

Form No. 930CP-1 Rev. 1964

## OIL AND GAS LEASE

AGREEMENT, made and entered into this 18th day of August, 1975, by and between  
Tony Sestanovich and Lorraine Sestanovich, husband and wife,  
Pine Valley, Carlin, Nevada 89822

M. Peyton Bucy, 1776 Lincoln St. #811, Denver, Co. 80203 party of the first part, hereinafter called lessor, (whether one or more)

WITNESSETH: That the lessor for and in consideration of Ten and more Dollars per acre to be paid in land paid, receipt of which is hereby acknowledged, of the royalties herein provided, and of the agreement 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, minerals and gravel, and other materials, having due regard, however, to the welfare of the public, to produce, save, take care of, own, transport, and own and produce, and leasing to employees, the following described land in Eureka County,  
State of Nevada to-wit:

See Exhibit "A" attached immediately below.

EXHIBIT "A"

TOWNSHIP 27 NORTH, RANGE 52 EAST, N.D.M.

Section 8: N<sub>1</sub>NE<sub>4</sub>

Section 9: SW<sub>1</sub>NN<sub>1</sub>, E<sub>1</sub>SW<sub>1</sub>

Section 10: SW<sub>1</sub>SE<sub>1</sub>, SE<sub>1</sub>SW<sub>1</sub>

Section 15: NW<sub>1</sub>NE<sub>4</sub>, SW<sub>1</sub>NN<sub>1</sub>, N<sub>1</sub>SW<sub>1</sub>, S<sub>1</sub>SE<sub>1</sub>

Section 22: N<sub>1</sub>NE<sub>4</sub>

The first sentence of Paragraph numbered "2" above, 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:

Tony Sestanovich  
 Tony Sestanovich  
Lorraine Sestanovich  
 Lorraine Sestanovich

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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 heretofore be established in lessor; and also, to addendum to the above described land.

**Six hundred and no/100 (600) five (5) 100**

owned or claimed by lessor and containing

**TO HAVE AND TO HOLD** the same (subject to the other provisions herein contained) for a term of three 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 lessee in good faith shall conduct drilling operations thereon; and 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 his wells, the equal one-eighth (1/8) part of all oil produced and saved from the leased premises, or at 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 tank.

2. The lessor shall pay to the lessor as royalty, free of cost, the equal one-eighth (1/8) part of all gas or casinghead gas produced therefrom, or the equivalent value thereof, in the pipe line to which lessee may connect his wells, or in the manner hereinabove provided. The lessor to have gas free of charge from any gas well on the leased premises for stoves and lamps lights in the principal dwelling house/on said land by making his own connections with the well, the use of said gas to be at the lessor's sole risk and expense.

3. To pay lessor for gas produced from any oil well and need 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. If 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 to

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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

**Six Hundred and No/100 (\$600.00)**

of the land, the amount of which sum, together with interest thereon, shall be paid to the lessor annually on the first day of January, for the period during 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 like manner and upon payment of 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 such 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 previous to the beginning of 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 operation thereon, except water from wells of lessor. When requested by lessor, lessee shall bury his pipe line below plow depth.

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.

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

8. If the lessor shall commence to drill a well within the term of the lease or any extension thereof, the lessor shall have the right to drill such well to completion with reasonable diligence and dispatch, and oil or gas, or either or both, so far as may be found in paying quantities, this lease shall continue and be in force until the last interest in such well has been completed within a period of years hereinafter mentioned.

9. If the estate of either party hereto is assigned (and the privilege of assigning in whole or in part is expressly allowed), the covenants herein 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 lessee until after notice to the lessee and it has been furnished with the written transfer or assignment or a certified copy thereof, and in case lessee assigns this lease, in 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.

10. There 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 as to 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 land upon which the said lessor or any assignee hereof shall make due payments of said rentals.

11. In any time that as many six parties (or more entitled to receive royalties under this lease, lessor may withhold payment thereof, and until all parties desire to return in a recordable instrument, may be filed with the lessor. Lessee to receive all royalty payments due hereunder and to cause division and transfer orders on behalf of said parties and their respective successors in title.

12. 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, 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 to 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 operation only on so allocated lessor, shall formally express lessor's consent to any cooperative or unit plan of development or operation adopted by lessor and approved by any governmental agency by executing the appropriate instrument of lease.

13. In addition to and notwithstanding the right and option herein granted to consolidate, pool, or combine the lands covered by this lease, to 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 lessee's discretion and judgment it is advisable so to do for proper development or operation of the premises, or to conform to spacing or pooling rules of any lawful authority, such consolidation, pooling or combining to be into units of such shape and dimensions as lessor may elect 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 dry gas or gas well 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 one 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 authority permits an even larger size in the area of this lease, the size of any of the units mentioned herein may be increased to the size of the then existing governmental unit or even larger size if the unit actually prescribed herein. This right and option herein granted to lessor may be exercised at any time, from time to time, whether before or after production is started and whether or not a unit may heretofore have been created for another other purpose, by execution in writing, of an instrument identifying and describing the unit created and the drilling or causing to be drilled 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 or production from such unit, whether or not from lands described in this lease, shall be deemed to be drilling done or production occurred 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 therin) 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.

14. In the interest of conservation, the protection of reservoir pressures and recovery of the greatest ultimate yield of oil, gas and other minerals, lessor 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 production from repressuring and recycling operations benefiting the leased premises.

15. Lessor hereby warrants and agrees to defend the title to the land herein described and agrees that the lessor, at its option, may pay and discharge any taxes, mortgages or other charges existing, levied, or assessed on or against the above described lands and, in event it exercises such option, it shall be responsible 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

16. All rental payments which may fall due under this lease may be made to **LESSORS**.  
17. 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 lessor 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 lessor 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.

