

60807

FORM 850CP-1 REV. 1-60

OIL AND GAS LEASE

AGREEMENT, Made and entered into this 25th day of August, 1975, by and between Hale Bailey, also known as Wallace Hale Bailey, and Donna Bailey, husband and wife, whose address is Carlin, Nevada 89822

and M. Payton Bucy, 1776 Lincoln St. #811, Denver, Colo. 80203, party of the first part, hereinafter called Lessor, (whether one or more) party of the second part, Lessee.

WITNESSETH: That the Lessor for and in consideration of Ten and more Dollars in hand paid, receipt of which is hereby acknowledged, of the royalties herein provided, and of the agreements of Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil, gas, steam, geothermal gas, and all other minerals, laying pipe lines, building tanks, power stations, telephone lines and other structures thereon to produce, serve, take care of, treat, transport, and even said products, and housing its employees, the following described land in Eureka County, State of Nevada to-wit:

See Exhibit "A" attached immediately below.

EXHIBIT "A"

TOWNSHIP 29 NORTH, RANGE 52 EAST, M.D.M.

Section 4: W $\frac{1}{2}$ NW $\frac{1}{4}$

Section 5: E $\frac{1}{2}$ NE $\frac{1}{4}$

TOWNSHIP 30 NORTH, RANGE 52 EAST, M.D.M.

Section 32: SE $\frac{1}{4}$, S $\frac{1}{2}$ NE $\frac{1}{4}$, NW $\frac{1}{4}$ NE $\frac{1}{4}$, NE $\frac{1}{4}$ NW $\frac{1}{4}$

Section 33: A 60 acre tract described by metes and bounds, in the SW $\frac{1}{4}$ of said Section 33, said tract having formerly been a part of the Yates Ranch.

The first sentence of Paragraph numbered "2" hereof, which has been deleted, is hereby amended and reinserted herein to read as follows:

"The Lessee shall pay Lessor, as royalty, one-eighth (1/8) of the proceeds from the sale of gas, as such, for gas from wells where gas only is found, and where not used or sold shall pay annually an amount equal to the annual delay rental herein provided applicable to the interest of Lessor in acreage embraced in this lease as of the date of such annual payment, and while such royalty is so paid the well or wells shall be held to be producing wells."

Signed for Identification:

Hale Bailey

Hale Bailey

Donna Bailey

Donna Bailey

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including all minerals underlying lakes, streams, roads, easements and rights-of-way which traverse or adjoin said lands, which minerals are owned or claimed by lessor or rights to which minerals may hereafter be established in lessor and also, in addition to the above-described land, all land adjoining the same and owned or claimed by lessor and containing **Five hundred forty and no/100 (\$540.00)** acres, more or less

TO HAVE AND TO HOLD the same (subject to the other provisions herein contained) for a term of ten years from this date (called "primary term") and as long thereafter as oil or gas or casinghead gas or either or any of them, is produced therefrom; or as much longer thereafter as the lease in good faith shall conduct drilling operations thereon; should production result from such operations; this lease shall remain in full force and effect as long as oil or gas or casinghead gas shall be produced therefrom.

In consideration of the premises it is hereby mutually agreed as follows:
1. The lessor shall deliver to the credit of the lessor as royalty, free of cost, in the pipe line to which lessee may connect its wells the equal one-eighth (1/8) part of all oil produced and saved from the leased premises or as the lessor's option may pay to the lessor for such one-eighth (1/8) royalty the market price for oil of like grade and gravity prevailing in the field where produced on the day such oil is run into the pipe line or into storage tanks.
2. The lessor shall pay to the lessor as royalty, one-eighth (1/8) of the proceeds from the sale of the gas from wells which are only to be used for casinghead gas or for gas to be used for fuel or for gas to be used for other purposes, and shall be free of charge from any gas well on the leased premises for stores and inside lights in the principal dwelling house on said land by making his own connections with the well or said gas to be at the lessor's sole risk and expense.
3. To pay lessor for gas produced from any oil well and used off the premises or in the manufacturing of gasoline or any other product a royalty of one-eighth (1/8) of the market value, at the month of the well, payable monthly at the prevailing market price.
4. When operations for the drilling of a well for oil or gas are not commenced on said land on or before one year from this date, this lease shall terminate as to both parties unless the lessor shall on or before one year from this date, pay or tender to the lessor or for the lessor's credit in

First National Bank of Nevada **Elko, Nevada**

or its successor or successors, which bank and its successors are lessor's agents and which shall continue as the depository regardless of changes in the ownership of the land, the sum of **Five hundred forty and no/100 (\$540.00)** Dollars

which shall operate as a rental and cover the privilege of deferring the commencement of operations for the drilling of a well one year from said date. In the manner and upon payments or tenders the commencement of operations for the drilling of a well may be further deferred for like periods successively during the primary term of this lease. And it is understood and agreed that the consideration first recited herein, the down payment, covers not only the privileges granted to the date when said rental is payable as aforesaid, but also the lessor's option of extending that period as aforesaid, and any and all other rights conferred. All payments or tenders may be made by check or draft of lessor or any assignee thereof, mailed or delivered on or before the rental paying date. Lessee may at any time execute and deliver to lessor or place of record a release or releases covering any portion or portions of the above described premises and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered and thereafter the rentals payable hereunder shall be reduced in the proportion that the acreage covered herein is reduced by said release or releases. Notwithstanding the death of the lessor, or his successor in interest, the payment or tender of rentals in the manner provided above shall be binding on the heirs, devisees, executors and administrators of his persons.

5. If at any time prior to the discovery of oil or gas on this land and during the term of this lease, the lessor shall drill a dry hole, or holes, on this land, this lease shall not terminate, provided operations for the drilling of a well shall be commenced by the next ensuing rental paying date, or provided the lessor begins or resumes the payment of rentals in the manner and amount above herein provided; and in this event the preceding paragraphs herein governing the payment of rental and the manner and effect thereof shall continue in force.

6. If said lessor owns a less interest in the above described land than the entire and undivided fee simple estate herein, then the royalties and rentals herein provided for shall be paid the lessor only in the proportion which his interest bears to the whole and undivided fee.

7. Lessee shall have the right to use, free of cost, gas, oil, and water produced on said land for its operations thereon, except water from wells of lessor. When requested by lessor, lessee shall bury his pipe lines below plow depth.

8. No well shall be drilled nearer than 200 feet to the house or barn now on said premises, without the written consent of the lessor.

9. Lessee shall pay for damages caused by its operations in growing crops on said land.

10. Lessee shall have the right at any time to remove all improvements, machinery, and fixtures placed or erected by lessee on said premises, including the right to pull and remove casing.

11. If the lessor shall commence to drill a well within the term of this lease or any extension thereof, the lessor shall have the right to drill such well to completion with reasonable diligence and dispatch, and if oil or gas, or either of them, be found in paying quantities, this lease shall continue and be in force with the like effect as if such well had been completed within the term of years herein first mentioned.

12. If the estate of either party, hereto is assigned (and the privilege of assigning in whole or in part is expressly allowed), the covenants hereof shall extend to their heirs, executors, administrators, successors and assigns, but no change of ownership in the land or in the rentals or royalties shall be binding on the lessor until after notice to the lessor and it has been furnished with the written transfer or assignment or a certified copy thereof, and in case lessee assigns this lease, a whole or in part, lessee shall be relieved of all obligations with respect to the assigned portion or portions arising subsequent to the date of assignment.

13. Here shall be no obligation on the part of the lessor to offset wells on separate tracts into which the land covered by this lease may be hereafter divided by sale, devise, or otherwise, or to furnish separate measuring or receiving tanks. It is hereby agreed that, in the event this lease shall be assigned in a part or as to parts of the above described lands, and the holder or owner of any such part or parts shall fail or make default in the payment of the proportionate part of the rent due from him or them, on an acreage basis, such default shall not operate to defeat or affect this lease in so far as it covers a part or parts of said land upon which the said lessee or any assignee hereof shall make due payments of said rentals.

14. If at any time there be as many as six parties (or more) entitled to receive royalties under this lease, lessee may withhold payment thereof unless and until all parties designate in writing in a recordable instrument to be filed with the lessor, a trustee to receive all royalty payments due hereunder and to execute division and transfer orders on behalf of said parties and their respective successors in title.

15. Lessee shall have the right to unitize, pool, or combine all or any part of the above described lands with other lands in the same general area by entering into a cooperative or unit plan of development or operation approved by any governmental authority and, from time to time, with like approval, to modify, change or terminate any such plan or agreement and, in such event, the terms, conditions and provisions of this lease shall be deemed modified to conform to the terms, conditions, and provisions of such approved cooperative or unit plan of development or operation and, particularly, all drilling and development requirements of this lease, express or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this lease shall not terminate or expire during the life of such plan or agreement. In the event that said above described lands or any part thereof, shall hereafter be operated under any such cooperative or unit plan of development or operation whereby the production therefrom is allocated to different portions of the land covered by said plan, then the production allocated in any particular tract of land shall, for the purpose of computing the royalties to be paid hereunder to lessor, be regarded as having been produced from the particular tract of land to which it is allocated and not to any other tract of land; and the royalty payments to be made hereunder to lessor shall be based upon production only as so allocated. Lessor shall formally express lessee's consent to any cooperative or unit plan of development or operation adopted by lessee and approved by any governmental agency by executing the same upon request of lessee.

16. In addition to and not in limitation of the rights granted in paragraph 12 hereof, lessee is hereby granted the right and option to consolidate, pool or combine the lands covered by this lease, or any portion or portions thereof, or any stratum or strata thereunder, with other lands or like strata thereunder, for the development thereof or for the production therefrom of oil, gas, casinghead gas or other hydrocarbons, or any or all of said products, when in lessor's discretion and judgment it is advisable so to do for proper development or operation of the premises, or to conform to spacing or unitizing rules of any lawful authority, such consolidation, pooling or combining to be into units of such shape and dimensions as lessee may deem proper, provided that all lands in any such unit shall be contiguous (either adjoining or cornering), but for this purpose contiguity shall not be deemed to be destroyed by reason of the existence of any excluded street, alley, road, railroad, canal, stream, right of way or other similar strip or parcel of land. Any unit formed under this paragraph for production of oil and casinghead gas shall not exceed forty-three (43) acres in surface area; for production of gas only shall not exceed six hundred and sixty (660) acres in surface area; and for production of condensate or distillate shall not exceed three hundred and thirty (330) acres in surface area, unless some larger unit for condensate or distillate is permitted or prescribed by lawful authority, in which event such larger unit shall control, provided that, if governmental survey units be irregular in size to the area of this lease, the size of any of the units mentioned herein may be increased to the size of the three existing governmental survey unit nearest in size to the unit acreage prescribed herein. The right and option herein granted to lessee may be exercised at any time or from time to time, whether before or after production is secured and whether or not a unit may theretofore have been created for some other product, by executing in writing an instrument identifying and describing the unit created, and by delivering a copy thereof to lessor or by recording a copy thereof in the county where the land is located. The lands in any such unit shall be developed or operated as one tract and any drilling on or production from such unit shall be deemed to be drilling done or production secured on the lands subject to this lease for all purposes except for the purpose of payment of royalty hereunder. In such event, and in lieu of the royalties elsewhere herein specified, the lessor shall receive from production on any such unit only such portion of the royalty, at the rate stipulated elsewhere herein, as lessor's acreage in the unit (or his royalty interest therein) bears to the total acreage of the unit. Formation of any unit as herein provided shall in no manner affect the ownership or amount of any rental which may be payable under the terms of this lease.

17. In the interest of conservation, the protection of reservoir pressures and recovery of the greatest ultimate yield of oil, gas and other minerals, lessee shall have the right to combine the leased premises with other premises in the same general area for the purpose of operating and maintaining repressuring and recycling facilities, and for such purpose may locate such facilities, including input wells, upon the leased premises, and no royalties shall be payable hereunder upon any gas used for repressuring and recycling operations benefiting the leased premises.

18. Lessor hereby warrants and agrees to defend the title to the land herein described and agrees that the lessee, at its option, may pay and discharge any taxes, mortgage, or other liens existing levied, or assessed on or against the above described lands and, in 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.

19. All rental payments which may fall due under this lease may be made to the above named lessors, in the manner herein stated.

20. If within the primary term of this lease production on the leased premises shall cease from any cause, this lease shall not terminate provided operations for the drilling of a well shall be commenced before or on the next ensuing rental paying date; or, provided lessee begins or resumes the payment of rentals in the manner and amount hereinbefore provided. If, after the expiration of the primary term of this lease, production on the leased premises shall cease from any cause, this lease shall not terminate provided lessee resumes operations for drilling a well within sixty (60) days from such cessation, and this lease shall remain in force during the prosecution of such operations and, if production results therefrom, then as long as production continues.

12. It is agreed that this lease shall never be forfeited or annulled for failure to perform in whole or in part any of its implied covenants, conditions, or stipulations until it shall have first been finally judicially determined that such failure exists, and after such final determination, lease is given a reasonable time thereafter to comply with any such covenants, conditions, or stipulations.

13. All express and implied covenants of this lease shall be subject to all federal and state laws, executive orders, rules and regulations, and this lease shall not be terminated, in whole or in part, nor lease held liable in damages for failure to comply therewith if compliance is prevented by or if such failure is the result of any such law, order, rule or regulation, or if such compliance is prevented by or failure is the result of inability of lease through no fault of its own, to obtain sufficient and satisfactory material and equipment to justify the commencement of drilling operations or to continue production of oil or gas from the leased premises.

14. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said lessor or lessee.

15. With respect to and for the purposes of this lease, lessor, and each of them if there be more than one, hereby release and waive the right of homestead.

WHEREOF witness our hands as of the day and year first above written.

Social Sec. No. [REDACTED]

Hale Bailey
Hale Bailey
Donna Bailey
Donna Bailey

ACKNOWLEDGMENT

STATE OF NEVADA }
COUNTY OF ELKO } ss

On September 16, 1975, personally appeared before me, a Notary Public, HALE BAILEY, also known as WALLACE HALE BAILEY, and DONNA BAILEY, husband and wife, who acknowledged that they executed the above instrument.

My commission expires
July 18, 1979



COLLEEN MADISAN
Notary Public - State of Nevada
Elko County, Nevada
Commission Expires July 18, 1979

Colleen Madisan
Notary Public

On this _____ day of _____, 19____, before me personally appeared _____

to me known to be the person described in and who executed

the foregoing instrument and acknowledged that _____ executed the same as _____ free act and deed, 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.

Given under my hand and seal this _____ day of _____, 19____

My Commission Expires _____

Notary Public

By _____ County Clerk - Register of Deeds Deputy	When recorded return to _____	This instrument was filed for record on the _____ day of _____, 19____, at _____ o'clock, _____ M., and duly recorded in Book _____ Page _____ of the records of this office.	State of _____ County _____	TO _____	FROM _____	OIL AND GAS LEASE	No. _____

RECORDED AT THE REQUEST OF M. Peyton Bucy
on Jan. 23, 1976, at 50 mins. past 10 A.M. in
Book 53 of OFFICIAL RECORDS, page 417-419 RECORDS OF
EUREKA COUNTY, NEVADA. WILLIS A. DEPAOLI Recorder
File No. 60807 Fee \$ 5.00

COLORADO ACKNOWLEDGMENT

STATE OF _____ }
County of _____ } ss

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____

WITNESS my hand and official seal

My Commission Expires _____

Notary Public

P. O. _____

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