

Homer Black, William A. Burum,
Alice T. Crabtree and Floyd E.
Crabtree, as Executor of the
Estate of A.P.O. Crabtree,
deceased

and

Charles Beyerbach

OIL AND GAS LEASE

OIL AND GAS LEASE

*See Book 4 of Official
Records, Page 276 for
Agreement of Termination
of Oil & Gas Lease*

THIS AGREEMENT, made and entered into this 11th day of May, 1959, by and between Homer Black, William A. Burum, Alice T. Crabtree and Floyd E. Crabtree, as Executor of the Estate of A. P. O. Crabtree, deceased party of the first part, herein styled "Lessor," and Charles Beyerbach, Porterville, California party of the second party, herein styled "Lessee."

WITNESSETH: That for and in consideration of One (\$1.00) Dollars lawful money of the United States of America, to the Lessor paid, and of other valuable considerations, the receipt of all of which is hereby acknowledged, and in consideration of the covenants and agreements hereinafter contained by the Lessee to be kept and performed, the Lessor has granted, leased, let and demised, and by these presents does grant, lease, let and demise unto the Lessee, its grantees, successors and assigns, the land and premises hereinafter described, with the sole and exclusive right to the Lessee to drill for, produce, extract, take and remove oil, gas, asphaltum and other hydrocarbons (and water without cost for its operations) from, and to store the same upon, said land during the term hereinafter provided, with the right of entry thereon at all times for said purposes, and to construct, use, maintain, erect, repair and replace thereon and to remove therefrom all pipe lines, telephone and telegraph lines, tanks, machinery, buildings, and other structures which the Lessee may desire in carrying on its business and operations on said land, or adjoining or neighboring premises operated by Lessee, with the further right to the Lessee or any of its subsidiaries to erect, maintain, operate and remove a plant with all necessary appurtenances, for the extraction of gasoline from gas produced from said land and/or other premises in the vicinity of said land, including all rights necessary or convenient thereto, together with rights-of-way for passage over, upon and across, and ingress and egress to and from, said land, for any or all of the above mentioned purposes. The possession by the Lessee of said land shall be sole and exclusive, excepting only that the Lessor reserves the right to occupy said land or to lease the same for agricultural, horticultural, or grazing uses, which uses shall be carried on subject to, and with no interference with, the rights or operations of the Lessee hereunder. The land which is the subject of this lease is situated in the County of EUREKA, State of NEVADA and is described as follows, to-wit:

Lots 2, 3, 4 and the Northeast Quarter (NE $\frac{1}{4}$) of the Southwest Quarter (SW $\frac{1}{4}$) of Section Eleven (11) and being all that portion of the Bruffey Ranch situate in Section Eleven, (11), Township 27 North, Range 52 East, M.D.M. in Pine Valley, Eureka County, State of Nevada

and contains 150.43 acres, more or less.

TO HAVE AND TO HOLD the same for a term of 18 months (1 $\frac{1}{2}$) years from and after the date hereof, and so long there-

FEC
ATC
WAB
CB
HB

after as oil or gas, or casinghead gas, or other hydrocarbons substances, or either or any of them, is produced therefrom, or drilling operations are conducted thereon, or Lessee is excused therefrom, under terms hereof.

In consideration of the premises it is hereby mutually agreed as follows:

1. Lessee shall pay Lessor as royalty on oil the equal One-Eighth (1/8) part of the proceeds of all oil produced, saved and sold from the leased premises, after making the customary deductions for temperature, water and b.s. at the posted available market price in the district in which the premises are located for oil of like gravity the day the oil is run into purchaser's pipe line or storage tank, and settlement shall be made by Lessee on or before the 25th day of each month for accrued royalties for the preceding calendar month. At Lessor's option exercised not oftener than once in any one calendar year upon thirty (30) days' previous written notice, Lessee shall deliver into Lessor's tanks on the leased premises, or at mouth of well to pipe line designated by Lessor free of cost, Lessor's royalty oil, provided that Lessee may at any time purchase and take Lessor's royalty oil at said posted available market price. No royalty shall be due to the Lessor for or on account of oil lost through evaporation, leakage or otherwise prior to the marketing of the same or delivery to Lessor if royalty oil is being taken in kind.

2. For all gas produced, saved and sold from said land by Lessee, the Lessee shall pay as royalty the 1/8th part of the net proceeds from the sale of such gas, but nothing herein contained shall be deemed to obligate the Lessee to produce, save, sell or otherwise dispose of gas from said land. For the purpose of having gasoline extracted from gas produced from said land, the Lessee may transport, or cause to be transported, to a gasoline extraction plant located either on said land or on other lands, all or any portion of such gas whereit may be commingled with gas from other properties. Lessee shall meter such gas so transported and such meter readings, together with the results of content tests by recognized methods made at approximately regular intervals, at least once every month, shall furnish the basis for computation of the amounts of gasoline and residue gas to be credited to this lease. Gas used or consumed, or lost in the operations of any such plant, shall be free of charge, and Lessee shall not be held accountable to the Lessor for the same or for any royalty thereon. Lessee shall not be required to pay royalty for or on account of any gas used for repressuring any oil-bearing formation which is being produced from by a well or wells on the leased premises, even though such repressuring is done by injecting such gas into wells not situated on the leased premises. The Lessor shall be entitled to gas free of charge from any gas wells on the leased premises for all stoves and inside lights in the principal dwelling houses on said land by making his own connections at a point designated by Lessee, the taking and use of said gas to be at the Lessor's sole risk and expense at all times.

3. Any casinghead gasoline extracted from gas produced from said land shall, at the option of the Lessee, be returned to the oil produced therefrom and shall be treated as a part thereof; otherwise the Lessee shall pay to the Lessor as royalty for such extracted gasoline the equal one-eighth part of the net proceeds of the sale thereof after deducting transportation and extraction costs, or of the Lessee's portion thereof if extracted on a royalty basis. ~~If there shall be no transportation and extraction costs, or of the Lessee's portion thereof if extracted on a royalty basis.~~ If there shall be no available market and/or no public or open market price for the gasoline at the place of extraction, then the Lessee shall be entitled to sell and/or dispose of all the gasoline for the best price and on the best terms obtainable, but in no case shall settlement of royalty be at a less price than that obtained by the Lessee for its portion of the gasoline.

4. The Lessee shall not be required to account to the Lessor for, or pay royalty on, oil, gas or water produced by the Lessee from said land and used by it in its operations hereunder, but it may use such oil, gas and water free of charge.

5. ~~Commencing with the _____ of the term hereof, if the Lessee has not theretofore commenced drilling operations on said land or terminated this lease as herein provided, the Lessee shall pay or tender to the Lessor _____ in advance, as rental, the sum of _____ Dollars per acre per _____ for so much of said land as may then still be held under this lease, until drilling operations are commenced or this lease terminated as herein provided.~~

FEC
ATC
WAB
HB
CB

6. The Lessee agrees to commence drilling operations on said land within 4 months from the date hereof (unless the Lessee has sooner commenced the drilling of an offset well on said land as herein provided) and to prosecute the same with reasonable diligence until oil or gas is found in paying quantities, or to a depth at which further drilling would, in the judgment of the Lessee, be unprofitable; or it may at any time within said period terminate this lease and surrender said land as hereinafter provided. No implied covenants shall be read into this lease requiring the Lessee to drill or to continue drilling on said land, or fixing the measure of diligence therefor. The Lessee may elect not to commence or prosecute the drilling of a well on said land as above provided, and thereupon this lease shall terminate..

7. If the Lessee shall elect to drill on said land, as aforesaid, and oil or gas shall not be obtained in paying quantities in first well drilled, the Lessee shall, within six (6) months after the completion or abandonment of the first well, commence on said land drilling operations for a second well, and shall prosecute the same with reasonable diligence until oil or gas is found in paying quantities, or until the well is drilled to a depth at which further drilling would, in the judgment of the Lessee, be unprofitable; and the Lessee shall in like manner continue its operations until oil or gas in paying quantities is found, but subject always to the terms and conditions hereof and with the rights and privileges to the Lessee herein given.

8. If oil or gas is found in paying quantities in any well so drilled by the Lessee on said land, the Lessee, subject to the provisions hereof and to the suspension privileges hereinafter set forth, shall continue to drill additional wells on said land as rapidly as one string of tools working with reasonable diligence can complete the same, until there shall have been completed on said land as many wells as shall equal the total acreage then held under this lease divided by 20; whereupon the Lessee shall hold all of the land free of further drilling obligations; provided, that the Lessee may defer the commencement of drilling operations for the second or any subsequent well for a period not to exceed three (3) months from the date of completion of the well last preceding it. Except as herein otherwise provided, it is agreed that the Lessee shall drill such wells and operate each completed oil well with reasonable diligence and in accordance with good oil field practice so long as such wells shall produce oil in paying quantities while this lease is in force as to the portion of said land on which such well or wells are situated; but in conformity with any reasonable conservation or curtailment program affecting the drilling of wells or the production of all oil and/or gas from said land, which the Lessee may either voluntarily or by order of any authorized governmental agency subscribe to or be subject to. Drilling and producing operations hereunder may also be suspended while the price offered generally to producers in the same vicinity for oil of the quality produced from said land is \$1.00 (100) cents or less per barrel at the well, or when there is no available market for the same at the well.

9. If the Lessee shall complete a well or wells on said land which shall fail to produce oil in paying quantities but which produces gas in paying quantities, the Lessee shall either sell so much of said gas as it may be able to find a market for, and pay the Lessor the royalty provided herein on the volume of gas so sold, or Lessee may, if it so elects, suspend the operation of such gas well or wells from time to time and during the period of such suspension pay or tender to the Lessor as rental annually in advance, a sum equal to One Dollar (\$1.00) per acre for so much of the acreage then held under this lease, such rental to continue until producing operations are resumed and royalties are paid to the Lessor for gas sold as above provided. It is further understood and agreed that if the Lessee shall complete a well which shall fail to produce oil in paying quantities, but which produces gas in paying quantities, it shall not be obliged to conduct any further drilling operations

on said land (except the drilling of offset wells as hereinafter provided) unless and until, in its judgment, the drilling of such additional wells under the provision of this lease is warranted in view of existing or anticipated market requirements.

10. If it should hereafter appear that the Lessor at the time of making this lease owns a less interest in the leased land than the fee simple estate or the entire interest in the oil and gas under said land, then the rentals and royalties accruing hereunder shall be paid to the Lessor in the proportion which his interest bears to the entire fee simple estate or to the entire estate in said oil and gas.

11. There is hereby expressly reserved to the Lessor, and as well to the Lessee, the right and privilege to convey, transfer or assign in whole or in part its interest in this lease or in the leased premises or in the oil and/or gas therein or produced therefrom, but if the Lessor shall sell or transfer any part or parts of the leased premises or any interest in the oil and/or gas under any part or parts thereof the Lessee's drilling obligations shall not thereby be altered, increased or enlarged, but the Lessee may continue to operate the leased premises and pay and settle rents and royalties as an entirety.

12. In the event a well is drilled on adjoining property within 330 () feet of the exterior limits of any land at the time embraced in this lease and oil or gas is produced therefrom in paying quantities and the drilling requirements as specified in paragraph 8 hereof are not fully complied with, and the owners of such well shall operate the same and market the oil or gas produced therefrom, then the Lessee agrees to offset such well be the commencement of drilling operations within ninety days after it is ascertained that the production of oil or gas from such well is in paying quantities and that the operator thereof is then producing and marketing oil or gas therefrom. For the purpose of satisfying obligations hereunder such offset well or wells shall be considered as other wells required to be drilled hereunder.

13. The obligations of the Lessee hereunder shall be suspended while the Lessee is prevented from complying therewith, in whole or in part, by strikes, lockouts, actions of the elements, accidents, rules and regulations of any Federal, State, Municipal or other governmental agency, or other matters or conditions beyond the control of the Lessee, whether similar to the matters or conditions herein specifically enumerated or not.

14. The Lessee shall pay all taxes on its improvements and all taxes on its oil stored on the leased premises on the first Monday of March in each year, and seven-eighths of the taxes levied and assessed against the petroleum mineral rights. Lessor agrees to pay all taxes levied and assessed against the land as such and one-eighth of the taxes levied and assessed against the petroleum mineral rights. In the event the State, United States or any municipality levies a license, severance, production or other tax on the oil produced hereunder, or on the Lessee's right to operate, then and in that event the Lessee shall pay seven-eighths of said tax and Lessor shall pay one-eighth of said tax.

15. The Lessee agrees not to drill any well on said land within one hundred fifty (150) feet of the now existing building thereon without the written consent of the Lessor. The Lessee agrees to pay all damages directly occasioned by its operations to crops on said land.

16. The Lessor may at all reasonable times examine said land, the work done and in progress thereon, and the production therefrom, and may inspect the books kept by the Lessee in relation to the production from said land, to ascertain the production and the amount saved and sold therefrom. The Lessee agrees, on written request, to furnish to the Lessor copies of logs of all wells drilled by the Lessee on said land.

17. All the labor to be performed and material to be furnished in the operations of the Lessee hereunder shall be at the cost and expense of the Lessee, and the Lessor shall not be chargeable with, or liable for, any part thereof; and the Lessee shall protect said land against liens of every character arising from its operations thereon.

18. Upon the written request of the Lessor, the Lessee agrees to lay all pipe lines which it constructs through cultivated fields, below plow depth, and upon similar request agrees to fence all sump holes or other excavations to safeguard livestock on said land.

19. The Lessee shall have the right at any time to remove from said land all machinery, rigs, piping, casing, pumping stations and other property and improvements belonging to or furnished by the Lessee, provided that such removal shall be completed within a reasonable time after the termination of this lease. Lessee agrees after termination of this lease to fill all sump holes and other excavations made by it.

20. If royalty oil is payable in cash, Lessee may deduct therefrom a proportionate part of the cost of treating unmerchantable oil produced from said premises to render same merchantable. In the event such oil is not treated on the leased premises, Lessor's cash royalty shall also bear a corresponding proportionate part of the cost of transporting the oil to the treating plant. Nothing herein contained shall be construed as obligating Lessee to treat oil produced from the herein described premises. If Lessor shall elect to receive royalty oil in kind, such royalty oil shall be of the same quality as that removed from the leased premises for Lessee's own account, and if Lessee's own oil shall be treated before such removal, Lessor's oil will be treated therewith before delivery to Lessor and Lessor in such event will pay a proportionate part of the cost of treatment.

21. Upon the violation of any of the terms or conditions of this lease by the Lessee and the failure to begin to remedy the same within thirty days after written notice from the Lessor so to do, then, at the option of the Lessor, this lease shall forthwith cease and terminate, and all rights of the Lessee in and to said land be at an end, save and excepting twenty (20) acres surrounding each well producing or being drilled 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, and upon payment of the sum of Ten & no/100 (10) Dollars to the Lessor as and for fixed and liquidated damages, quitclaim 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 terminated as to the premises quitclaimed.

~~22. All royalties and rents payable in money hereunder may be paid to the Lessor by mailing or delivering a check therefore to _____ Bank at _____ its successors and assigns, herein designated by the Lessor as depository, the Lessor hereby granting to said depository full power and authority on behalf of the Lessor, his heirs, executors, administrators, successors and assigns, to collect and receipt for all sums of money due and payable from the Lessee to the Lessor hereunder. No change in the ownership of the land or minerals covered by this lease, and no assignment of rents or royalties shall be binding on the Lessee until it has been furnished with satisfactory written evidence thereof.~~

WAB
ATC
CB
HB
FEC

22. All royalties and rents payable in money hereunder may be paid to the lessors by mailing or delivering a check as follows: 25% to William A. Burum, Rt. 2, Box 361, Delano, California; 25% to Alice T. Crabtree, 616 No. F. Street, Porterville, California; 25% to Homer Black, 1605 Holly Avenue, Arcadia, California; 25% to Floyd E. Crabtree as Executor of the Estate of A.P.O. Crabtree, 302 Paloma Avenue, Salinas, California, except that the first amount of \$1500.00 in royalties or rents due hereunder shall be paid 50% to William A. Burum and 50% to Alice T. Crabtree in repayment of certain expenses previously incurred by them.

23. Lessor hereby warrants and agrees to defend title to the land herein described, and agrees that the Lessee, at its option, may pay and discharge any taxes, mortgages, or other liens existing, levied or assessed on or against the above described land; and, in the event it exercises such option, it shall be subrogated to the rights of any holder or holders thereof and may reimburse itself by applying to the discharge of any such mortgage, tax, or other lien, any royalty or rentals accruing hereunder.

24. If and when any oil produced from the demised premises shall for any reason be unmarketable at the well at the price mentioned in paragraph 8 hereof, the Lessor agrees in such case to take and receive his royalty in kind, and should he fail or refuse so to do, then the Lessee may sell the same at the best price obtainable but not less than the price which the Lessee may be receiving for its own oil of the same quality.

25. The words "drilling operations" as used herein shall be held to mean any work or actual operations undertaken or commenced in good faith for the purpose of carrying out any of the rights, privileges or duties of the Lessee under this lease, followed diligently and in due course by the construction of a derrick and other necessary structures for the drilling of an oil or gas well, and by the actual operation of drilling in the ground.

26. On the expiration or sooner termination of this lease, Lessee shall quietly and peaceably surrender possession of the premises to Lessor and deliver to him a good and sufficient quitclaim deed, and so far as practicable cover all sump holes and excavations made by Lessee. Before removing the casing from any abandoned well Lessee shall notify Lessor of the intention so to do, and if Lessor within ten (10) days thereafter shall inform Lessee in writing of Lessor's desire to convert such well into a water well, and for that purpose to retain and purchase casing therein, Lessee will leave therein such amount of casing as Lessor may require for said purpose, provided such procedure is lawful and will not violate any rule or order of any official, commission or authority then having jurisdiction in such matters, and provided further that Lessor pay to Lessee fifty (50) per cent of the original cost of the casing on the ground.

27. Lessee may at any time quitclaim this lease in its entirety or as to part of the acreage covered thereby, with the privilege of retaining twenty (20) acres surrounding each producing or drilling well, and thereupon Lessee shall be released from all further obligations and duties as to the area so quitclaimed, and all rentals and drilling requirements shall be reduced pro rata. All lands quitclaimed shall remain subject to the easements and right-of-way hereinabove provided for. Except as so provided, full rights to the land so quitclaimed, shall revert in Lessor, free and clear of all claims of the Lessee, except that Lessor, his successors or assigns, shall not drill any well on the land quitclaimed within six hundred sixty (660) feet of any producing or drilling well retained by Lessee.

28. If this lease shall be assigned as to a particular part or as to particular parts of the leased premises, such division or severance of the lease shall constitute and create separate and distinct holdings under the lease of and according to the several portions of the leased premises as thus divided, and the holder or owner of each such portion of the leased premises shall be required to comply with and perform the Lessee's obligations under this lease for, and only to the extent of, his portion of the leased area, provided that nothing herein shall be construed to enlarge or multiply the drilling or rental obligations, and provided further that the commencement of the drilling operations and the prosecution thereof, as provided in paragraph 6 hereof, either by the Lessee or any assignee hereunder, shall protect the lease as a whole.

29. This lease and all its terms, conditions and stipulations shall extend to and be binding upon the heirs, executors, administrators, grantees, successors and assigns of the parties hereto.

30. Any notice from the Lessor to the Lessee must be given by sending the same by registered mail addressed to P. O. Box 623, Porterville, Cal., and any notice from the Lessee to the Lessor must be given by sending the same by registered mail, addressed to the Lessor at same as paragraph 22.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be duly executed as of the date first hereinabove written.

LESSOR

LESSEE

Homer Black

Charles Beyerbach

William A. Burum

Alice T. Crabtree

Floyd E. Crabtree

STATE OF CALIFORNIA)
) ss.
COUNTY OF KERN)

On this 29th day of April, in the year nineteen hundred and fifty-nine before me, JOHN T. HOURIGAN, a Notary Public in and for the County of Kern, State of California, residing therein, duly commissioned and sworn, personally appeared HOMER BLACK, WILLIAM A. BURUM, ALICE T. CRABTREE and CHARLES BEYERBACH, 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 first above written.

(Notarial Seal)

John T. Hourigan
Notary Public in and for the County of Kern
State of California

STATE OF California)
) ss.
County of Monterey)

On this 11th day of May, in the year nineteen hundred and fifty nine before me, J. Ward McClellan, a Notary public in and for the County of Monterey, State of California, residing therein, duly commissioned and sworn, personally appeared Floyd E. Crabtree known to me to be the person whose name is subscribed to the within instrument, and acknowledged to me that he executed the same.

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

J. Ward McClellan
Notary Public in and for the County of Monterey
State of California

Recorded at the request of Charles Beyerbach June 14, A.D., 1960 At 28 minutes past 9 A. M.

Willis A. DePaoli - Recorder.