

File No. 31149

REINHOLD SADLER and VERNA P. SADLER, )  
 Lessors, )  
 and )  
 FLOYD SADLER and RUTH SADLER, )  
 Lessors, ) LEASE  
 to )  
 STANDARD OIL COMPANY OF CALIFORNIA, )  
 a corporation, Lessee, )

OIL, GAS AND MINERAL LEASE

THIS AGREEMENT, made and entered into as of the 25th day of February, 1954, by and between Reinhold Sadler and Verna P. Sadler, his wife; Floyd Sadler and Ruth Sadler, his wife Eureka, Nevada hereinafter called "Lessor" (whether one or more) and STANDARD OIL COMPANY OF CALIFORNIA, a corporation, hereinafter called "Lessee,"

WITNESSETH

1. Lessor, for and in consideration of the sum of One Thousand Nine Hundred Forty & no/100 DOLLARS (\$1,940.00), in hand paid, of the royalties herein provided, and of the agreements of Lessee herein contained, hereby grants, demises, leases and lets exclusively unto Lessee the land hereinafter described, for the purpose of investigating, exploring, drilling and mining for, producing, saving, taking, owning, transporting, storing, handling and treating oil, gas and all other hydrocarbons, whether similar or dissimilar, together with all rights, privileges and easements useful or convenient for Lessee's operations hereunder on said land and on lands in the same field, including but not limited to the following rights: to lay pipe lines; to build roads; and to construct tanks, pump and power stations, power and communication lines, houses for its employees, and other structures and facilities. The said land included in this lease is situated in the County of Eureka State of Nevada, and is described as follows, to wit:

T 24 N, R 52 E, M.D.B. & M.

- Sec. 12: E $\frac{1}{2}$ NE $\frac{1}{4}$
- Sec. 13: NE $\frac{1}{4}$ ; SW $\frac{1}{4}$ ; S $\frac{1}{2}$ SE $\frac{1}{2}$ ; NW $\frac{1}{2}$ SE $\frac{1}{2}$
- Sec. 23: E $\frac{1}{2}$ E $\frac{1}{2}$ ; W $\frac{1}{2}$ SE $\frac{1}{2}$
- Sec. 24: All
- Sec. 25: N $\frac{1}{2}$ ; N $\frac{1}{2}$ S $\frac{1}{2}$
- Sec. 26: E $\frac{1}{2}$ NE $\frac{1}{2}$ ; W $\frac{1}{2}$ NE $\frac{1}{2}$ ; E $\frac{1}{2}$ SE $\frac{1}{2}$ ; NW $\frac{1}{2}$ SE $\frac{1}{2}$

T 24 N, R 53 E, M.D.B. & M.

- Sec. 17: SW $\frac{1}{2}$ SW $\frac{1}{4}$
- Sec. 18: SW $\frac{1}{4}$ ; W $\frac{1}{2}$ SE $\frac{1}{2}$ ; SE $\frac{1}{2}$ SE $\frac{1}{2}$
- Sec. 19: W $\frac{1}{2}$ ; W $\frac{1}{2}$ E $\frac{1}{2}$
- Sec. 29: SW $\frac{1}{2}$ NW $\frac{1}{2}$ ; W $\frac{1}{2}$ E $\frac{1}{2}$ ; N $\frac{1}{2}$ NW $\frac{1}{2}$ ; N $\frac{1}{2}$ SW $\frac{1}{2}$ ; SE $\frac{1}{2}$ SE $\frac{1}{2}$ ; SE $\frac{1}{2}$ NW $\frac{1}{2}$
- Sec. 30: N $\frac{1}{2}$ ; N $\frac{1}{2}$ SE $\frac{1}{2}$
- Sec. 32: N $\frac{1}{2}$ NE $\frac{1}{2}$

including all hydrocarbons underlying lakes, streams, roads, easements and rights-of-way which traverse or adjoin said land; and also, in addition to the above described land, all land adjoining the same and owned or claimed by Lessor; and containing 3880 acres of land, more or less. This lease shall cover all the interest in said land now owned or hereafter acquired by Lessor, even though greater than the undivided interest (if any) described above. For the purpose of calculating any payments based on acreage, Lessee, at Lessee's option, may act as if said land and its constituent parcels contain the acreage above stated, whether they actually contain more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a period of Five (5) years from the date hereof, called "primary term," and thereafter so long as oil, gas or other hydrocarbon, or any one or more of them, is produced from said land hereunder, or Lessee is engaged in drilling, mining or reworking operations on said land hereunder.

3. Royalties to be paid by Lessee are: (a) on oil, one-eighth (1/8) of that produced and saved from said land, to be delivered at the wells or to the credit of Lessor into

the pipe line to which the wells may be connected; Lessee may from time to time purchase any royalty oil, paying therefor the market value in the field where produced on the day it is run to the pipe line or storage tanks: (b) on gas, including casinghead gas or other gaseous substance, produced from said land and sold or used, the market value at the well of one-eighth (1/8) of the gas so sold or used, provided that on gas sold at the well the royalty shall be one-eighth (1/8) of the amount realized from such sales. If Lessee shall discover gas hereunder on said land or on land unitized with any of said land, Lessee may at any time or times during or after the primary term and at Lessee's election, pay Lessor as royalty a sum equal to the rental hereinafter provided on the acreage then held by Lessee hereunder, whereupon it shall be considered for all purposes of this lease that gas is being produced hereunder from said land for a period of one year: such year to commence on the anniversary of this lease next preceding such payment, unless the rental, if any, which accrued on such anniversary was paid, in which event such year shall commence on the anniversary of this lease next following such payment. Any such payment may be made in the same manner as provided elsewhere in this lease for the payment of rental, and shall be in lieu of the rental covering the same period of time; but shall not be in lieu of any royalty based on actual production. Lessee may use, free of royalty, oil, gas, coal and water developed from said land by Lessee, for all operations hereunder.

Lessor agrees to pay any and all royalties reserved by or payable to the State of Nevada on account of production of oil or gas on or from any part of the leased land, and Lessee is hereby authorized to pay all such royalties on behalf of Lessor and to deduct the amount so paid from any royalties or payments due Lessor hereunder.

4. If drilling or mining operations are not commenced on said land on or before one year from this date, this lease shall terminate as to both parties unless Lessee, on or before the expiration of said period, shall pay or tender to Lessor or to Lessor's credit in First National Bank of Nevada Bank at Eureka, Nevada or any successor, the sum of Nine Hundred Seventy and no/100 DOLLARS (\$970.00), which shall extend for twelve (12) months the time within which such operations may be commenced. Thereafter, annually, in like manner and upon like payments or tenders, all of which are herein called "rentals," this lease may be maintained in force and such operations again deferred for successive periods of twelve months each during the primary term; provided, however, that if any oil, gas or other mineral shall be produced hereunder, or any drilling, mining or reworking operations conducted hereunder, within a period of time three(3) months prior to any anniversary of this lease during the primary term, the rental accruing on such anniversary shall be excused and this lease shall continue in force as though such rental had been paid. Such operations shall be deemed to be commenced when the first material is moved in or the first work done. The down cash payment is consideration for this lease according to its terms, and shall not be allocated as a mere rental for a period. Payments or tenders of rental may be made by mailing or delivering cash or Lessee's check to Lessor or to any depository bank on or before such date of payment. If any depository bank shall fail or refuse to accept rental, this lease shall not terminate, nor Lessee be held in default for failure to pay rental, unless Lessee shall fail to pay such rental for thirty (30) days after Lessor has delivered to Lessee a recordable instrument designating another depository bank. Any bank herein or hereafter designated as depository shall continue as such and as Lessor's agent, regardless of changes in ownership of Lessor's interest. Lessee may pay or tender rentals jointly to the credit of all parties having any interest hereunder. If Lessee shall, in good faith and with reasonable diligence, attempt to pay any rental but shall fail to pay, or incorrectly pay some portion thereof, this lease shall not terminate unless Lessee, within thirty (30) days after written notice of its error or failure, shall fail to rectify the same. Lessee may at any time or times surrender this

lease as to all or any portion of said land by delivering to Lessor or to the depository bank or by filing for record a release or releases, and be relieved of all obligation thereafter accruing as to the acreage surrendered, and thereafter the rental shall be reduced in the same proportion that the acreage covered hereby is reduced.

5. If at any time or times after the primary term or within three (3) months before expiration of the primary term, all operations and all production hereunder shall cease for any cause, this lease shall not terminate if Lessee shall commence or resume drilling, mining or reworking operations or the production of any mineral within three (3) months after such cessation.

It is agreed by and between Lessor and Lessee that Lessor has a natural flowing water spring in the Southeast quarter of Section 23, Township 24 North, Range 52 East and Lessee agrees that, insofar as practicable, it will protect said spring from damage or pollution arising from its operations hereunder and will not cause or permit the pollution of said spring by such operations, nor in any manner, by such operations, change or diminish the natural flow thereof.

6. Lessee shall pay for damages caused by Lessee's operations to houses, barns, growing crops and fences. When required by Lessor, Lessee will bury pipe lines below ordinary plow depth when crossing cultivated land. No well shall be drilled closer than two hundred (200) feet to any residence or barn now on said land without the consent of Lessor, unless another location is impracticable. Lessee shall have the right at any time to remove all Lessee's property and fixtures, including the right to draw and remove all casing. Lessee shall drill any well which a reasonably prudent operator would drill under the same or similar circumstances to prevent substantial drainage from said land by wells located on adjoining land not owned by Lessor, when such drainage is not compensated by counter drainage. No default of Lessee hereunder with respect to any well, mine or portion of this lease shall impair Lessee's rights with respect to any other well, mine or portion of this lease.

7. The rights of Lessor and Lessee hereunder may be assigned in whole or in part. No change in ownership of Lessor's interest (by assignment or otherwise) shall be binding on Lessee until Lessee has been furnished with notice, consisting of certified copies of all recorded instruments or documents and other information necessary to establish a complete chain of record title, from Lessor, and then only with respect to payments thereafter made. No other kind of notice, whether actual or constructive, shall be binding on Lessee, and Lessee may continue to make payments precisely as if no change had occurred. No present or future division of Lessor's ownership as to different portions or parcels of said land shall operate to enlarge the obligations or diminish the rights of Lessee, and Lessee's operations may be conducted without regard to any such division. If all or any part of this lease is assigned, no leasehold owner shall be liable for any act or omission of any other leasehold owner, and failure by one to pay rental shall not affect the rights of other--rental being apportionable in proportion to acreage.

8. Whenever, as a result of any cause beyond Lessee's control (such as fire, flood, windstorm or other Act of God; law, order or regulation of any governmental agency; or inability to secure men, material or transportation) Lessee is prevented from complying with any obligation of this lease, Lessee shall not be liable for damages or forfeiture of this lease and Lessee's obligations shall be suspended so long as such cause persists. If by any such cause, all operations and all production hereunder are prevented after the expiration of the primary term, Lessee may at any time or times and at Lessee's election pay Lessor as royalty (in addition to any royalties based on actual production) a sum equal to one-fourth ( $\frac{1}{4}$ ) of the rental hereinabove provided on the acreage then held by Lessee hereunder, whereupon it shall be considered for all purposes of this lease that oil, gas or other mineral is being produced

hereunder, for a period of three months from the date such payment is made. Any such payment may be made in the same manner as provided elsewhere in this lease for the payment of rental.

9. Lessee may at any time or times unitize this lease, and the lands covered hereby, in whole or in part, or as to any stratum or strata, with other lands and leases in the same field, so as to constitute a unit or units, whenever, in Lessee's judgment, required to promote or encourage the conservation of natural resources by facilitating an orderly or uniform well spacing pattern; a cycling, pressure-maintenance, re-pressuring or secondary-recovery program; or any cooperative or unit plan of development or operation approved by State or Federal authorities. The size of any such unit may be increased by including acreage believed to be productive, and decreased by excluding acreage believed to be unproductive, or the owners of which fail or refuse to join the unit, but any increase or decrease in Lessor's royalties resulting from any such change in any <sup>such</sup> unit, shall not be retroactive. Any such unit may be established, enlarged, or diminished, and, in the absence of production therefrom, may be abolished and dissolved, by filing for record an instrument so declaring, a copy of which shall be delivered to Lessor or to the depository bank. Drilling, mining or reworking operations upon, or production of any mineral from any part of such unit shall be treated and considered, for all purposes of this lease, as such operations upon or such production from this lease. Lessee shall allocate to the portion of this lease included in any such unit a fractional part of all production from any part of such unit, on one of the following bases: (a) the ratio between the participating acreage in this lease included in such unit and the total of all participating acreage included in such unit; or (b) the ratio between the quantity of recoverable production underlying the portion of this lease included in such unit and the total of all recoverable production underlying such unit; or (c) any other basis approved by State or Federal authorities having jurisdiction thereof. Upon production from any part of such unit, Lessor herein shall be entitled to the royalties in this lease provided, on the fractional part of the unit production so allocated to that portion of this lease included in such unit, and no more.

10. Lessor warrants and agrees to defend the title to said land, or to the undivided interest therein (if any) specifically described in Paragraph 1 hereof. The rentals and royalties hereinabove provided are determined with respect to the entire mineral estate, and if Lessor owns a lesser interest, the rentals or royalties to be paid Lessor shall be reduced proportionately. Lessee at its option may purchase or discharge in whole or in part any tax, mortgage or other lien upon said land, or may redeem the same from any purchaser at any tax sale or adjudication, and may reimburse itself from any rentals and royalties accruing hereunder and shall be subrogated to such lien with the right to enforce same.

11. This lease shall be binding upon all who execute it, whether or not they are named in the granting clause hereof and whether or not all parties named in the granting clause execute this lease. All the provisions of this lease shall inure to the benefit of and be binding upon the heirs, executors, administrators, successors and assigns of Lessor and Lessee.

IN WITNESS WHEREOF, the parties hereto have executed this agreement.

STANDARD OIL COMPANY OF CALIFORNIA

By C. E. Bultmann  
Contract Agent

By G. M. Foster  
Secretary

(Corporate Seal)

Reinhold Sadler  
Reinhold Sadler

Verna P. Sadler  
Verna P. Sadler

Floyd Sadler  
Floyd Sadler

Ruth Sadler  
Ruth Sadler

STATE OF CALIFORNIA )  
 )  
 CITY AND COUNTY OF SAN FRANCISCO ) ss.

On this 18th day of March, A.D. 1954, before me, personally appeared C. E. Bultmann and G. M. Foster, known to me to be the Contract Agent and Secretary, respectively, of the corporation that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and each of said officers on oath stated that he was authorized to execute said instrument, and that the seal affixed is the corporate seal of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

(Notarial Seal)

Chalmer Munday

Notary Public in and for the State of California, residing at San Francisco

My commission expires: Oct. 30/1957

-STATE OF NEVADA )  
 ) ss.  
 COUNTY OF EUREKA )

On this 26th day of February, in the year 1954, before me Ed Delaney, County Clerk and Ex-officio Clerk of the Third Judicial Court in and for said State, personally appeared Reinhold Sadler and Verna P. Sadler, his wife; Floyd Sadler and Ruth Sadler, his wife known to me to be the persons whose names are subscribed to the within instrument, and acknowledged to me that they executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal, the day and year in this certificate first above written.

(Official Seal)

Ed Delaney County Clerk  
 Ex-officio Clerk of the Third District Court  
 Residing at Eureka, Nevada

Recorded at the Request of G. E. Trippe March 27 A.D. 1954 At 30 minutes past 11 A.M.

R. W. Gibson - Recorder