

Producers 88 Special North Mountain Form

OIL AND GAS MINING LEASE

This Agreement, Entered into this 1st day of October 1958, between

Mary Rand Bailey, Palisade, Nevada

Frank L. Asta & Leroy E. Stieber, 1848 N. Gracery Place, Los Angeles, California

WITNESSETH:

That Lessor for and in consideration of the sum of One Dollar (\$ 1.00) Dollars, in hand paid and of the covenants and agreements hereinafter contained to be performed by Lessee, has this day granted, demised, leased and let, and hereby grants, demises, leases and lets all of the lands hereinafter described, unto Lessee, together with the sole and exclusive right of prospecting, mining and operating on said lands for and producing oil, gas and other hydrocarbons (including helium), and the injection of water, brine, other fluids or gas into sub-surface strata, and to establish and maintain on said lands such tanks, hoists, houses, engines, power stations, plants, buildings (including those for housing and boarding employees), roads, power, telephone and pipe lines, and other appurtenances necessary or convenient in the production, treatment, storage or transportation of oil, gas or other hydrocarbons (including helium) from said land or lands in the vicinity thereof operated by Lessee, said lands being situated in the County of Esmeralda, State of Nevada, and more particularly described as follows, to-wit:

Sec. 33, T. 29 N., R. 12 E., All in Township 29 North, Range 12 East, M D B & N. Sec. 5, T. 29 N., R. 12 E., all in T. 29 North, Range 12 East, M D B & N.

containing 90 acres, more or less, being the purpose and intent of the Lessee herein to lease, and Lessee does hereby agree, as of the lands owned by the said Lessor which adjoin the lands above mentioned or which lie in the section or sections herein specified.

TO HAVE AND TO HOLD said lands, and all rights and privileges granted hereunder, unto Lessee, his heirs/successors and assigns, or a term of ten (10) years from the date hereof, and so long thereafter as oil, gas and other hydrocarbons (including helium), or any of them, is produced therefrom.

Lessee shall pay as rental and royalty to Lessor in cash the prevailing market price at the well at the time of production the value in its natural state of the equal one-eighth (1/8) part of all oil, gas and other hydrocarbons (including helium) produced saved and marketed from said lands. All royalties shall be payable in money except that as to oil, at Lessee's option it shall have the right, in lieu of paying cash royalty for oil, to deliver Lessor's royalty oil, free of cost to Lessor, into the pipe line to which Lessee may connect its wells for the account and credit of Lessor.

If gas only is found on said lands and be not sold or marketed, Lessee shall pay as royalty Fifty (\$50.00) Dollars per annum for each such gas well and while such royalty is so paid such well or wells shall be deemed to be producing wells. Lessee shall have the right to use, free of cost and royalty, oil, gas and other hydrocarbons produced from said lands for Lessee's operations thereon. Lessee shall have the right to drill for, develop and use free of cost such water on said lands as it may require for its operations thereon. Nothing in this paragraph contained shall require Lessee to sell, market or dispose of gas produced on said lands. Settlement for rental and royalties above provided shall be made by depositing a check or draft therefor in the United States mail, addressed to Lessor or to the depository and agent of Lessor hereinafter designated on or before the 20th day of each calendar month for all rentals and royalties accruing during the preceding month.

Lessor may have the use of any gas developed on said lands for stoves and inside lights in the principal dwelling house of Lessor on said lands so long as the same is not required by Lessee in its operations on said lands. All connections with the well and the use of said gas shall be at Lessor's sole risk and expense.

If operations for the drilling of a well for oil or gas be 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 one year from this date, pays or tenders to Lessor, or for Lessor's credit, in the Nevada Bank of Commerce Bank, at Elko, Nevada or its successors, which bank, and its successors, is hereby designated as the depository and agent of Lessor to collect and receipt for all rents and royalties payable hereunder and to settle all accounts in accounting of rents and royalties, and shall continue as such depository and agent regardless of changes of ownership in said lands, or in the oil or gas, or in the rentals and royalties to accrue hereunder, the sum of Two Hundred Fifty Five (\$ 255.00) Dollars as rental for the privilege of determining the commencement of drilling operations for a period of one year from the aforesaid date. In like manner and upon like payments or tenders the commencement of drilling operations may be further deferred for like periods successively, during the term of this lease. Lessee, however, shall not be liable to Lessor for damages for failure to commence or to drill a well on said land.

Should the first well drilled on the above described lands be a dry hole, then, and in that event, if a second well is not commenced on said lands within twelve months from the expiration of the last rental period for which rental has been paid, this lease shall terminate as to both parties, unless the Lessor on or before the expiration of said twelve months shall resume the payment of rentals in the same amount and in the same manner as heretofore provided. And it is agreed that upon the resumption of the payment of the rentals, as above provided, that the last preceding paragraph hereof, governing the payment of rentals and the effect thereof, shall continue in force just as though there had been no interruption in the rental payments.

Notwithstanding the death of Lessor, or of any successor in interest of Lessor, the payment or tender of rentals or royalties in the manner provided in this instrument shall be binding upon the heirs, devisees, executors, administrators and assigns of Lessor. No change in ownership of said land or right to receive any rental or royalty hereunder shall be binding upon Lessee until after Lessee has received from Transferee a certified copy thereof, together with certified copies of all instruments showing valid divestment of title from Lessor. In case any action is brought at law or in equity by Lessor or third parties involving the ownership of said land, or claims to rentals or royalties accruing hereunder, or claiming title to said lands in hostility to Lessee, then during the pendency of said action until final decision thereof Lessee may suspend its operations on said lands, or if it continues operations on said lands may suspend all payments accruing hereunder, or deposit all payments, including rentals and royalties, under this lease in any national bank in the City of Elko, Nevada, to the joint account of the Lessor and Lessee. In the event of changes in ownership as aforesaid, Lessee shall only be obligated to receive more than three separate payments on account of division of rentals and royalties Lessee shall only be obligated to receive and deposit by a single sum and rentals and royalties with the depository and agent above named, or if a depository or agent be not designated by Lessor, Lessee shall have the right to demand of Lessor, and all others claiming a right to rental and royalty payments, the designation of a single depository and agent to whom such rentals and payments are to be made and if the parties fail to designate a depository and agent within fifteen (15) days after receipt of such notice from Lessee, Lessee shall be entitled to deposit by a single sum payment all rentals and royalties in any national bank in the City of Elko, Nevada, for the account of the parties entitled thereto, and such deposit shall constitute payment of all rentals and royalties due from Lessee and Lessee shall have no obligation as to the distribution and disposition thereof by said bank.

In the event of discovery of oil in any well on adjacent property within three hundred thirty (330) feet of the boundary lines of said lands covered hereby and the operator of said well on adjacent lands produces said well beyond a thirty-day production test and markets the oil produced therefrom, Lessee agrees, with reasonable diligence, to commence drilling of a well on the said lands covered hereby, subject, however, to the right of Lessee to surrender all or a portion of said lands if Lessee elect not to drill said offset well and thus be relieved of any obligation to so market said well.

Lessee shall have the right at any time before or after discovery of oil and/or gas on the said lands to surrender and quitclaim the said lands or any part or parts thereof, to the parties entitled thereto, by delivering or making a release thereof to the Lessor, or by placing a release thereof of record in the county in which the lands are situated, and thereupon all rights and obligations of the parties hereunder shall cease and determine as to the premises so surrendered and quitclaimed. In event of partial surrender or quitclaim, Lessee shall have no obligation whatsoever to effect any well or wells drilled on such tract or tract so surrendered or quitclaimed.

This case shall issue to the benefit of and be binding upon the heirs, executors, administrators, successors and assigns of the parties hereto. This lease shall be freely assignable and, in the event it be assigned in whole or in part and Lessee deliver a copy of such assignment to Lessor, Lessee shall be relieved of all obligations under this lease which may thereafter accrue as to the said land, as agreed, and no default involving any area assigned shall affect Lessee's continued holding of any area retained by Lessee hereunder. In event Lessor shall sell or transfer any part or parts of the said lands or any interest in the oil and/or gas under any part or parts thereof Lessee's obligations hereunder shall not thereby be altered, increased or enlarged and Lessee may continue to operate the said lands and leasehold estate covered hereby and pay and settle all rents and royalties as an entirety.

The obligations of Lessee hereunder shall be suspended while Lessee is prevented from complying therewith in whole or in part by strikes, lockouts, labor disturbances, accidents, action of the elements, war, total or partial failure of or inability to obtain materials or supplies or transportation thereof by Lessee or by others usually used or employed by Lessee in its operation hereunder, and/or is prevented by or in conflict with State or Federal laws and/or is prevented by or in conflict with acts, orders, rules and regulations pursuant thereto or other Governmental action or the action of Governmental officers, bodies or agencies acting under authority or claim of authority, having purposes such as, but not limited to, conservation, regulation

ELKO, NEVADA
ELKO, NEVADA

or control of production of oil and/or gas or drilling or spacing of wells therefor; or, in the case of production, for failure, delay or inability, for causes above specified, to transport products from the demised premises by pipe line; nor as to any obligation when prevented by other matters or conditions beyond the control of Lessee, whether similar or dissimilar to the matters or conditions herein specifically enumerated. Lessee's compliance with any such laws, acts, orders, rules and regulations shall not be deemed a default or cause for forfeiture, and the period of time or times while an obligation of Lessee is so suspended or prevented shall be added to the initial term of this lease, to the end that Lessee shall have the benefit of said full initial term within which to satisfy the obligations as in this lease provided.

Upon the violation of any of the terms or conditions of this lease by Lessee and the failure to remedy the same within ninety (90) days after written notice from Lessor so to do and specifying with particularity the violation complained of, then at the option of Lessor this lease shall forthwith cease and terminate, and all rights of the Lessee in and to said lands be at an end, save and excepting twenty (20) acres surrounding each oil well and one hundred sixty (160) acres surrounding each producing or drilling gas well, and in respect to which Lessee shall not be in default, and saving and excepting rights of way necessary for Lessee's operations, provided, however, that the Lessee may at any time after such default, upon payment of the sum of Ten (\$10.00) Dollars to the Lessor as and for fixed and liquidated damages quit claim to the Lessor all of the right, title and interest of Lessee in and to the leased lands in respect to which it has made default, and thereupon all rights and obligations of the parties hereto one to the other shall thereupon cease and terminate as to the premises so quit claimed.

Lessee shall pay all taxes on its improvements and on oil in storage on the assessment date for taxes of each year an seven-eighths (7/8) of any mineral rights, production severance franchise or licensing tax or fee imposed by ordinance computed or based upon or measured by the production of oil and/or gas which may be levied, assessed or imposed by the United States, the state in which the said lands are located, or any county, municipal, political or other subdivision of the state in which the said lands are located, or any other taxes or assessments including one eighth (1/8) of mineral rights or taxes above listed, including also one-eighth (1/8) of taxes on oil in storage if at the time of assessment Lessee is delivering to the credit of Lessor Lessor's royalty share of oil.

Lessee, at its option, may pay and discharge any liens such as but not limited to taxes, mortgages, and encumbrances which may now or hereafter attach to said lands, in which event Lessee shall be subrogated to the rights of the holder of holders thereof and may, in addition thereto, at its option, reimburse itself by applying to the amounts owing to Lessee by such subrogation any royalties, rentals or other sums accruing hereunder.

In case said Lessor owns a less interest in the above described lands than the entire and undivided fee simple estate therein, then the royalties and rentals herein provided for shall be paid the said Lessor only in the proportion which his interest bears to the whole and undivided fee.

Lessor hereby warrants and agrees to defend the title to said lands herein described. Upon Lessor's consent first had and obtained, Lessee is authorized to enter into cooperative or unit development contracts or plans with owners, operators and other lessees of oil and gas lands in the area, field or pool embracing all or part of the lands covered hereby, and Lessee is authorized to subject all or any part of the said lands of Lessor to one or more of such cooperative or unit development contracts or plans. Lessee's obligation under this lease shall be fully satisfied by operations conducted on any lands covered by said contracts or plans. Lessor shall, at Lessee's request, execute as a party signatory thereto any such cooperative or unit development contract or plan and the terms, covenants and conditions therein contained, in so far as they affect lands of the United States, shall be subject to approval of the Secretary of the Interior of the United States.

Lessee, if requested by Lessor, shall bury all pipe lines on cultivated portion of said lands below plow depth and shall not drill, without consent of Lessor, any well nearer than two hundred (200) feet from the main house or barn now on said lands. Lessee shall have the right at any time to remove all machinery and fixtures, either heretofore or hereafter placed on said premises, whether or not affixed to the land, including the right to remove casing.

Lessee agrees to pay all reasonable damages directly occasioned by its operations to crops and hay on said lands. Lessor hereby releases and waives all rights of homestead, curtesy or dower and other exemption laws of the state in which the said lands are situate. Lessor expressly acknowledges and declares that the payment received by Lessor for this lease at the time of execution thereof is a good, valid and substantial consideration and sufficient in all respects to support each and every covenant contained herein.

IN WITNESS WHEREOF, the parties hereto have executed this agreement the day and year first hereinabove written

Witness

Lessor
Robert A. Steuben
 Lessee
Frank L. Asta

Witness

STATE OF *California*
 COUNTY OF *San Diego*

On this *2nd* day of *April*, 19 *59* before me, *Willis A. DePaoli*, a Notary Public in and for said county, said state,

personally appeared *Robert A. Steuben* and *Frank L. Asta* to me known to be the person described in and who executed the foregoing instrument, and acknowledged that they executed and delivered the same as their free act and deed for the use specified therein (including the release and waiver of the right of homestead, the said wife having been by me fully apprised of her right and the effect of signing and acknowledging the said instrument.)

WITNESS my hand and official seal this *2nd* day of *April*, 19 *59*.

My commission expires *April 2, 1960*
Willis A. DePaoli
 Notary Public

OIL AND GAS LEASE

FROM _____ TO _____

Date: _____, 19 *59*

STATE OF _____
 County of _____

I hereby certify that this instrument was filed for record on the _____ day of _____, A. D. 19 *59* at _____ o'clock _____ M. Page _____ of the records of said County.

County Clerk _____ Deputy _____

When recorded return to _____

Recorded at the Request of Frank L. Asta April 16, A.D. 1959 at 37 minutes past 2 P. M.

Willis A. DePaoli - Recorder