

GIL AND GAS MINING LEASE

THIS AGREEMENT, made this 21<sup>st</sup> day of October, 1965, by and between CHARLES DAMELE, LEO J. DAMELE and JOHN V. DAMELE, a co-partnership doing business under the name of STEPHEN DAMELE AND SONS, and all of the County of Eureka, State of Nevada, First Parties and Lessors, and ROY MAYNARD, of the County of Eureka, State of Nevada, Second Party and Lessee, said party being referred to hereinafter as "Lessee" with the plural of "Lessees" where used including the singular,

W I T N E S S E T H:

That the said First Parties, for and in consideration of the sum of TEN DOLLARS (\$10.00), lawful money of the United States of America, to the said First Parties paid, the receipt whereof is hereby acknowledged, and in consideration of the covenants and agreements hereinafter contained by the Lessee to be kept and performed, the Lessors have leased, let and demised, and do by these presents lease, let and demise unto the said Lessee, for the sole and only purpose of mining and operating for oil and gas, and laying pipelines, and building tanks, power-stations and structures thereon, to produce, save and take care of said products, all of that certain property situate in the County of Eureka, State of Nevada, more particularly described on Exhibit "A" attached hereto and incorporated herein.

TO HAVE AND TO HOLD said premises, and all rights and privileges granted hereunder unto the said Lessee, for a period of one (1) year from the date hereof, and as long thereafter as oil, gas, casinghead gas or gasoline, or any of them, is, or can be produced therefrom, subject to the prompt and punctual performance of all of the conditions contained herein. There is further granted to the said Lessee the right and option to extend said Lease for an additional one (1) year period

by their paying to the Lessors the sum of fifty cents (.50) per acre for all of the lands leased herein to the Lessee, which payment shall be made on or before the commencement of the second lease year. If said lease is so extended, and if oil, gas, casinghead gas or gasoline, or any of them, is discovered in said second year period and can be produced from the demised premises, then said Lease shall be extended and continue as long thereafter as such oil, gas, casinghead gas, or gasoline, or any of them is, or can be produced from such premises.

The said Lessors and Lessee further promise, covenant and agree as follows:

Lessee shall have the right to remove, either during or after the term of said lease, all and any property and improvements placed or erected on the premises by the Lessee, including the right to pull all casing, if such casing is not purchased by Lessors, as hereinafter provided. Lessee shall exercise this right with reasonable diligence, and all such property shall be removed within one year from the date of any termination of said lease, otherwise said property shall go to and become the property of the Lessors. Lessee agrees that if there is any property and improvements removed from the demised premises that Lessee will, at the request of Lessors, remove all foundations, refill and holes or sumps, and leave the property in the same general condition as the same now is.

The Lessee shall pay the Lessors in cash at the prevailing field market price at the time of production, the value in its natural state, of the equal one-eighth ( $1/8$ ) part of all oil and gas, or other marketable minerals produced, saved and marketed from the above described premises. Settlement therefor shall be made on the twentieth day of each month for minerals produced during the preceding calendar month. At Lessors' option, exercised by giving thirty (30) days written notice to Lessee in advance,

Lessors may elect to receive their equal one-eighth part of all oil produced, saved, and available for marketing, in kind. In the event such option is exercised, Lessee shall deliver into Lessors' tanks on the leased premises, or at mouth of well to pipe line designated by Lessors free of cost, the Lessors' royalty oil. No royalty shall be due to the Lessors for or on account of oil lost through evaporation, leakage or otherwise prior to the marketing of the same, or delivery to Lessors if royalty oil is being taken in kind. It is agreed that Lessors may not exercise such option more than once in any one calendar year, and Lessors may terminate their election to take royalty oil in kind at any time upon giving Lessee thirty (30) days notice in writing.

No change of ownership in the lands, or in the rentals or royalties, shall be binding upon the Lessee until after it shall have been furnished with a written transfer or assignment, or a certified copy thereof. Should suit be brought involving the ownership of said rentals or royalties accruing thereunder, or of the said land, the Lessee may, at its option, deposit all of the accruing rentals or royalties in a suitable depository pending the final determination of said suit, in lieu of making payments to the Lessors.

The Lessors shall have the right to use gas free of charge from any gas well on the leased premises for all stoves and inside lights in the principal dwelling house situate on said land, by making their own connections with the well, the use of said gas to be at the Lessors' sole risk and expense at all times, and said right to be subject to the prior right of Lessee to gas from said well for operating purposes as herein set out.

Lessee agrees to offset all paying, producing wells drilled outside of and within 250 feet of the boundary lines of the tract covered by the said Lease, or will forfeit the 40 acre tract or subdivision thereof, opposite such adjacent foreign well.

There shall be no obligation on the part of the Lessee to offset wells on separate tracts in which the land covered by said Lease may be divided by sale, lease or otherwise.

Lessee may, at any time, surrender the said lease by delivering the release thereof, or mailing same to the Lessors, or by placing a release thereof of record in the proper county, and thereupon all payments and liability of the Lessee hereunder shall cease, and the lease shall become void, provided that the said Lessee is not in default in the performance of any of the covenants and conditions to be performed by said Lessee. In the same manner, the Lessee may surrender any part of said land and terminate Lessee's obligation as to the land surrendered, without terminating the lease as to the remaining land.

Should the Lessee so far fail in the compliance with the terms of the lease as to justify a forfeiture thereof, no forfeiture shall be declared unless the Lessors shall first notify the Lessee in writing, addressed to ROY MAYNARD at Post Office Box 1313, Las Vegas, Nevada, or at such other address as may be designated by the Lessee in writing, specifying the nature of the default. Should the Lessee fail to remedy said default within a period of thirty (30) days after the date of mailing of said notice, said lease shall be forfeited, and the Lessors may then re-enter and take possession of said premises without any further proceedings, and may apply to the escrow holder, hereafter named, for delivery of the quitclaim deed, to be deposited with said escrow holder.

Lessors agree that the Lessee, at the Lessee's option, may pay and discharge any delinquent taxes, mortgages, of which the Mortgagee has an existing right to foreclose, or other delinquent liens existing, levied or assessed against the above described lands, and in the event the Lessee exercises such option, Lessee shall be subrogated to the rights of any holder or holders thereof, and may be reimbursed by applying to the discharge of

any such mortgage, tax, or other lien, any royalty or rentals accruing to the said Lessors under said lease. In case the Lessors own a less interest therein than the entire and undivided fee simple estate in said lands, then the royalties and rentals provided for shall be paid the said Lessors only in the proportion which the Lessors' interest bears to the whole and undivided fee. Provided, however, that in the event that the United States of America, or the State of Nevada, assert and successfully establish any paramount title to the oil and mineral rights on said lands by virtue of any reservations in patents, or otherwise, the Lessors shall receive the royalties reserved to them hereunder from any oil, gas or other minerals produced from the lands demised herein, in the event that the Lessee shall be able to secure such oil and mineral rights by lease, purchase, or otherwise, from the said United States of America, or the State of Nevada, such royalty and rental being paid to the Lessors as a reasonable rental for the use of the surface rights owned by the Lessors, by the Lessee in conducting its operations.

The Lessee, complying with all of the terms and conditions herein, shall have the peaceful and quiet enjoyment of the premises demised herein, subject to any paramount title to the oil and mineral rights which may exist in favor of the United States of America, or the State of Nevada, by virtue of reservations contained in patents, or otherwise.

The Lessee, if requested, shall bury all pipelines below plow depth, and no well shall be drilled nearer than 200 feet to any house or barn now on said land without the Lessors' written consent. The Lessee shall pay the taxes upon all structures, tools and appliances placed upon said lands by the Lessee for the purpose of conducting operations under and by virtue of said lease. Any increased taxes levied by virtue of any increase in the valuation of the lands leased hereunder by virtue of any oil well

drilling operation, or production from said lands, and any taxes levied and assessed upon the proceeds of any oil or other minerals produced from said lands, or any royalties legally payable to the State of Nevada, shall be paid as follows: one-eighth (1/8) by Lessors and seven-eighths (7/8) by Lessee.

The Lessee shall have the right to the free use of water from said lands, but not from the Lessors' water wells, provided that the use of such water would not hinder the normal ranching operations of the Lessors. Lessee shall have the right to drill wells for water, or otherwise develop water for the use of Lessee, provided that such development of water shall not hinder the normal ranching operations of Lessors. In the event such additional water be obtained, appropriation of such water shall be made in the name of the Lessors: provided, however, that the Lessee shall have the right to the use of all of such water as may be necessary to carry on the operations of the Lessee. It is agreed by the parties hereto that none of such water shall be used by the Lessee on lands other than those devised by this lease, without the written consent of the Lessors. Lessee agrees to comply with all of the laws of the State of Nevada, relative to the appropriation and development of underground waters. Upon the termination of said lease, for any reason, Lessors shall have the right to purchase all well casing in place in any wells drilled by the Lessee, which have developed water, at sixty per cent (60%) of the cost price of such casing, to the Lessee. Lessee agrees not to remove such casing without first notifying the Lessors of the cost price incurred by Lessee in purchasing such casing, and allowing Lessors a period of ten (10) days within which to elect to purchase such casing and to pay Lessee therefor.

Lessee shall pay Lessors for any damage to crops, livestock or normal ranching operations, caused by the Lessee in

carrying out any of the rights granted to the Lessee hereunder.

Lessee agrees to take all proper precautions to prevent fires on Lessors' fields and pastures, and shall pay Lessors for any damage to crops, livestock or normal ranching operations, occasioned by fires caused by the Lessee in conducting drilling operations upon said premises, and/or exercising any of the rights on said premises granted to the Lessee hereunder.

In the event that oil, gas, casinghead gas or gasoline are discovered and are capable of being produced from the lands demised herein in marketable quantities, Lessee agrees to use reasonable diligence in marketing and producing said minerals, and to use reasonable diligence and proper oil well drilling and marketing practices so that there will be no inefficient, excessive and unnecessary dissipation of reservoir energy, and so that there will be no drowning with water of any pool or part thereof capable of producing oil and gas, and in all other respects to conduct such operations so that there will be no underground waste or other unlawful or improper practice as defined in NRS 522.020, being Statutes of the State of Nevada. Lessee agrees that it will not cap such wells and store the minerals therein for a period of more than five (5) years from the discovery of oil or other minerals in marketable quantities in each well.

The Second Party herewith agrees to execute a quitclaim deed to all of the property demised herein, or on which an option to secure a lease is given, and to deposit the same with the FIRST NATIONAL BANK OF NEVADA, ELKO BRANCH, ELKO, NEVADA, together with appropriate instructions to said Escrow Holder, providing for the delivery of said quitclaim deed to the Lessors in the event the lease is forfeited or otherwise terminated. No assignment of all or any part of the premises demised by said lease shall be binding upon the Lessors unless such assignee shall also

execute a quitclaim deed to said property and deposit the same with the escrow holders herein named, to be held according to the same instructions to be delivered to the escrow holder.

Lessee shall comply with all laws, State, Federal and local, in its use and occupation of said premises, and conducting its operations, and shall not allow any liens, encumbrances or other claims to attach to the lands demised herein, and will post and keep conspicuously displayed about any wells, buildings or other structures, such notices of non-liability as may be furnished to it by the Lessors, and said Lessee shall carry Industrial Insurance with the Nevada Industrial Commission on all employees of the Lessee.

This lease shall inure to and be binding upon the heirs, executors, administrators and assigns of the first parties, and the successors and assigns of the second party, except as herein expressly excepted. The Lessee shall not have the right to assign this lease, or any interest therein, or any portion of the acreage covered thereby, without first securing the written consent of the Lessors, which written consent shall not be unreasonably withheld. No such assignment shall be effective unless such assignees shall deposit with the Escrow Holder, hereinabove named, a quitclaim deed to such property, to be held by such Escrow Holder upon the same terms and conditions as agreed to by the Lessee. Lessee may assign overriding royalties, without the consent of the Lessors, but it is specifically understood and agreed that no such assignment shall vest in the assignee or assignees any interest in this lease or any interest in the lands or minerals described in this lease, or any right to come upon the lands and conduct any operations, unless the written consent of the Lessors shall be first had and obtained.

If no oil well drilling operation be commenced on said land on or before sixty (60) days from the date hereof, this

lease is automatically terminated as to all parties hereto, without the necessity of giving any notice of default or forfeiture and without the necessity of allowing the Lessee a period of thirty (30) days to correct any such default or forfeiture, anything to the contrary stated herein notwithstanding. It is understood that the words "oil well drilling operation", as used in this lease, is defined to mean the actual operation of drilling in the ground, and that the Lessee shall carry on such oil well drilling operation continuously, after commencement, provided that a reasonable delay should be granted in the event that weather conditions prevent such oil well drilling operation. Lessee agrees to drill such well, to be commenced on the lands described hereinabove, until the total depth of said well shall be five thousand five hundred (5500) feet, or until the discovery of oil, gas, casinghead gas, or other petroleum products is discovered in marketable quantities, which ever is less. In the event the first well drilling on the above-described land be a dry hole, then, and in that event, if a second well is not commenced on said land within four (4) months from the time that drilling operations cease on the first hole, this lease is terminated as to all of the parties hereto. Provided, however, that oil well drilling operations in the second year of said lease may be deferred by payment to the Lessors of the said sum of fifty cents (.50) per acre as hereinabove described, as the lease rental for the second year.

The number of acres shall be determined from the official maps or plats of said lands, based upon U. S. Government Surveys, on file in the office of the County Assessor of the County of Eureka, State of Nevada, or the Nevada Land Office of the Department of the Interior, State of Nevada.

In the event that the Lessee should discover and develop a reservoir capable of producing oil, gas, casinghead gas,

or other petroleum products in marketable quantities, which reservoir shall extend under the lands leased herein and other lands under lease or control of the Lessee, or in which they are conducting drilling operations by themselves or in association with any other persons, firms or corporations, the Lessee shall use reasonable diligence to produce and market a proportionate share of such minerals on the lands being leased herein. If any such conditions should exist, Lessors promise and agree to cooperate with the Lessee in making any pooling arrangements or agreements, as are customary and standard in the oil exploration and marketing industry.

IN WITNESS WHEREOF, the First Parties and Lessors have hereunto set their hands the day and year first above written, and the Second Party and Lessees have hereunto set their hands as of the day and year first above written, it being understood that the use of the singular hereinabove, includes the plural, and that the promises and agreements of the parties constitute joint and several promises, agreements and obligations.

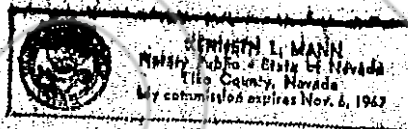
John V. Dannele  
Leo J. Dannele  
Charles Dannele  
 FIRST PARTIES  
Roy L. Mays and  
 SECOND PARTIES

STATE OF NEVADA, }  
COUNTY OF Elko } SS.

On this 21<sup>st</sup> day of October, 1965, personally appeared before me, a Notary Public in and for said County and State, CHARLES DAMELE, LEO J. DAMELE and JOHN V. DAMELE, known to me to be the persons described in and who executed the foregoing instrument, who acknowledged to me that they executed the same freely and voluntarily and for the uses and purposes therein mentioned.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal the day and year in this Certificate first above written.

Kenneth L. Mann  
NOTARY PUBLIC



STATE OF NEVADA, }  
COUNTY OF ELKO. } SS.

On this 25th day of October, 1965, personally appeared before me, a Notary Public in and for said County and State, ROY MAYNARD, known to me to be the person described in and who executed the foregoing instrument, who acknowledged to me that he executed the same freely and voluntarily and for the uses and purposes therein mentioned.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal the day and year in this Certificate first above written.

Kenneth L. Mann  
NOTARY PUBLIC

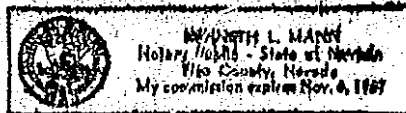


EXHIBIT APARCEL IWILLOW CREEK RANCHIn T. 24 N., R. 50 E., M.D.B. & M.

Sec. 14: SW $\frac{1}{4}$ NE $\frac{1}{4}$ ; SE $\frac{1}{4}$ NW $\frac{1}{4}$ ; SW $\frac{1}{4}$ ; W $\frac{1}{4}$ SE $\frac{1}{4}$   
 22: NE $\frac{1}{4}$   
 23: NW $\frac{1}{4}$

PARCEL IITONKIN RANCHIn T. 23 $\frac{1}{2}$  N., R. 49 E., M.D.B. & M.

Sec. 1: Lot 3

In T. 24 N., R. 49 E., M.D.B. & M.

Sec. 12: SW $\frac{1}{4}$ SE $\frac{1}{4}$   
 13: NE $\frac{1}{4}$ NW $\frac{1}{4}$ ; SW $\frac{1}{4}$ NW $\frac{1}{4}$ ; NW $\frac{1}{4}$ SW $\frac{1}{4}$   
 14: SE $\frac{1}{4}$ SE $\frac{1}{4}$   
 23: NE $\frac{1}{4}$ NE $\frac{1}{4}$ ; SW $\frac{1}{4}$ NE $\frac{1}{4}$ ; W $\frac{1}{4}$ SE $\frac{1}{4}$   
 26: W $\frac{1}{4}$ E $\frac{1}{4}$ ; NE $\frac{1}{4}$ NW $\frac{1}{4}$   
 35: E $\frac{1}{4}$ W $\frac{1}{4}$

TOGETHER with the sole and exclusive right of prospecting for, mining and producing oil and gas, casinghead gas and gasoline, laying pipeline, building tanks, storing oil, building power stations, telephone lines and other structures thereon to produce, save, take care of and market all of the substances as is economically necessary for the production thereof, all in accordance with the best methods of producing such oil and gas. Lessee shall have the right to erect housing and buildings for its employees, with right for such purposes to the free use of oil, gas or water from said lands, subject to those provisions hereinafter contained. It shall be the purpose of the parties hereto to demise and let to the Lessee the mineral rights to all oil, gas, casinghead gas or gasoline in connection with the above property, and the rights to such of the surface as is necessary to carry out the production and marketing thereof. The Lessors shall otherwise retain the right to the free use of said property.

EXCEPTING, HOWEVER, from said lease, all meadow lands included within the above described property that are now used by the Lessors in cutting, harvesting and storing hay or other forage crops. This exception extends to the use of such property by the Lessee for the purpose of drilling oil wells thereon, and does not authorize the Lessors to lease such property for the purposes set forth hereinabove in the immediately preceding paragraph, to any other person, persons or corporations.

It is understood and agreed that in the event that the Lessees discover oil, gas, casinghead gas, or gasoline or other petroleum products, on the above-described property in marketable quantities, that subsequent wells may be drilled on meadow-lands where necessary to drain oil or gas reservoirs or to produce such minerals, subject to the provisions set forth in the Lease regarding payment to the Lessors for all interference or damage to their hay, forage crops and ranching operations.

With reference to the lands described under Parcel No. 1, it is acknowledged that there has previously been reserved an undivided one-fourth interest in all of the minerals in and to said property in favor of JEAN SALLABERRY and GEACIEUSE SALLABERRY, his wife, and GRACIAN SALLABERRY and AMELIA H. SALLABERRY, his wife, by a Deed recorded in Book 25 of Deeds at Page 467 in the Official Records in the Eureka County Recorder's Office, Eureka, Nevada, and that the Lessors herein, by virtue of a Contract of Sale with the said Grantors named in said Deed, reserved the right to control, manage, lease and sell the minerals and mineral rights with reference to said Parcel No. 1. All royalties or other payments affecting said lands shall be divided among the owners of such mineral rights, as their interests may appear.

File No. 41410

RECORDED AT THE REQUEST OF

Roy Maynard

November 8 A. D. 1965

At 10 minutes past 11 A.M.

In Book 9 of OFFICIAL RECORDS

Page 39-51 Records of

EUREKA COUNTY, NEVADA

*Mellie A. W. Park* Recorder

Fee \$13.00