

RESOLUTION
#2016-05-23B

A RESOLUTION AUTHORIZING ADVERTISEMENT AND SALE OF OIL & GAS LEASES

WHEREAS, the Board of County Commissioners of Custer County, Oklahoma is the owner of the following described tract of land located in Custer County, State of Oklahoma, to-wit:

Section One (1), Township Fourteen North (14N), Range Fourteen West (14W)
Custer County, Oklahoma

Tract 1: A Strip of land 23 feet wide and .5 mile long situated on the West side of the NE/4 of Section 1-14N-14W, and one strip of land 16.5 feet wide and .5 mile long situated on the South side of Section 1-14N-14W – 2.394 acres

Tract 2: A Strip of land 10 feet wide and .5 mile long situated on the East side of the NW/4 of Section 1-14N-14W – 0.61 acres

Tract 3: One strip of land 16.5 feet wide and .5 mile long situated on the North Side of the SE/4 of Sec 1-14N-14W – 1.00 acres.

AND WHEREAS, said land has a probable value for oil and gas leasing purposes and an offer has been received to lease said premises for oil and gas purposes,

AND WHEREAS, it further appears that it would be for the best interest of the Board of County Commissioners of Custer County, Oklahoma, to offer for sale by sealed bid and sell to the highest and best bidder for cash, an oil and gas lease upon the above described real estate for a primary term of three (3) years and a minimum of \$300.00 per acre an as long thereafter as oil or gas or either of them is produced, and said lease shall carry the following special provisions:

- (a) The oil and gas lease shall be a paid-up oil and gas lease requiring no payment of delay rentals;
- (b) The oil and gas lease shall provide for a 3/16th royalty;
- (c) The lease shall provide that no well locations or other installations shall be made upon said premises which would in any way interfere with the present use of said property by the Board of County Commissioners of Custer County;
- (d) The lease shall provide that said land may be developed by unitization and consolidation with other acreage, said royalty to be paid on production from any land on which land is or may be unitized or consolidated in the proportion that the area of the land covered by this lease bears to the total area of said consolidated or unitized tract;
- (e) The lease shall provide that production from presently producing wells on land with which this property has been or may hereafter be unitized or consolidated shall be regarded as a well drilled under the terms of this lease;
- (f) Upon the expiration of the primary term, the lease shall automatically terminate and expire as to the leasehold rights one hundred (100) feet below the deepest producing depth. If within the primary term of the lease, lessee shall commence operations to drill operations to drill to rework a well under the terms of the lease, the lessee shall have the right to drill such well to completion and/or complete reworking operations with reasonable diligence and dispatch, and if oil or gas be found in paying quantities, the lease shall terminate only as to horizons 100 feet below the deepest depth producing or to the stratigraphic equivalent thereof.
- (g) It shall be agreed between the lessor and the lessee that, notwithstanding any language to the contrary, all oil, gas and other proceeds accruing to the owner under

the lease or by state laws shall be without deduction, directly or indirectly, for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting and marketing the oil, gas and other products produced thereunder to transform the product into marketable form, however, any such costs which result in enhancing the value of the marketable oil, gas or other products to receive a better price may be deducted from owner's share of production so long as they are based on lessee's actual cost of such enhancements. That lessee will not market the oil, gas and products produced thereunder to any legal entity that is affiliated with lessee.

(h) That the Board of County Commissioners of Custer County, Oklahoma, will not warrant or defend the title to the above tract of land.

NOW THEREFORE, be it resolved by the Board of County Commissioners of Custer County, Oklahoma, in lawful session, that the said Board of County Commissioners of Custer County, Oklahoma, be, and hereby are, authorized and directed to advertise for sealed bids and sell to the highest and best bidder for cash, in the manner provided by law, an oil and gas lease upon the above described real estate, in accordance with the terms herein above set forth, for a primary term of three (3) years or less, and as long thereafter as oil and gas or either of them is produced. The successful bidder shall pay all expenses of the sale, including the cost of publication of the notice thereof.

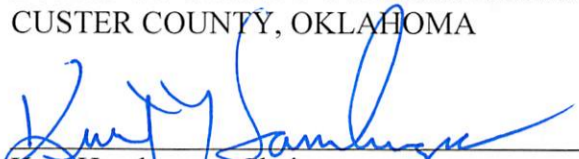
ADOPTED by the Board of County Commissioners of Custer County, Oklahoma, this 23rd day of May, 2016.

BOARD OF COUNTY COMMISSIONERS
CUSTER COUNTY, OKLAHOMA

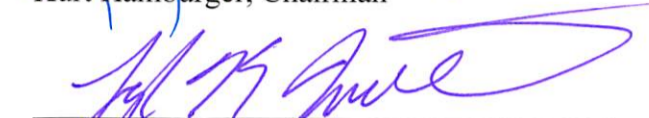
ATTEST:



Karen Fry, County Clerk



Kurt Hamburger, Chairman



Lyle K. Miller, Member



Wade Anders, Member

