

62773

OIL AND GAS LEASE

Tatlock's, Denver, Colo.

AGREEMENT, Made and entered into this 9th day of February, 19 77, by and between Harold E. Morrill and Blanche E. Morrill, his wife and Warren Snell and Beverly J. Snell, his wife of 6222 Sewan Ave., Sacramento, Calif. 95841 party of the first part, hereinafter called lessor, (whether one or more) and FILON EXPLORATION CORPORATION, 1700 Broadway, Denver, Colo. 80202 party of the second part, hereinafter called lessee.

WITNESSETH: That the lessor for and in consideration of Ten and more (\$10.00+) 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, demises, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil, gas, casinghead gas and other hydrocarbons and including all other products produced therefrom; laying pipe lines, building tanks, power stations, telephone lines and other structures thereon to produce, save, take care of, treat, transport, and own said products, and housing its employees, the following described land in Eureka County, State of Nevada, to-wit:

EXHIBIT "A"

Attached to and made a part of Oil and Gas Lease dated February 9, 1977 from Harold E. Morrill and Blanche E. Morrill, his wife and Warren Snell and Beverly J. Snell, his wife as Lessors and FILON EXPLORATION CORPORATION as Lessee, covering lands in Eureka County, Nevada,

TOWNSHIP 27 NORTH, RANGE 51 EAST, M.D.B. & M.

Section 13: Part of the NE $\frac{1}{4}$, more particularly described as follows: Commencing at the East $\frac{1}{4}$ corner of said section 13, thence West 2158.95 feet along the the $\frac{1}{4}$ section line to a point on the North-westerly right of way line of Nevada State Highway No. 20; thence N34 50'E, along said right of way line 639.60 feet to corner No. 1, the point of beginning, thence continuing N34 50'E 539.70 feet to corner No. 2, thence West 1137.23 feet to corner No. 3, a point on the North-south $\frac{1}{4}$ section line of said section 13, thence South along said $\frac{1}{4}$ section line 443.00 feet to corner No. 4, thence East 828.96 feet to corner No. 1, the point of beginning.

It is the intent of the parties hereto, that this lease shall cover all lands owned by the Lessors in the above section, whether or not described herein.

Signed for identification;

Harold E. Morrill
Harold E. Morrill

and his wife

Blanche E. Morrill
Blanche E. Morrill

Warren Snell
Warren Snell

and his wife

Beverly J. Snell
Beverly J. Snell

BOOK 38 PAGE 359

9. In addition to and not in limitation of the rights granted in paragraph 8 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 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 deem proper, provided that any such unit when completed shall be composed of tracts each of which is contiguous to, touches or corners with some one or more of the other tracts in the unit in such manner as to form one connected tract or unit, and provided, further, that any tract included in any such unit separated only by a street, alley, road, railroad, canal, stream, right-of-way or other similar strip or parcel of land shall be considered as contiguous, cornering or touching within the meaning of this paragraph. Any unit formed under this paragraph for production of oil and casinghead gas shall not exceed one hundred sixty-three (163) acres in surface area, and for production of dry or gas well gas or dry or gas well gas and condensate or distillate shall not exceed six hundred sixty (660) acres in surface area. If some larger unit for the production of oil and casinghead gas or dry or gas well gas or dry or gas well gas and condensate or distillate is permitted or prescribed by lawful authority, then in such 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 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 operations for the drilling of a well on or production from such unit, whether or not from lands described in this lease, shall be deemed to be drilling operations on or production secured on lands subject to this lease for all purposes except for the purpose of payment of royalty hereunder; provided, further, that any operations for drilling and completing a well on any such unit shall be deemed to be operations on the lands described in this lease and under the terms thereof regardless of whether said operations result in a well of the type covered in the instrument declaring such unit or a well of a type not covered by such instrument. 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.

10. In the interest of conservation, the protection of reservoir pressures and recovery of the greatest ultimate yield of oil and/or gas, 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.

11. 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 of such mortgage, tax or other lien, any royalty or rentals accruing hereunder.

12. In the event lessor considers that lessee has not complied with all its obligations hereunder, both express and implied, lessor shall notify lessee in writing, setting out specifically in what respects lessee has breached this contract. Lessee shall then have sixty (60) days after receipt of said notice within which to meet or commence to meet all or any part of the breaches alleged by lessor. The service of said notice shall be precedent to the bringing of any action by lessor on said lease for any cause, and no such action shall be brought until the lapse of sixty (60) days after service of such notice on lessee. Neither the service of said notice nor the doing of any acts by lessee aimed to meet all or any of the alleged breaches shall be deemed an admission or presumption that lessee has failed to perform all its obligations hereunder.

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 lessee 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 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.

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 purpose of this lease, lessor, and each of them if there be more than one, hereby release and waive the right of homestead.

16. This lease shall be binding upon each party who executes it without regard to whether it is executed by all those named herein as lessors.

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

Warren Snell
Warren Snell
Beverly J. Snell
Beverly J. Snell
S.S. # _____
S.S. # _____

Harold E. Morrill
Harold E. Morrill
Blanche E. Morrill
Blanche E. Morrill
S.S. # _____
S.S. # _____

COLORADO AND WYOMING INDIVIDUAL ACKNOWLEDGMENT

STATE OF CALIFORNIA ss.
COUNTY OF SAN DIEGO

The foregoing instrument was acknowledged before me this 23rd day of February, 1977

by Warren Snell
Witness my hand and official seal
NOTARY PUBLIC
IN AND FOR THE COUNTY OF
SANDIEGO, CALIFORNIA
My Commission Expires November 21, 1980

Robert R. Carpenter
Notary Public
Place of Residence _____

My commission expires: 11/21/80

UTAH INDIVIDUAL ACKNOWLEDGMENT

STATE OF CALIFORNIA ss.
COUNTY OF San Diego

On the 23rd day of Feb, 1977, personally appeared before me Harold E. Morrill
& Blanche E. Morrill and Warren Snell and Beverly J. Snell, his wife
the signer of the above instrument, who duly acknowledged to me that he executed the same.
S they

Robert R. Carpenter
Notary Public
Place of Residence _____

My commission expires: 11/21/80

NO. _____
OIL AND GAS LEASE
FROM
TO
FILION EXPLORATION CORPORATION
1700 BROADWAY
SUITE 2216
DENVER, COLORADO 80202
State of _____
County of _____
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.
County Clerk—Register of Deeds.
By _____ Deputy.

When recorded return to
RECORDED AT THE REQUEST OF
Filion Exploration Corp.
on March 8, 1977
at 55 min. past 10 A. M.
in Book 53 of OFFICIAL
RECORDS, pages 353-361 RECORDS
OF EUREKA COUNTY, NEVADA
WILL A. DEPAOLI
Recorder
File No. 62773 Fee \$ 5.00

BOOK 58 PAGE 361

62773