

UNIT-570-CALG

## OIL AND GAS LEASE

AGREEMENT. Made and entered into this 26th day of August, 1975, by and between  
Floyd C. Slagowski and Charlene S. Slagowski, husband and wife,  
Pine Valley Route, Carlin, Nevada 89822

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

WITNESSETH: That the lessor for and in consideration of Ten and more Dollars  
 to him paid, receipt of which is hereby acknowledged, of the royalties herein provided, and of the agreements of lease 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, coalbed methane gas, and all  
 other minerals, lying pipe lines, building tanks, power stations, telephone lines and other structures thereon to produce, save, take care of, trust, transport,  
 and even said products, and leasing its employees, the following described land in Eureka County,  
 State of Nevada to-wit:

See rider attached immediately below, marked Exhibit "A"

## EXHIBIT "A"

TOWNSHIP 28 NORTH, RANGE 52 EAST, M.D.M.

Section 8: W $\frac{1}{2}$ , S $\frac{1}{2}$ SE $\frac{1}{4}$

Section 16: W $\frac{1}{2}$ , SW $\frac{1}{2}$ SE $\frac{1}{4}$

Section 17: E $\frac{1}{2}$ , NW $\frac{1}{2}$ , NE $\frac{1}{2}$ SW $\frac{1}{4}$

Section 20: NE $\frac{1}{2}$ NE $\frac{1}{4}$

Section 21: NW $\frac{1}{2}$ , SE $\frac{1}{2}$ NE $\frac{1}{4}$ , W $\frac{1}{2}$ NE $\frac{1}{4}$ , N $\frac{1}{2}$ SE $\frac{1}{4}$

Section 22: N $\frac{1}{2}$ SW $\frac{1}{4}$ , SE $\frac{1}{4}$

Section 23: Lot 6 (40.74), 7 (40.46), 8 (40.59), N $\frac{1}{2}$ SW $\frac{1}{4}$ , SE $\frac{1}{2}$ SW $\frac{1}{4}$ , W $\frac{1}{2}$ SE $\frac{1}{4}$

Section 24: Lot 7 (40.41), 8 (39.12), N $\frac{1}{2}$ SW $\frac{1}{4}$

The first sentence of Paragraph numbered "2" as printed in this lease,  
 and which has been deleted, it 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 in-  
 terest 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:

Floyd C. Slagowski  
 Floyd C. Slagowski  
Charlene S. Slagowski  
 Charlene S. Slagowski  
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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

2,401.32

five

acres, more or less

TO HAVE AND TO HOLD the same (subject to the other provisions herein contained) for a term of 20 years from this date (called "primary term") and as long thereafter as oil or gas or casinghead gas or any of them is produced therefrom; or as much longer thereafter as the lease 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.

1. In consideration of the premises it is hereby mutually agreed as follows:  
2. 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 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, and as long thereafter as oil or gas or casinghead gas or any of them is produced therefrom; or as much longer thereafter as the lease 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.  
3. 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 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, and as long thereafter as oil or gas or casinghead gas or any of them is produced therefrom; or as much longer thereafter as the lease 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.  
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 lease 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

Two Thousand Four Hundred one and 32/100 (\$2,401.32)

of the land, the sum of Two Thousand Four Hundred one and 32/100 (\$2,401.32) 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 like manner and upon payments or tenders the commencement of operations for the drilling of a well may be further deferred for like periods, successively, until 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 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, thereby surrendering 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 lessee 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 hereof governing the payment of rental and the manner and effect thereof shall continue in force and effect.

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 simple estate herein.

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 lines below plow depth.

8. Lessee shall pay for damages caused by its operations in growing crops on said land, and shall be liable for damages caused by its operations in growing crops on said land, and shall be liable for damages caused by its operations in growing crops on said land.

9. If the lessor shall commence to drill a well within the term of this lease or any extension thereof, the lessee 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 this lease.

10. 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 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.

11. 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 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.

12. 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.

13. Lessee shall have the right to utilize, 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 each 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. 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 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.

14. 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 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 zoning rules of any lawful authority, such consolidation, pooling or combining to be into units of such shape and dimensions as lessee 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 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 forty (340) 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 in the area of this lease, the size of any of the units mentioned herein may be increased to the size of the there existing governmental survey unit nearest in size to the unit average 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, whether or not from 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 of 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.

15. 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.

16. Lessor hereby 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 of 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.

17. All rental payments which may fall due under this lease may be made to the lessor, or to the order of the lessor, in the manner herein stated.

18. 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 herebefore 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.

18. It is agreed that this lease shall never be forfeited or cancelled 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, lessee is given a reasonable time thereafter to comply with any such covenants, conditions, or stipulations.

19. 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 lessee held liable for 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 if such failure is the result of inability of lessee 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.

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

21. With respect to and for the purpose of this lease, lessee, 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]

*Floyd C. Slagowski*  
Floyd C. Slagowski  
*Charlene S. Slagowski*  
Charlene S. Slagowski

#### ACKNOWLEDGMENT

STATE OF NEVADA }

SS

COUNTY OF ELKO }

On October 6, 1975, personally appeared before me,

a Notary Public, Floyd C. Slagowski and Charlene S. Slagowski, husband and wife, who acknowledged that they executed the above instrument.

My commission expires

10-14-77

*John A. No. 100*  
Notary Public.

STATE OF \_\_\_\_\_

County of \_\_\_\_\_

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.

|                                                                                                                                                                               |      |                   |           |                                                  |                                                                              |                                                                      |                        |                            |                       |                    |  |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|-------------------|-----------|--------------------------------------------------|------------------------------------------------------------------------------|----------------------------------------------------------------------|------------------------|----------------------------|-----------------------|--------------------|--|
| TO                                                                                                                                                                            | FROM | OIL AND GAS LEASE | No. _____ | RECORDED AT THE REQUEST OF <u>M. Peyton Bucy</u> | on <u>Jan. 23</u> , 19 <u>76</u> , at <u>54</u> mins. past <u>10</u> A.M. In | Book <u>53</u> of OFFICIAL RECORDS, page <u>426-428</u> , RECORDS OF | EUREKA COUNTY, NEVADA. | Willis A. DePaoli Recorder | File No. <u>60810</u> | Fee \$ <u>5.00</u> |  |
|                                                                                                                                                                               |      |                   |           |                                                  |                                                                              |                                                                      |                        |                            |                       |                    |  |
| 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. |      |                   |           |                                                  |                                                                              |                                                                      |                        |                            |                       |                    |  |
| By _____ County Clerk—Registrar of Deeds.                                                                                                                                     |      |                   |           |                                                  |                                                                              |                                                                      |                        |                            |                       |                    |  |
| When recorded return to _____ Deputy.                                                                                                                                         |      |                   |           |                                                  |                                                                              |                                                                      |                        |                            |                       |                    |  |

#### COLORADO ACKNOWLEDGMENT

STATE OF \_\_\_\_\_

County of \_\_\_\_\_

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. \_\_\_\_\_

60810

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