

Form 64—Option—Calif. Rev. 10-57
Print. in U.S.A. 10

AGREEMENT

THIS AGREEMENT, made and entered into this 21st day of December, 1959, between
VERNON BARRETT and AMYTIS BARRETT, his wife

whose address is 1300 Chelton Way, South Pasadena, California, hereinafter referred to as "First Party", whether one or more, and RICHFIELD OIL CORPORATION, a Delaware corporation, whose address is 555 South Flower Street, Los Angeles 17, California, hereinafter referred to as "Second Party",

WITNESSETH:

THAT, WHEREAS, First Party is the owner of an offer to lease, or is the owner of an oil and gas lease, as the case may be, pursuant to the Act of Congress approved February 25, 1920 (41 Stat. 437), as amended, upon land belonging to the United States

of America, bearing Serial Number NEVADA 019177, said offer to lease being hereinafter referred to as "said offer", and any oil and gas lease hereinabove described, and any oil and gas lease issued pursuant to said offer, and any such oil and gas lease the primary term of which is extended as provided for in said Act of Congress, being hereinafter referred to as "said lease", embracing the following described land situated in the County of EUREKA, State of NEVADA, to wit:

T. 21 N., R. 53 E., M.D.M., Nevada

Sec. 11: All
Sec. 12: All
Sec. 13: All

T. 21 N., R. 54 E., M.D.M., Nevada

Sec. 7: All

containing 2,559.88 acres, more or less,

hereinafter referred to as "said lands";

NOW, THEREFORE, in consideration of One Dollar (\$1.00) and other good and valuable considerations paid by Second Party to First Party, receipt of which is hereby acknowledged, and the mutual covenants and agreements herein contained, it is hereby agreed between the parties hereto as follows:

1. First Party hereby grants unto Second Party the exclusive right during the life of this agreement to make such geological or geophysical explorations of said lands as Second Party may desire to make, and as may be authorized under the terms of said lease.

2. First Party does hereby give and grant unto Second Party, his successors and assigns, the sole and exclusive right, privilege and option of purchasing and acquiring said lease, in so far as it covers said lands, by assignment. As used in this agreement "said lease" includes any lease above referred to in its extended term. Within ten (10) days after notice of exercise of said option First Party agrees to execute and deliver to Second Party, or his order, a good and sufficient assignment of said lease covering the lands as to which said option is exercised; provided that if said lease has not been issued at the time of the exercise of said option, First Party agrees to so execute and deliver said assignment within ten (10) days after said lease has been issued. Such assignment shall contain the following provisions:

(a) shall reserve unto First Party the same overriding royalty as the overriding royalty described in paragraph 19 hereof, subject to all of the provisions of subparagraphs (a), (b), (c), (d), (e), (f) and (g) of said paragraph 19;

(b) that Second Party shall have the right at any time to assign all or any part of his rights under such assignment;

(c) that should Second Party desire to surrender to the United States all or any part of said lease as to all or any legal subdivision of said lands covered by such assignment, Second Party at least thirty (30) days prior to the time for the payment of the next annual rental due under the terms of said lease, shall mail written notice by registered mail or certified mail to Vernon Barrett

whose address is 1300 Chelton Way, South Pasadena, California

hereinafter referred to as "Lessee", offering to reassign to Lessee that portion of said lands which Second Party desires to relinquish. If within thirty (30) days after the mailing of such notice, Second Party shall have received a notice in writing from Lessee that Lessee desires a reassignment of such lands, and shall also have received from Lessee an application from Lessee to the Bureau of Land Management for approval of such reassignment, containing a proper showing of Lessee's qualifications to receive such reassignment, together with any required bond, Second Party shall reassign such lands to Lessee and file such reassignment, application and bond for approval of said Bureau. Should Second Party not have received from Lessee the notice that Lessee desires a reassignment, and said application and said bond, within said time, or should the Secretary of the Interior refuse for any reason to consent to any such reassignment to Lessee, Second Party shall thereupon immediately have the right, regardless of the death or incapacity of Lessee, to surrender and relinquish said lease to the United States as to the lands specified in such offer, and shall be under no other or further obligation to First Party;

(d) the same warranty set forth in paragraph 9 hereof.

3. First Party does hereby give and grant unto Second Party, his successors and assigns, the further sole and exclusive right, privilege and option of purchasing and acquiring the sole and exclusive right of possession of said lands, or any part thereof, together with the full right and lawful authority to enter thereon for the purpose of exploring, drilling, mining, developing and operating said lands for oil and gas purposes, and producing, treating, handling and marketing all and any such minerals produced therefrom from the date of exercise of said option and thereafter for the full term of said lease, in so far as it covers said lands.

4. Upon the exercise of the option contained in paragraph 3 hereof, this agreement shall be considered and construed as, and shall automatically become, an operating agreement between First Party and Second Party; provided that if said lease has not been issued at the time of the exercise of the option contained in paragraph 3 hereof, during the period of time between said exercise of option and the issuance of said lease, this agreement shall be considered as an agreement to grant the operating rights referred to in paragraph 3 hereof, unto Second Party upon the issuance of said lease, and upon the issuance of said lease this agreement shall be considered and construed as, and shall automatically become, an operating agreement between First Party

19. As to the subject lands First Party hereby reserves an overriding royalty of Two per cent (2%) of the market value on the subject lands, or if sold by Second Party, of the proceeds from the sale, at the well or wells on the subject lands, of all oil, gas, casinghead gas and other minerals produced, saved and sold or removed from the subject lands by Second Party under the provisions of said lease or allocated to the subject lands under any unit agreement or pooling agreement approved by the Secretary of the Interior while said lease is in effect. Said overriding royalty shall be subject to each and all of the following provisions:

(a) If the subject lands, or any part thereof, are committed to a unit agreement or pooling agreement, Second Party shall take into consideration any and all production allocated to the different portions of the lands covered by any such unit agreement or pooling agreement, as provided therein, without regard to the lands from which said production is actually obtained, and the production so allocated to all or any part of the subject lands committed to such unit agreement or pooling agreement shall, for the purpose of calculating the overriding royalty herein reserved, control and be binding and conclusive upon the parties hereto, and the overriding royalty payments to be made, as hereinabove provided, subject to the deductions herein provided for, shall be based and paid only on such production as is so allocated to the subject lands.

(b) Said overriding royalty shall be computed in the same manner and upon the same basis, except as to values, and be paid at the same time as the United States' royalty under said lease and shall be subject to all of the charges and deductions proportionately to which the United States' royalty is subject under the provisions of said lease and under the Department of the Interior Oil and Gas Operating Regulations and under any unit agreement or pooling agreement to which the subject lands, or any part thereof, may be committed, and shall be subject to the other deductions herein provided for. Said overriding royalty shall be payable in cash and not in kind. Said overriding royalty shall constitute First Party's only share or interest in any production of oil, gas, casinghead gas and other minerals produced from the subject lands or allocated to the subject lands under the provisions of such unit agreement or pooling agreement.

(c) Second Party shall not be required to store or sell any natural gas produced from or allocated to the subject lands or any residue dry gas manufactured therefrom, and shall not be required to pay overriding royalty except on such portion thereof actually sold by Second Party or utilized by Second Party in a manner other than that herein made exempt from the payment of overriding royalty. No overriding royalty shall be paid on gas used on the subject lands or on lands unitized or pooled therewith for recycling operations or repressuring any oil-bearing formations from which production is being obtained by any well on the subject lands or on such unitized or pooled lands.

(d) Second Party may deduct and retain from the overriding royalty reserved hereunder First Party's royalty percentage of all taxes of whatsoever nature on or based upon or on account of the oil, gas, casinghead gas and other minerals in the subject lands or produced therefrom or allocated thereto under such unit agreement or pooling agreement, and/or the production, severance, storing, transporting and/or treating thereof.

(e) No obligation shall arise herefrom from Second Party to First Party to develop the subject lands or lands unitized or pooled therewith or to produce oil, gas, casinghead gas or other minerals therefrom, or to continue production therefrom, and no such obligation shall be implied. The reserved overriding royalty shall be paid only by the party producing said substances and only if, as and when such substances are produced and saved under said lease and sold or removed from the subject lands or allocated to the subject lands under any such unit agreement or pooling agreement. As between First Party and Second Party, Second Party shall have full and complete control over all operations and production on the subject lands, and First Party does hereby make, constitute and appoint Second Party as First Party's attorney in fact for First Party, in First Party's name, place and stead to execute and file with the Secretary of the Interior any of the following: applications to modify, suspend or reduce any rental, royalty, drilling, producing or well-spacing provisions of said lease or any unit agreement or pooling agreement covering the subject lands, or to modify or suspend any order, rule or regulation of the Department of the Interior relating thereto, or for any other relief which Second Party may desire in the operation of the subject lands; applications for and agreements to pool said subject lands with other lands under communitization or drilling agreements providing for an apportionment of production or royalties among the separate tracts of land comprising a drilling or spacing unit; agreements, when approved by the Secretary of the Interior, providing for secondary recovery operations, through the use of gas for repressuring, or water drive, or other methods, embracing the subject lands alone, or in conjunction with other lands; a statement and notice of election to have said lease, in so far as it covers the subject lands, governed by the applicable provisions of the amendatory Act of Congress approved August 8, 1946, (Public Law 636, 79th Congress, Ch. 916); pleadings necessary, desired or required in any proceeding with respect to any matter or thing relating to said lease in so far as it covers the subject lands pending in court or before the Department of the Interior or any agency or representative thereof, including the execution and filing of releases and surrenders in this agreement provided for, as to any part or parts of the subject lands, and to make appearances in First Party's name in connection therewith, and to generally execute all instruments and do and perform all acts with respect to the foregoing rights and powers and bind First Party thereunder as fully as First Party could or might otherwise do and perform in First Party's individual capacity if personally present, with full power of substitution and revocation, and First Party hereby expressly ratifies and approves all acts and things done and performed by Second Party, or Second Party's substitute, with respect to the matters and things in this paragraph set forth. The powers and rights granted and authorized by this paragraph being coupled with an interest shall be irrevocable during the life of this agreement. First Party hereby authorizes Second Party to do and perform in Second Party's name all acts with respect to the matters, things, rights and powers in this paragraph set forth which Second Party may desire to do.

(f) Said overriding royalty shall be paid by mailing or delivering a check therefor to First Party at the address herein provided. Second Party shall in no event be required to issue more than one check monthly in payment of said overriding royalty, it being hereby agreed that in the event the interest of First Party in said lease in so far as it covers the subject lands, or in the overriding royalty herein referred to, shall be transferred, in whole or in part, or in the event said lease, or any interest therein, in so far as it covers the subject lands, shall now or hereafter be owned in severalty or in separate tracts, Second Party may elect nevertheless, to develop, operate and produce the subject lands as one lease and one tract and treat and pay all royalties accruing hereunder as an entirety and, at Second Party's election, monthly payments of overriding royalty hereunder may be made by not more than one check monthly to all the owners of such interest jointly, or Second Party may withhold payment thereof unless and until furnished with an instrument executed by all owners of said overriding royalty, designating a collecting agent to receive payment of said overriding royalty in its entirety and to give acquittance therefor. Such collecting agent or any successor is hereby authorized to receipt for all such payments or tenders. Such joint payment, or such payment or tender to such collecting agent, shall relieve Second Party from any responsibility for the proper distribution of said overriding royalty to the owners thereof. First Party and any such transferee from First Party hereby agree to distribute such royalty amongst themselves or properly instruct such collecting agent as to the proper distribution of such royalty. Notwithstanding actual or constructive knowledge or notice thereof, no change in ownership of any interest in said overriding royalty shall be binding upon Second Party until a recordable instrument, or a certified copy thereof, evidencing such change is furnished to Second Party, and no such change in ownership shall be effective as to Second Party until the first day of the month next succeeding the furnishing to Second Party of such instruments, and no such change in ownership shall require Second Party to develop or operate or produce any portion of the subject lands as a separate tract, or alter, increase or enlarge any of Second Party's obligations under this agreement, but Second Party may continue to develop, operate and produce the subject lands, as one tract and pay and settle royalties as an entirety on a monthly basis.

(g) All oil containing more than 3% of water and other foreign substances at Second Party's option may be dehydrated and Second Party shall deduct from said overriding royalty the overriding royalty share of the cost of dehydrating such oil. If such oil is not treated on the subject land then said overriding royalty shall also bear a corresponding proportionate part of the cost of transporting the oil to the treating plant. No correction for gravity shall be made for the water and other foreign substance content when said content does not exceed 3%. Nothing herein contained, however, shall obligate Second Party to treat oil produced from the subject land.

20. All oil, gas, casinghead gas and other minerals produced and saved from the subject lands or allocated thereto in accordance with any said unit agreement or pooling agreement, or the proceeds thereof, remaining after paying the royalties reserved to the United States under said lease and to First Party hereunder, shall be retained by and belong to Second Party and shall constitute Second Party's full compensation for its operations hereunder.

21. Subject to Second Party's right of surrender as hereinafter set forth, and to the other provisions hereof, Second Party shall comply with all of the terms and conditions of said lease in so far as it covers the subject lands and furnish any bonds required by said lease. All operations carried on by Second Party under this agreement shall be at the sole risk, cost and expense of Second Party and Second Party shall save and hold First Party harmless from all liability of whatsoever kind, nature or description arising from Second Party's operations hereunder on the subject lands.

22. First Party shall at any time upon demand execute and deliver to Second Party a good and sufficient assignment of said lease in so far as it covers the subject lands, said assignment to be subject to said overriding royalty and to the other provisions to be contained in the assignment hereinabove provided for.

23. For the considerations herein expressed Second Party may at any time surrender to First Party all of Second Party's rights hereunder as to all or any legal subdivision of the subject lands by mailing or delivering to First Party a quitclaim thereof; provided however, that such quitclaim shall be mailed or delivered at least thirty (30) days prior to the time provided for the payment of the next annual rental due under the terms of said lease. All lands so quitclaimed shall remain subject to such encumbrances