

**MEMORANDUM of UNDERSTANDING**

This Agreement is dated \_\_\_\_\_, by and between \_\_\_\_\_ of \_\_\_\_\_ (“Lease Holder”) and \_\_\_\_\_ of \_\_\_\_\_ (“Oil & Gas Company”).

LEASE HOLDER has acquired individual mineral leases located in and around \_\_\_\_\_ area in the State of Michigan. OIL & GAS COMPANY, a publicly held Oil & Gas Company, is desirous of entering into an Agreement to explore the acreage owned by LEASE HOLDER for oil and gas. The parties hereto have agreed as follows:

1. OIL & GAS COMPANY will have the right to obtain from LEASE HOLDER leases covering the first \_\_\_\_\_(\_\_\_\_) wells (Phase One) to be drilled on the lands described in Exhibit “A”, attached hereto and made a part hereof as if fully set forth at length, and OIL & GAS COMPANY will implement the procedures necessary to comply with the regulatory authorities responsible for the approval and permitting of wells on the said individual Indian lands. These Phase One wells will explore for oil and gas, as is fully described in Exhibit “A”, it being expressly agreed to by the parties that OIL & GAS COMPANY will be entitled to its proportionate part of all hydrocarbons covered under the leases to be assigned.
2. As consideration for the assignment to OIL & GAS COMPANY of said leases by LEASE HOLDER, OIL & GAS COMPANY will pay LEASE HOLDER a signing bonus of \_\_\_\_\_ dollars (\$\_\_\_\_\_). It is agreed and understood that the release of the signing bonus is contingent upon LEASE HOLDER delivering to OIL & GAS COMPANY the TSR (Title Status Reports) reports for each owner for each 160 acre tract and assign the unencumbered leases for the 160 acre tracts to OIL & GAS COMPANY signed by all owners and fractional owners of the mineral rights for the 10 individual 160 acre tracts.
3. In addition, OIL & GAS COMPANY further agrees to escrow the sum of \_\_\_\_\_ dollars (\$\_\_\_\_\_ ) immediately after the leases have been deemed unencumbered and accepted into record by the County of jurisdiction. OIL & GAS COMPANY has agreed to pay for the lien research and to take full responsibility to record the leases with the County register of deeds. It is further understood that LEASE HOLDER will give meaningful consultation and willful assistance to assist OIL & GAS COMPANY in this process.
4. deposit will be paid to an Escrow Agent, to be appointed by LEASE HOLDER; however, LEASE HOLDER has indicated that their escrow agent of choice will be \_\_\_\_\_ located \_\_\_\_\_. The sum shall be released on a pro-rata basis to LEASE HOLDER as each well lease and permit is approved by any state of Michigan or Federal Agencies having regulatory responsibilities in these matters.
5. It is further agreed that the royalties to be paid shall be from gross \_\_\_\_\_(\_\_\_\_%) of all oil and gas produced, except for the coal royalties, which shall be the \_\_\_\_\_(\_\_\_\_%) royalty called for in the leases to be assigned.
6. Upon successful completion of permitting and lease approvals and development of Phase One, OIL & GAS COMPANY shall have the right of first refusal of obtaining additional offset leases from the acres held by LEASE HOLDER, for Phase Two. Phase Two will consist of drilling an additional ten wells, and the same terms and conditions that governed Phase One will apply to Phase Two, except OIL & GAS COMPANY agrees to pay the sum of \_\_\_\_\_ dollars (\$\_\_\_\_\_ ) for the right to drill \_\_\_\_\_(\_\_\_\_) wells with each well consisting of 160 acre tracts each unless Phase One is deemed economically unfeasible as a result of the drilling of the Phase One wells as noted above. If OIL & GAS COMPANY determines that the drilling program in Phase One will never reach payout in a fair and reasonable time period, then LEASE HOLDER agrees to allow OIL & GAS COMPANY the right to drill the \_\_\_\_\_(\_\_\_\_) wells with each well consisting of 160 acre tracts in Phase Two for no additional fees. OIL & GAS COMPANY will submit to LEASE HOLDER a list of the desired leases upon which they wish to drill and upon assignment of said leases will implement the procedures necessary to accomplish same. Upon completion of Phase Two, OIL & GAS COMPANY shall have the option of acquiring from LEASE HOLDER additional leases to another \_\_\_\_\_(\_\_\_\_) wells, effectively Phase Three. Phase Three will be implemented on the same terms and conditions as Phase Two, except OIL & GAS COMPANY agrees to pay the sum of \_\_\_\_\_ dollars (\$\_\_\_\_\_ ) for the right to drill the Phase Three wells with each well consisting of 160 acre tracts unless Phase Two is deemed economically unfeasible as a result of the drilling of the Phase Two wells as noted

above. It is understood that all three Phases shall consist of \_\_\_\_\_ (\_\_\_\_\_) wells in each phase, and OIL & GAS COMPANY shall have the option of drilling development wells on the leases acquired in Phases One, Two, and Three.

7. It is the intent of LEASE HOLDER, LLC and OIL & GAS COMPANY to enter into a mutually agreeable business relationship whereby OIL & GAS COMPANY will have a contractual relationship with LEASE HOLDER to drill at least \_\_\_\_\_ (\_\_\_\_\_) wells with each well consisting of 160 acre tract mineral leases owned by LEASE HOLDER or by members of LEASE HOLDER. It is guaranteed by OIL & GAS COMPANY that the paper process will begin immediately for approval and selection of the lease locations; however, the lease approvals by state or federal authorities may take 60 days or more. If for some reason the leases are not approved by the regulatory authorities within 90 days of the date of this agreement, the escrow agent shall refund to OIL & GAS COMPANY the \_\_\_\_\_ dollars (\$\_\_\_\_\_) and this Agreement shall be terminated, unless the parties hereto agree in writing to extend the period for approval.
8. It is further agreed by the parties hereto that wherever possible, regardless of the well spacing required by the government regulations, that LEASE HOLDER will assign a total of 160 mineral acres around the drill site of each well.
9. OIL & GAS COMPANY agrees to comply with all regulatory requirements and to drill the wells contemplated herein as expeditiously as is reasonably possible.
10. It is understood by the parties hereto that LEASE HOLDER may pursue the development of a portion of the acreage under a joint venture agreement, primarily for the exploitation of \_\_\_\_\_ reserves. However, the joint venture agreement shall not encompass the 160 acre leased acreage to be assigned to OIL & GAS COMPANY under this Agreement nor shall LEASE HOLDER interfere with production on the lease acreage to be assigned to OIL & GAS COMPANY.
11. This instrument incorporates all the negotiations of the parties previously agreed to, and no changes may be made to this agreement unless specifically agreed to by all the parties hereto in writing.
12. Any controversy or claim relating to this Agreement shall be construed according to Federal Law, and any dispute shall be settled in the appropriate Federal Court. There shall be no presumption of interpretation for or against the party primarily responsible for preparation of this Agreement.
13. This Agreement shall be binding upon the parties hereto, the Heirs, Executors and Personal Representatives, and their respective Successors and Assigns.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement the day and year set forth above.

LEASE HOLDER:

OIL & GAS COMPANY:

By: \_\_\_\_\_  
Its: \_\_\_\_\_

By: \_\_\_\_\_  
Its: \_\_\_\_\_