

L E A S E

THIS AGREEMENT OF LEASE made and entered into this 27th day of September, 1966, by and between JAMES S. PAYNE and OLIVE A. PAYNE, husband and wife, as individuals, and JAMES S. PAYNE as Trustee for FAMILY WITHHOLDING, hereinafter called Lessors, and NATION-WIDE OIL CO., a Nevada Corporation, hereinafter called Lessee:

W I T N E S S E T H:

That the said Lessors for and in consideration of the rents, royalties, covenants and agreements hereinafter expressed to be paid, kept and performed by the Lessee, have leased, let and demised, and by these presents do lease, let and demise unto the Lessee the following described mining property and premises, situate in the Beowawe Mining District, Eureka County, State of Nevada, to wit:

Consisting of five (5) mining claims, called the Family Holding #1, Family Holding #2, Family Holding #3, Family Holding #4, and Family Holding #5, and being the mining properties formerly known as the Beowawe Sulfur claims, said claims being situate in Section 12, T 29N, R 48E, M.D.B.&M.

TO HAVE AND TO HOLD unto the Lessee the above described premises for the purpose of mining, for a period of twenty (20) years from the date of this agreement and so long thereafter as sulfur, other minerals, oil, gas or other hydrocarbons, or steam, are produced in paying quantities from said property or mining or drilling operations are conducted thereon, and so long as the compensatory royalties herein provided are paid, (with option to

1 purchase as hereinafter set forth) unless sooner forfeited or
2 terminated through the violation of any of the covenants and
3 conditions herein contained, with the power to assign this Lease
4 or any part thereof or to sublet the whole or any part of said
5 leased premises, without the written consent of the Lessors, being
6 hereby specifically granted.

7 In further consideration for the rents, royalties,
8 covenants and agreements hereinafter expressed to be paid, kept
9 and performed by the Lessee, and the deposit in escrow of the sum
10 of FIVE THOUSAND (\$5,000.00) DOLLARS as hereinafter provided, the
11 Lessors hereby grant to Lessee, its successors and assigns the
12 option to purchase the demised premises, exercisable at any time
13 hereafter by notice in writing addressed to Lessors at *Robert E. Berry*
14 Winnemucca Nevada
15 for the total purchase price of ONE HUNDRED FIFTY THOUSAND AND
16 NO/100 (\$150,000.00) DOLLARS, payable as follows:

17 a). The sum of FIVE THOUSAND (\$5,000.00)
18 DOLLARS which is hereinafter provided to be
19 deposited in escrow, is to be credited against the
20 total purchase price as the down payment thereon,
21 upon exercise of this option.

22 b). Monthly payments, commencing thirty (30)
23 days after notice to Lessors of the Lessee's
24 intention to exercise said option, in the amount
25 of FIVE THOUSAND (\$5,000.00) DOLLARS per month,
26 or TEN PERCENT (10%) of the net mine, mill, smelter
27 or shipment returns, whichever shall be the greater,
28 with said payments to be made regularly and each
29 month until the balance of the said purchase price,
30 in the total sum of ONE HUNDRED FORTY-FIVE THOUSAND
31 (\$145,000.00) DOLLARS is paid in full.

32 It is agreed by and between Lessors and Lessee that Lessee

1 shall deposit in escrow, within _____ days, the sum of
2 FIVE THOUSAND (\$5,000.00) DOLLARS, to be paid out of escrow only
3 under the following conditions:

4 1. Search of title to be made as soon as
5 possible. If title, and freedom from liens,
6 thereby not proven to Lessee's satisfaction, said
7 sum to be paid out of escrow in full to Lessee or
8 his designated agent;

9 2. If title proven to Lessee's satisfaction
10 (including Lessors' right to convey, free of lien)
11 then said \$5,000.00 to be disbursed from escrow as
12 follows:

13 a. The sum of \$1,650.00 to be paid to
14 one JACK ESPOSITO, of Unionville,
15 Nevada, in satisfaction of a lien
16 claim he now claims against said
17 property; provided said Esposito
18 accepts said sum in full satisfaction
19 of said claim and assigns said claim
20 to Lessors for collection against the
21 true debtors;

22 b. The remainder to be paid to OLIVE A.
23 PAYNE.

24 It is agreed that the above sum of FIVE THOUSAND DOLLARS
25 (\$5,000.00), if paid out to Esposito and Lessor, is to be credited
26 against the purchase price of the property, if the option is
27 exercised, and if the option is not exercised, then against the
28 royalty provided herein.

29 The Lessee in consideration of the premises has covenanted,
30 contracted and agreed and by these presents does covenant, contract
31 and agree to and with the Lessors, their successors and assigns,
32 as follows:

1 1. To enter upon said leased premises and to work the
2 same in mine fashion in manner necessary to good and economical
3 mining, so as to take out the greatest amount of ore possible,
4 with due regard to the development and preservation of said mine
5 or mining premises as a workable mining property, and to the
6 special covenants herein contained.

7 2. To work and mine said premises as aforesaid, steadily
8 and continuously during the period of this Lease and in doing said
9 work to perform at least thirty (30) shifts of eight hours each of
10 mining labor per month each and every month, save and except for
11 the first month after close of escrow, and save and except for any
12 period of shutdown caused by weather, riot, war, act of God,
13 government order or strike; and no shutdown caused by weather
14 shall extend for more than a 90 day period.

15 3. To repair all old timbering wherever it may become
16 necessary, and to well and sufficiently timber said mine and
17 mining premises at all points where proper and necessary in
18 accordance with good and safe mining; continuing the timbering now
19 upon said premises with timber of the same dimensions as hereto-
20 fore used, unless it becomes necessary for safety to use larger
21 timber, in which event timbers of sufficient size for safety and
22 permanent mining shall be used.

23 4. To allow the Lessors or their agents from time to
24 time to enter upon and descend into all parts of said leased
25 premises, for the purpose of inspection, surveys or taking samples
26 therefrom, and to render to said parties proper assistance in
27 making such inspection, surveys or examination; and Lessee shall
28 furnish Lessors copies of all assays, mint or smelter reports,
29 bills of sale and shipping reports, upon demand, or within a
30 reasonable time thereafter, at all times.

31 5. To occupy and hold as the property of the Lessors all
32 cross and parallel lodes, dips, spurs, feeders and mineral

1 deposits of every kind which may be uncovered, disclosed or
2 discovered within said leased ground by the said Lessee or any
3 person or persons under or in privity with it, with privilege to
4 said Lessee to work and mine the same as part and parcel of said
5 premises, and not to locate or record the same, or allow the same
6 to be located or recorded, except in the names of the Lessors.

7 6. To keep at all times, the drifts, shafts, tunnels,
8 open-pits, and other passages and workings, thoroughly drained
9 and clear of loose rock and rubbish, unless prevented by extra-
10 ordinary mining casualty.

11 7. To make all working shafts at least four (4) feet by
12 eight (8) feet in the clear; all drifts and tunnels at least three
13 and one-half ($3\frac{1}{2}$) feet by six and one-half ($6\frac{1}{2}$) feet in the clear,
14 and all winzes and raises at least three and one-half ($3\frac{1}{2}$) feet
15 by seven (7) feet in the clear.

16 8. Lessee further agrees to pay to Lessors as royalty,
17 TEN PERCENT (10%) of the net return on all ores, metals, minerals
18 and other products extracted, mined, milled, shipped or otherwise
19 sold from said leased premises, in any manner during the life of
20 this Lease; said payments to be made within a reasonable time of
21 the receipt of said returns by Lessee or its agents, and at no
22 time later than fifteen (15) days after the shipping or delivery
23 of said ores, metals, minerals or other product to the smelter,
24 mill, mint or other buyer or persons receiving said ores, metals,
25 minerals or other products from Lessee. All Lessors agree that
26 the said royalty payment is to be made to OLIVE A. PAYNE, at

27 First National Bank Winnemucca, Nevada.

28 9. The Lessee shall and hereby does assume all
29 responsibility in case of accident to Lessee or any of its
30 employees in or about said property; and Lessors shall not be
31 liable for any injury to or death of Lessee, its property, any
32 other person, or the property of any other person, in, on, or about

1 the demised premises, by reason of any cause, except the wilfull
2 misconduct of Lessors, and Lessee agrees to indemnify and save harm-
3 less the Lessors from any and all liability for such damage, injury
4 or death.

5 10. All bullion tax or other tax on ores mined shall be paid
6 by Lessee and considered as part of the costs in estimating net returns

7 11. All bills and expenses incurred by the Lessee or those
8 in privity with it shall be promptly paid by the Lessee, and by such
9 prompt payment said Lessee shall prevent the filing of any and all
10 liens of miners, mechanics or materialmen, against said demised
11 premises; Lessee agrees to record notices of non-responsibility in
12 favor of Lessee before incurring any bills or expenses that would or
13 could subject Lessors to a lien of any kind; and the Lessee shall
14 indemnify Lessors and save Lessors harmless from all liens and
15 claims of lien, and any and all other liabilities, claims and
16 demands, arising out of any work done or materials supplied to the
17 demised premises at the instance of the Lessee, and from all actions,
18 suits, and costs of suit (including any attorney fees paid by
19 Lessors in relation thereto) by any person to enforce any such
20 lien, claim, liability or demand; and, if by reason of the failure
21 of Lessee to pay such bills or expenses, or record such notice, any
22 lien or liens shall be filed against said premises the Lessors may
23 forthwith pay off and discharge the same, and the Lessee hold
24 itself bound to pay to Lessors all sums so advanced or paid to
25 clear said premises from liens which may be filed as aforesaid.

26 12. Lessee will deliver to Lessors quiet and peaceable
27 possession of said demised premises, with the appurtenances and all
28 improvements, in good order and condition, with all shafts, drifts,
29 tunnels and other passages and workings thoroughly drained and
30 cleared of loose rock and rubbish, and with said premises ready for
31 immediate continued working, without demand or further notice, on
32 the expiration of this Lease, and it is mutually understood that

1 all machinery and tools which may be placed upon said premises by
2 the Lessee may be removed therefrom within thirty (30) days after
3 the termination of this Lease.

4 13. Upon the violation of any covenant or condition
5 herein contained, this Lease shall at the option of Lessors expire,
6 and terminate, and the said premises with the appurtenances and all
7 buildings and other improvements shall become forfeited to the
8 Lessors, and the Lessors or their agent may thereupon, after
9 demand in writing for possession, enter upon said premises and
10 dispossess all persons occupying the same, with or without force,
11 and with or without process of law, or at the option of the Lessors
12 the Lessee and all persons found occupying said premises or any
13 part thereof may be proceeded against as guilty of unlawful
14 detainer.

15 14. Lessee agrees to provide Nevada Industrial Insurance
16 on all persons employed or working on the leased premises, and to
17 comply with all laws, rules and regulations of the State of Nevada,
18 particularly those pertaining to mining.

19 15. Lessee agrees to do all annual assessment work,
20 presenting proof thereof to the Lessors no later than August 1st
21 of each year.

22 16. It is expressly understood and agreed by Lessors
23 and Lessee that a boundary dispute has arisen and now exists as to
24 the demised property, and particularly as to whether the sulfur
25 deposit lies on the demised property or on adjacent property.
26 Lessors do hereby agree that in the event there arises any question
27 as to whether any certain tonnage of ore has been removed from the
28 demised premises or adjacent premises, then and in such event,
29 Lessee shall have the right to continue working but to deposit any
30 and all royalties pertaining to such questioned tonnage in an
31 escrow fund pending the determination of the said dispute, and
32 payable thence to the one lawfully entitled thereto; and said

1 deposit in said escrow will constitute payment under this Agreement.

2 17. Time is of the essence of this Agreement.

3 IN WITNESS WHEREOF, the parties hereto have hereunto
4 subscribed their names the day and year first above written.

5
6 James S. Payne
JAMES S. PAYNE

7
8 Olive A. Payne
OLIVE A. PAYNE

9 Lessors

10 FAMILY WITHHOLDING

11
12 By James S. Payne
JAMES S. PAYNE, Trustee

13 Lessor

14
15 NATION-WIDE OIL CO.,
A Nevada Corporation

16
17 By Howard Lang
HOWARD LANG

18 Lessee

19
20 STATE OF NEVADA)
21) ss.
COUNTY OF WASHOE)

22 On this 27th day of September, 1966, personally
23 appeared before me, the undersigned, a Notary Public in and for
24 the County of Storey, State of Nevada, JAMES S. PAYNE and OLIVE A.
25 PAYNE, known to me to be the persons described in and whose names
26 are subscribed to the foregoing instrument, who acknowledged to me
27 that they executed the same freely and voluntarily and for the
28 uses and purposes therein mentioned.

29 IN WITNESS WHEREOF, I have hereunto set my hand and
30 affixed my official seal at my office in the County of Washoe,
31 State of Nevada, the day and year in this certificate first above
32 written.

ROBERT E. BERRY
ATTORNEY AT LAW
320 FLINT STREET
RENO, NEVADA

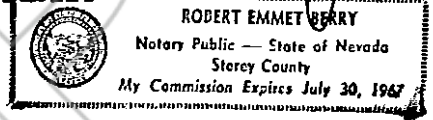
Robert Emmet Berry
ROBERT EMMET BERRY
Notary Public
Notary Public — State of Nevada
Storey County
My Commission Expires July 30, 1967

1 STATE OF NEVADA)
2) ss.
3 COUNTY OF WASHOE)

3 On this 27th day of September, 1966, personally appeared
4 before me, a Notary Public in and for the County of Storey, State
5 of Nevada, JAMES S. PAYNE, known to me to be the person described
6 in and who executed the foregoing instrument as Trustee for FAMILY
7 WITHHOLDING, who acknowledged to me that he executed the same as
8 such Trustee freely and voluntarily and for the uses and purposes
9 therein mentioned.

10 IN WITNESS WHEREOF, I have hereunto set my hand and affixed
11 my official seal at my office in the County of Washoe, State of
12 Nevada, the day and year in this certificate first above written.

13
14 Robert Emmet Berry
15 ROBERT EMMET BERRY
Notary Public

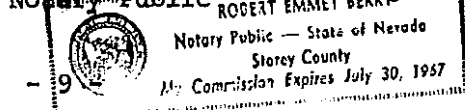


16 STATE OF NEVADA)
17) ss.
18 COUNTY OF WASHOE)

18 On this 27th day of September, 1966, personally
19 appeared before me, a Notary Public in and for the County of Storey,
20 State of Nevada, HOWARD LANG, known to me to be the President of the
21 corporation that executed the foregoing instrument, and upon oath,
22 did depose that he is the officer of said corporation as above
23 designated; that he is acquainted with the seal of said corporation
24 and that the seal affixed to said instrument is the corporate seal
25 of the corporation; that the signature to said instrument was made
26 by the officer of said corporation as indicated after said signature;
27 and that the said corporation executed the said instrument freely
28 and voluntarily and for the uses and purposes therein mentioned.

29 IN WITNESS WHEREOF, I have hereunto set my hand and affixed
30 my official seal at my office in the County of Washoe, State of
31 Nevada, the day and year in this certificate first above written.

32
Robert Emmet Berry
ROBERT EMMET BERRY
Notary Public



File No. 42671
 RECORDED AT THE REQUEST OF
Howard Lang

October 6 A. D. 1966

at 05 minutes past 1 P. M.

In Book 12 of OFFICIAL RECORDS

Page 211-220 Records of

SURBERA COUNTY, ARIZONA

Recorder John G. McFarland

Fee \$ 9.75