

LIBER 47833 PAGE 793  
\$19.00 REC RECORDING  
\$4.00 REMONUMENTATION  
02/02/2015 12:28:16 PM RECEIPT# 13505  
PAID RECORDED - Oakland County, MI  
Lisa Brown, Clerk/Register of Deeds

RECEIVED  
OAKLAND COUNTY  
REGISTER OF DEEDS  
2015 JAN 30 AM 11:38

# Oil and Gas Lease

(Paid - Up)

THIS AGREEMENT made and entered into this 15<sup>th</sup> day of February, 2013, by and between John Hagar a/k/a John Hagar Jr., and Kim M. Hagar, husband and wife, whose address is 6601 Crabapple Dr., Troy, Michigan 48098, hereinafter called Lessor (whether one or more) and **WEST BAY EXPLORATION COMPANY**, a Michigan corporation, of 13685 South West Bay Shore Drive, Suite 200, Traverse City, Michigan 49684, hereinafter called Lessee, WITNESSETH:

1. Lessor, for and in consideration of \$10.00 and other valuable consideration, the receipt of which is hereby acknowledged, and the covenants and agreements of the Lessee hereinafter contained, does hereby grant, lease and let unto Lessee the land described below (herein called "said land"), exclusively, for the purposes of exploring by geophysical and other methods, drilling, operating for and producing oil and/or gas, together with all rights, privileges and easements necessary in exploring for, drilling for, producing, treating, caring for, storing, transporting and removing production of oil and/or gas from said land, or from said land pooled or communitized therewith, including but not limited to the right to lay pipelines, build access roads, establish and utilize facilities for the disposition of oil and other fluids, construct tanks for the storage of fluids prior to shipment, build required electric power and communication lines, pumps, and other equipment and facilities.

Said land is in the County of Oakland, State of Michigan, and is described as follows:

Township 3 North, Range 11 East, (Avon Township)

Section 8: Part of the Northwest ¼ of Section 8 described as beginning at the Northwest Section corner of said Section 8; thence South 88°59'00" East 333.56 feet; thence South 01°14'37" West 234.03 feet; thence North 89°29'55" West 332.57 feet; thence North 01°00'00" East, 237.42 feet to the beginning. Except the East 100 feet; also except the North 60.00 feet of the West 90.00 feet and the South 20.00 feet of the North 80.00 feet of the of the West 60.00 feet taken for the road. (Parcel ID# 15-08-100-021)

Section 8: The East 100.00 feet of the parcel described as beginning at the Northwest Section Corner; thence South 88°29'00" East 333.56 feet; thence South 01°14'37" West 234.03 feet; thence North 89°29'55" West 332.57 feet; thence North 01°00'00" East 237.42 feet to the point of beginning. (Parcel ID# 15-08-100-022)

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containing 1.44 acres, more or less, including all lands and interests therein to which Lessor has a preference right of acquisition, interests beneath adjacent roads to said land, and riparian interests in lakes, rivers, creeks and streams on the described land or lands adjacent. The term "oil" when used in this lease shall mean crude oil and other hydrocarbons in liquid form at the wellhead. The term "gas" when used in this lease shall mean natural gas, casing-head gas, or any other substance in a gaseous state at the wellhead.

2. It is agreed that the lease shall remain in force for a primary term of five (5) years from this date, and as long thereafter as operations are conducted upon said land, or on lands pooled therewith, in an endeavor to produce oil and/or gas in commercial quantities with no cessation for more than six (6) months. Whenever used in this lease the word "operations" shall refer to any of the following activities performed by Lessee: preparing a location for drilling, drilling, testing, completing, reworking, recompleting, deepening, plugging back or repairing a well in search for or in an endeavor to obtain production of oil and/or gas in paying quantities.

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3. Lessee covenants and agrees to pay the following royalties: A. To deliver to the credit of the Lessor into tank reservoirs or into the pipeline to which Lessee may connect its wells, one-eighth of the oil produced and saved from said land, or, at the option of Lessee, Lessee may sell the oil produced and saved from said land at the prevailing market price and pay Lessor one-eighth of the amount realized by the Lessee, computed at the wellhead, whether the point of sale is on or off the land. B. To pay Lessor on the gas produced from said land when sold by Lessee, whether the point of sale is on or off said land, one-eighth of the amount realized by Lessee, computed at the wellhead. Prior to payment of royalty, Lessor shall execute a Division Order setting forth Lessor's interest in the production. Lessee may pay Lessor's proportional share of taxes levied by Federal, State and local governments, and deduct the amount so paid from monies payable to Lessor hereunder.

4. If any well, capable of producing oil and/or gas, located on said land, or on lands pooled or communitized with all or part of said land, is at any time shut-in and production therefrom is not sold, nevertheless such shut-in well shall be considered a well producing oil and/or gas and this lease will continue in force while such well is shut-in, whether before or after expiration of the primary term. Lessee shall use diligence to market oil and/or gas capable of being produced from such shut-in well, and such well shall be shut-in only for reasons beyond Lessee's control, including, but not limited to, reasons of equipment failure and repair work, the time necessary for the construction of production equipment and installation of pipelines, lack of gas capacity on utility pipelines, required governmental permits for the production of the well, and pending or on-going litigation related to the well or the production therefrom. For each well shut-in on said land, or on lands pooled or communitized with all or part of said land, within 30 days after expiration of each period of one year in length (annual period) during which such well is shut-in, Lessee shall be obligated to pay or tender, as royalty to Lessor, or its successors, as Lessor's agent, the sum of \$5.00 multiplied by the number of acres subject to the lease, provided however, that if production from said well or wells is sold and Lessor credited with royalty payment before the end of any such period, or if at the end of any such annual period this lease is maintained in force and effect by reasons other than by reason of such shut-in well, Lessee shall not be obligated to pay or tender said sum of money for that annual period for any shut-in well on said land. The shut-in royalty payment may be made in currency, draft or check, at the option of the Lessee, and the depositing of such payment in any post office, with sufficient postage and properly addressed to Lessor, within 30 days after expiration of the annual period shall be deemed sufficient payment as herein provided.

5. In the event Lessor considers that Lessee has not complied with all its obligations hereunder, both express and implied, Lessor shall give written notice to Lessee, setting out specifically in what respects Lessee has breached this contract. Lessee shall have 60 days from receipt of such notice to commence and thereafter pursue with reasonable diligence such action as may be necessary or proper to satisfy such obligation of Lessee, if any, with respect to Lessor's notice. Neither the service of said notice nor the doing of any acts by Lessee intended to satisfy any of the alleged obligations shall be deemed an admission or presumption that Lessee has failed to perform all its obligations hereunder. No judicial action may be commenced by Lessor for forfeiture of this lease or for damages until after said 60 day period. Lessee shall be given a reasonable opportunity after judicial ascertainment to prevent forfeiture by discharging its express or implied obligation as established by the court.

6. If this lease covers less than the entire undivided interest in the oil and gas in said land (whether Lessor's interest is herein specified or not), then the royalties as provided above shall be paid to Lessor only in the proportion which the interest in oil and gas covered by this lease bears to the entire undivided interest herein.

7. Lessee shall have the right to use, free of cost, a portion of the gas, oil and the water produced on said land to operate the equipment and maintain the facility to produce the oil and gas therefrom, except that Lessee shall have no right to use the water from the wells of Lessor without further written permission from the Lessor. Lessee shall also have the right, authorized herein, to use all geophysical data it may possess or acquire, whenever and wherever gathered, whether on or off said land, to evaluate and explore for oil and/or gas with respect to said land or land pooled or communitized therewith. Pipelines that are installed to transport the production of oil and/or gas shall be buried below plow depth. No well shall be drilled nearer than 200 feet to a house or barn now on said land without the written consent of Lessor. Lessee shall pay the surface owner for any damage caused by its drilling and production operations to growing crops, trees, pasture, tile and improvements on said land.

8. Lessee, upon the termination or completion of any operations provided for by the terms of this lease, shall be responsible for the reasonable restoration of the leased premises. Restoration shall include plugging and abandoning any wells drilled by Lessee in a manner prescribed by the authorized governmental agency, removal of all surface equipment used in Lessee's operations, smoothing the surface of the lands and replacing top soil that may have been removed by Lessee while clearing a location for drilling and/or production operations, and leaving the premises free of any contamination that was the result of Lessee's operations thereon.

9. Lessee is hereby granted the right to pool or unitize said land, or any part of said land, with other lands, as to any or all mineral horizons, to comprise an oil and/or gas development unit, or units of not more than approximately 640 acres; provided, however, that if larger units than those permitted above, either at the time established or thereafter, are required or permitted under any governmental rule or order for the drilling or operation of a well at a regular location or obtaining the maximum allowable from any well or for any other reason, then the maximum unit size authorized hereby shall conform to the size required or permitted by such governmental rule or order. Lessee may enlarge the unit to the maximum area permitted herein and reform said unit to include after-acquired leases within the unit area. Lessee may create, enlarge or reform the unit or units as above provided at any time, and from time to time, during the continuance of this lease, either before or after production is obtained. In no event shall Lessee be required to drill more than one well in each unit. Lessee may reduce or terminate such unit or units at any time prior to the discovery of oil or gas on the pooled acreage, or at any time after the discovery subsequent to the cessation of production. Lessee shall create, enlarge, or reform, reduce, or terminate each unit by recording a written declaration to that effect in the office of the Register of Deeds in the county or counties in which such unit is located. Any operations conducted on any part of the lands pooled shall be deemed to be on the lands leased herein within the meaning of all provisions of this lease. Production of oil and/or gas from the unit shall be allocated to the lands described herein which are included in the unit in the same proportion as the number of surface acres in the lands described herein which are included in the unit bears to the total number of surface acres in the unit.

10. All present and future rules of any governmental agency pertaining to well spacing, drilling or production units, use of material and equipment or otherwise, shall be binding on the parties hereto with like effect as though incorporated herein at length, provided, however, that no such rule or regulation shall prevent Lessee from declaring or pooling an oil and/or gas development unit or units under the provisions of Paragraph 9 hereof, larger than the well spacing, drilling or production unit prescribed or permitted by such rule or regulation.

11. If Lessee is prevented from, or delayed in commencing, continuing, or resuming operations or complying with its express or implied obligations hereunder by circumstances not reasonably within Lessee's control, this lease shall not terminate and Lessee shall not be liable in damages so long as said circumstances continue (the "period of suspension"). These circumstances include, but are not limited to, the following: Acts of God; strikes; lockouts; riots; wars; improper refusal or undue delay by any governmental agency in issuing a necessary approval; license or permit applied for by Lessee; equipment failures; inability to obtain materials in the open market or to transport said materials. If the period of suspension commences more than 90 days prior to the end of the primary term of this lease, then that period of suspension shall be added to the primary term. If the period of suspension commences less than 90 days prior to the end of the primary term or at any time after the primary term, then this lease shall not terminate if Lessee shall commence or resume operations within 90 days after the end of the period of suspension.

12. If the estate of either party hereto is assigned, and the privilege of assigning in whole or in part is expressly allowed, the covenants and provisions of this lease shall extend to such party's heirs, executors, administrators, successors or assigns, but no change in the ownership of the land or assignment of royalties or other monies, or any part thereof, shall be binding on Lessee until 45 days after Lessee has received written notice of such change and has been furnished with a true copy of the written transfer or assignment thereof. No change or division in the ownership of said land, royalties or other monies, or any part thereof, however accomplished, shall increase the obligations or diminish the rights of Lessee.

13. Lessor hereby warrants and agrees to defend the title to said land, and agrees that Lessee may defend the title to said land if Lessor is in default by at any time paying all or a part of any land contract, mortgage, taxes, or other liens or charges with respect to said land, either before or after maturity, and be subrogated to the rights of the holder thereof, and may reimburse itself by applying to such payments any royalty accruing hereunder.

14. Lessee may at any time surrender this lease as to all or any part of said land, by delivering or mailing a release to Lessor if the lease is not recorded, or by placing a release of record in the proper county if the lease is recorded. If this lease is surrendered only as to part of said land, any shut-in royalties which may thereafter be payable hereunder shall be reduced proportionately.

15. All written notices permitted or required by this lease to be given Lessor and Lessee herein shall be at their respective addresses listed above, and shall identify this lease by date, parties, description and recording data; provided that either party may change such notice address by giving written notice to the other party specifying the new address.

16. Lessee shall indemnify, hold harmless and defend Lessor from and against any and all losses, costs, damages, and expenses, including reasonable attorney fees, attributable to Lessee's operations on Lessor's lands resulting from, incidental to, connected with, or growing out of Lessee's operations thereon.

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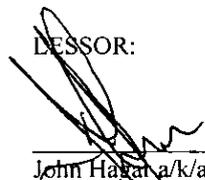
17. This lease may, at Lessee's option, be extended as to all or part of the lands covered hereby for an additional primary term of five (5) years commencing on the date that the lease would have expired but for the extension. Lessee may exercise its option by paying or tendering to Lessor an extension payment of Two Hundred ~~and 50/100~~ Dollars (\$250.00) for the land then covered by the extended lease, said bonus to be paid or tendered to Lessor in the same manner as provided in Paragraph numbered 4 hereof with regard to the payment of shut-in royalties. If Lessee exercises this option, the primary term of this lease shall be considered to be continuous, commencing on the date of the lease and continuing from that date to the end of the extended primary term. Lessee's option shall expire at expiration of the initial primary term of this lease.

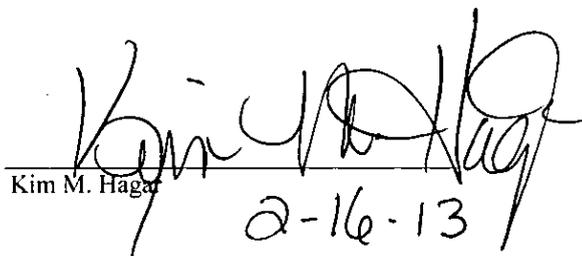
18. Lessee shall also have the right, authorized herein, to use all geophysical data it may possess or acquire, whenever and wherever gathered, whether on or off said land, to evaluate and explore for oil and/or gas with respect to said land or land pooled or communitized therewith.

19. Anything herein to the contrary notwithstanding, it is expressly agreed between Lessor and Lessee, their heirs, successors and assigns, that Lessee will not locate any wells, access roads, surface structures or facilities upon the surface of the herein leased lands. However, it is agreed that Lessee has the right to explore said lands by geophysical and other methods.

Effective as of the day and year first above written.

LESSOR:

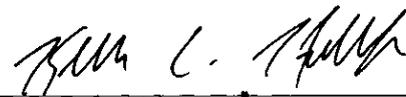
 2-16-13  
John Hagar a/k/a John Hagar Jr.

  
Kim M. Hagar  
2-16-13

STATE OF MICHIGAN )  
COUNTY OF OKLAHOMA ) §

(Acknowledgment)

The foregoing instrument was acknowledged before me this 16<sup>th</sup> day of February, 2013, by John Hagar a/k/a John Hagar Jr., and Kim M. Hagar, husband and wife.

  
Kevin C. Holdridge, Notary Public

My commission expires:

9/9/2018

Notary Public for Livingston County, Michigan

Acting in OKLAHOMA County, Michigan

Prepared by Joseph M. Holt, Agent for: West Bay Exploration Company, 13685 S. West Bay Shore, Suite 200, Traverse City, Michigan 49684.