

Revised 12-12 (With 48-Hour Posing Provisions)

Texas Standard Form

OIL, GAS AND MINERAL LEASE

THIS AGREEMENT made this 18th day of September 1956, between WILLIAM R. PAID and ELLA M. PAID and MARY PAID BAILEY

Lessors (whether one or more) whose address is: Palisado, Nevada, O. J. HARWOOD, 9062 Topo, West Hollywood 16, California, Lessee, WITNESSETH: I, Lessee in consideration of One and no/100 Dollars

(\$ 1.00), in hand paid, of the royalties herein provided, and of the agreement of Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of locating, exploring, prospecting, drilling and mining for and producing oil, gas and all other minerals, laying pipe lines, building roads, tanks, power stations, telephone lines and other structures thereon to produce, store, take care of, treat, transport and own said products, and employing his employees, the following described land in: Durake County, Nevada, County, Nevada, to-wit:

Southwest Quarter (1/4) Section 16 and Southeast Quarter (1/4) of Northwest Quarter (1/4) Section 16; Northwest Quarter (1/4) Section 21 and West Half (1/2) of Southwest Quarter (1/4) Section 21; Southeast Quarter (1/4) Section 20, South Half (1/2) of Northeast Quarter (1/4) Section 20, Northeast Quarter (1/4) of Northeast Quarter (1/4) Section 20 and Southeast Quarter (1/4) of Northwest Quarter (1/4) Section 20, East Half (1/2) of Southwest Quarter (1/4) of Section 20; North Half (1/2) of Northeast Quarter (1/4) Section 29 and North Half (1/2) of Southeast Quarter (1/4) Section 29, South Half (1/2) of South Half (1/2) of Section 28; South Half (1/2) of Section 32 and South Half (1/2) of Northeast Quarter (1/4) Section 32, Northeast Quarter (1/4) of Northwest Quarter (1/4) Section 32; West Half (1/2) of West Half (1/2) Section 33, all in T 30 N, R 52 E; West Half (1/2) Section 4 and East Half (1/2) Northeast Quarter (1/4) Section 5, all in T 29 N, R 52 E.

and containing 2120 acres, more or less. In the event a survey of said lands shall reveal the existence of errors and/or vacant lands lying adjacent to the lands above described and the lessors, his heirs, or assigns, shall, by virtue of his ownership of the lands above described, have preference right to acquire said errors and/or vacant lands, then in that event this lease shall cover and include all such errors and/or vacant lands which the Lessors, his heirs, or assigns, shall have the preference right to acquire by virtue of his ownership of the lands above described as and when acquired by the Lessors, and the Lessee shall pay the bonus for such errors and/or vacant lands at the same rate per acre as the cash consideration paid for the acreage hereinafter mentioned.

2. Subject to the other provisions herein contained, this lease shall be for a term of ten years from this date (called "primary term") and so long thereafter as oil, gas or other mineral is produced from said land or land with which said land is pooled hereunder.

3. The royalties to be paid by Lessee are: (a) on oil, one-eighth of that produced and saved from said land, the same to be delivered at the wells or to the credit of Lessee into the pipe line to which the wells may be connected; Lessee may from time to time purchase any royalty oil he so purchases, paying the market price therefor prevailing for the field where produced on the date of purchase; (b) on gas, including casinghead gas or other gaseous substances, produced from said land and sold or used on the premises or in the manufacture of gasoline or other products therefrom, the market value at the well of one-eighth of the gas so sold or used, provided that on gas sold in the wells the royalty shall be one-eighth of the amount realized from such sales where gas from a gas well is not sold or used, Lessee may pay no royalty if the gas is not sold or used, and if such payment is made it will be considered that gas is being produced within the meaning of Paragraph 3 hereof; (c) on all other minerals mined and marketed, one-eighth either in kind or value at the well or mine, at Lessee's election, except that on sulphur mined and marketed the royalty shall be fifty cents (50c) per long ton; Lessee shall have free use of oil, gas, coal, wood and water from said land, except water from Lessee's wells, for all operations hereunder, and the royalty on oil, gas and coal shall be ascertained after deducting any so used; Lessee shall have the privilege of his risk and expense of using gas from any gas well on said land for motive and house lights in the principal dwelling thereon out of any surplus gas not needed for operations hereunder.

4. Lessee, at his option, is hereby given the right and power to pool or combine the acreage covered by this lease or any portion thereof with other land, lease or leases in the immediate vicinity thereof, when in Lessee's judgment it is necessary or advisable to do so in order properly to develop and operate said premises in compliance with the spacing rules of the Railroad Commission of Texas or other lawful authority, or when to do so would, in the judgment of Lessee promote the conservation of the oil and gas in and under and that may be produced from said premises, such pooling to be into a unit or units not exceeding 80 acres each. Lessee shall execute in writing an instrument identifying and describing the pooled acreage. The entire acreage so pooled into a unit or units shall be treated, for all purposes except the payment of royalties on production from the pooled unit, as if it were included in this lease. If production is found on the pooled acreage, it shall be treated as if production in had from this lease, whether the well or wells be located on the premises covered by this lease or not. In the event the royalty hereunder is pooled, Lessee shall receive on production from a unit so pooled only such portion of the royalty stipulated herein as the amount of his acreage placed in the unit or his royalty bore to the total acreage so pooled in the particular unit involved.

5. If operations for drilling are not commenced on said land or an acreage pooled therewith as above provided on or before one year from this date the lease shall then terminate as to both parties, unless on or before such anniversary date Lessee shall pay or tender to Lessee or to the credit of Lessee in Nevada Bank of Commerce

at Elko, Nevada, \$530.00 (which bank and its successors are Lessee's agent and shall continue as the depository for all rentals payable hereunder regardless of changes in ownership of said land or the rental) the sum of Five Hundred Thirty and no/100 Dollars

((\$ 530.00), (herein called rental), which shall cover the privilege of deferring commencement of drilling operations for a period of twelve (12) months. In like manner and upon the payment or tender annually the commencement of drilling operations may be further deferred for successive periods of twelve (12) months each during the primary term. The payment or tender of rental may be made by the check or draft of Lessee mailed or delivered to Lessee or to said bank on or before such date of payment. If such bank (or any successor bank) should fail, terminate or be succeeded by another bank, or for any reason fail or refuse to accept rental, Lessee shall not be held in default for failure to make such payment or tender of rental until thirty (30) days after Lessee shall deliver to Lessee a proper receipted instrument, naming another bank or agent to receive such payment or tender. The date such payment or tender is made in consideration for this lease according to its terms and shall not be allocated as more rental for a period. Lessee may at any time exercise and deliver to Lessee or to the depository above named or place of record a release or releases covering any portion or portions of the above described premises and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered, and thereafter the rental payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

6. If prior to discovery of oil, gas or other mineral on said land or an acreage pooled therewith Lessee should drill a dry hole or holes thereon, or if after discovery of oil, gas or other mineral, the production therefrom should cease from any cause, this lease shall not terminate if Lessee commences additional drilling or reworking operations within 90 days thereafter or if it is within the primary term, commences or resumes the payment or tender of rental or commences operations for drilling or reworking on or before the rental paying date next occurring after the expiration of 90 days from date of completion of dry hole or cessation of production. If at any time subsequent to sixty (60) days prior to the beginning of the last year of the primary term and prior to the discovery of oil, gas or other mineral on said land, or an acreage pooled therewith, Lessee should drill a dry hole thereon, no rental payment or operations are necessary in order to keep the lease in force during the remainder of the primary term. If at the expiration of the primary term, oil, gas or other mineral is not being produced on said land, or an acreage pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon or shall have completed a dry hole thereon within sixty (60) days prior to the end of the primary term, the lease shall remain in force so long as operations are prosecuted with no cessation of more than sixty (60) consecutive days, and if they result in the production of oil, gas or other mineral, so long thereafter as oil, gas or other mineral is produced from said land or acreage pooled therewith. In the event a well or wells producing oil or gas in paying quantities should be brought in on an adjacent land and within one hundred forty (140) feet of and draining the leased premises, or acreage pooled therewith, Lessee agrees to drill such offset wells as a reasonably prudent operator would drill under the same or similar circumstances.

7. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessee, Lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred (200) feet of any residence or barn now on said land without Lessee's consent.

8. The rights of either party hereunder may be assigned in whole or in part, and the provisions hereof shall extend to their heirs, successors and assigns but no charge or division in ownership of the land, rental or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee, and no change or division in ownership shall be binding on Lessee until thirty (30) days after Lessee shall have been furnished by registered U. S. mail at Lessee's principal place of business with a certified copy of recorded instrument or instruments evidencing same. In the event of assignment in whole or in part, Lessee may pay or tender such rental to the credit of the deceased or the estate of the deceased until such time as Lessee is furnished with proper evidence of the appointment and qualification of an executor or administrator of the estate, or if there be none, then until Lessee is furnished with evidence satisfactory to it as to the heirs or devisees of the deceased. If at any time two or more persons are entitled to participate in the rental payable hereunder, Lessee may pay or tender said rental jointly to such persons or to their joint credit in the depository named herein, or, at Lessee's election, the proportionate part of said rental to which each participant is entitled may be paid or tendered to his separate credit in said depository, and payment or tender to any participant of his portion of the rental hereunder shall constitute the lease as to such participant. In event of assignment of this lease to a successor in interest of said land, the rental payable hereunder shall be apportioned as between the several participants in the rental according to the several size of such, and default in rental payment by one shall not affect the rights of other leaseholders hereunder. If six or more parties become entitled to rental hereunder, Lessee may withhold payment thereof unless and until furnished with a reasonable instrument executed by all such parties designating an agent to receive payment for all.

9. The breach by Lessee of any obligation arising hereunder shall not work a forfeiture or termination of this lease nor cause a termination or reversion of the estate created hereby nor be grounds for cancellation hereof in a hole or in part. In the event Lessee commences operations on any or any time being contemplated in compliance with this lease, Lessee shall notify Lessee in writing of the facts relied upon in commencing a breach hereof, and Lessee, if in default, shall have sixty days after receipt of such notice in which to commence the operations with the obligations imposed by virtue of this instrument. After the discovery of oil, gas or other mineral in paying quantities on said premises, Lessee shall reasonably develop the acreage retained hereunder, but in discharging this obligation it shall in no event be required to drill more than one well per forty (40) acres of the area retained hereunder and capable of producing oil, gas or other mineral in paying quantities.

10. Lessee hereby warrants and agrees to defend the title to said land and agrees that Lessee or his assignee may discharge any tax, mortgage or other lien upon said land, either in whole or in part, and in event Lessee does so, it shall be subrogated to such lien with right to enforce same and apply rentals and royalties covering hereunder toward satisfying same. Without impairment of Lessee's rights under the warranty in event of failure of title, it is agreed that if Lessee owns an interest in said land less than the entire fee simple estate, then the royalty and rental to be paid Lessee shall be reduced proportionately. Failure of Lessee to reduce rental paid hereunder shall not impair the right of Lessee to reduce royalty.

11. If any operation, service or rendered hereunder, or the performance by Lessee of any covenant, agreement or requirement hereof is delayed or interrupted directly or indirectly by any past or future war, orders, regulations or requirements of the Government of the United States or of any state or other governmental body, or any agency, officer, representative or authority of any of them, or because of delay or inability to get materials, labor, equipment or supplies, or on account of any other similar or dissimilar cause beyond the control of Lessee, the period of such delay or interruption shall not be counted against the Lessee, and the primary term of this lease shall automatically be extended after the expiration of the primary term or term in Section 2 above, so long as the cause or causes for such delay or interruption continue and for a period of six (6) months thereafter, and such extended term shall constitute and shall be considered for the purposes of this lease as a part of the primary term hereof. The provisions of Section 5 hereof, relating to the process of delay events shall in all things be applicable to the primary term as extended hereby just as if such extended term were a part of the original primary term fixed in Section 2 hereof. The Lessee shall not be liable to Lessee in damages for failure to perform any operation provided or required hereunder or to comply with any covenant, agreement or requirement hereof during the time Lessee is relieved from the obligation to comply with such covenant, agreement or requirement.

IN WITNESS WHEREOF, this instrument is executed on the date first above written. WITNESSES: [Signatures]

