22, 1999

The within lease is hereby approved pursuant To authority delegated by 25 CFR 226.4

_____
Superintendent, Osage Agency

DESCRIPTION OF BOND

Surety _____
Agent _____ **Address** _____
Date _____ **Amount $**_____

	Interest:
_____	_____
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ASSIGNMENTS

Department Approval	**BY**	**TO**	
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