

(FIVE YEAR PAID UP LEASE) OIL AND GAS LEASE

THIS AGREEMENT made this Nineteenth day of June 1980 between Tony and Lorraine Sestanovich, Husband and Wife Pine Valley, Carlin, Nevada 89922

Lessor (whether one or more), whose address is: and Amoco Production Company, Lessee, WITNESSETH:

1. Lessor in consideration of Ten and no/100-- Dollars (\$ 10.00) in hand paid, 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 and gas, laying pipe lines, building roads, tanks, power stations, telephone lines and other structures thereon and on, over and across lands owned or claimed by Lessor adjacent and contiguous thereto, to produce, save, take care of, treat, transport, and own said products, and housing its employees, the following described land in: Eureka County, Nevada to-wit:

Township 27 North, Range 52 East M.D.M. Section 8: N 1/2 NE 1/4 Section 9: SW 1/4 NW 1/4, E 1/2 SW 1/4 Section 10: SW 1/4 SE 1/4, SE 1/4 SW 1/4 Section 15: NW 1/4 NE 1/4, SW 1/4 NW 1/4, S 1/2 SE 1/4 Section 22: N 1/2, NE 1/4

2. Without reference to the commencement, prosecution or cessation at any time of drilling or other development operations, and/or to the discovery, development or cessation at any time of production of oil or gas and without further payments than the royalties herein provided, and notwithstanding anything else herein contained to the contrary, this lease shall be for a term of 5 years from this date (called "primary term") and as long thereafter as oil or gas is produced from said land or land with which said land is pooled hereunder.

3. The royalties to be paid by Lessee, are: (a) on oil, one-eighth of that produced and saved from said land, the same to be delivered at the wells or to the credit of Lessor into the pipe line to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefor prevailing for the field where produced on the date of purchase; (b) on gas, including casinghead gas or other gaseous substance, produced from said land, and sold or used off the premises or for the extraction of gasoline or other product therefrom, the market value as the well of one-eighth of the gas so sold or used, provided that on gas sold at the wells the royalty shall be one-eighth of the amount realized from such sale; while there is a gas well on this lease or on acreage pooled therewith but gas is not being sold or used, Lessee may pay as royalty, on or before ninety (90) days after the date on which said well is shut in and thereafter at annual intervals the sum of \$1.00 per acre, and if such payment is made or tendered, this lease shall not terminate and it will be considered that gas is being produced from this lease in paying quantities. Lessee shall have free use of oil, gas, coal and water from said land, except water from Lessor's wells, for all operations hereunder, and the royalty on oil and gas shall be computed after deducting any so used.

4. Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease, or any portion thereof as to oil and gas, or either of them, with other land, lease or leases in the immediate vicinity thereof to the extent, hereinafter stipulated, when in Lessee's judgment it is necessary or advisable to do so in order properly to explore, or to develop and operate said leased premises in compliance with the spacing rules of the appropriate local governmental authority, or other lawful authority, or to do so would, in the judgment of Lessee, promote the conservation of oil and gas in and under and that may be produced from said premises. Units pooled for oil hereunder shall not substantially exceed 40 acres each in area, and units pooled for gas hereunder shall not substantially exceed in area 640 acres each plus a tolerance of 10% thereof, provided that should governmental authority having jurisdiction prescribe or permit the creation of units larger than those specified, units thereafter created may conform substantially in size with those prescribed by governmental regulations. Lessee under the provisions hereof may pool or combine acreage covered by this lease, or any portion thereof as above provided as to oil in any one or more strata and as to gas in any one or more strata. The units formed by pooling as to any stratum or strata need not conform in size or area with the unit or units into which the lease is pooled or combined as to any other stratum or strata, and oil units need not conform as to area with gas units. The pooling in one or more instances shall not exhaust the rights of the Lessee hereunder to pool this lease or portions thereof into other units. Lessee shall file for record in the appropriate records of the county in which the leased premises are situated an instrument describing and designating the pooled acreage as a pooled unit. Lessee may at its election exercise its pooling option after commencing operations for or completing an oil well on the leased premises, and the pooled unit may include, but is not required to include, land or leases upon which a well capable of producing oil or gas in paying quantities has theretofore been completed or upon which operations for the drilling of a well for oil or gas have theretofore been commenced. Operations for drilling on or production of oil or gas from any part of the pooled unit which includes all or a portion of the land covered by this lease regardless of whether such operations for drilling were commenced or such production was secured before or after the execution of this instrument or the instrument designating the pooled unit, shall be considered as operations for drilling on or production of oil or gas from land covered by this lease whether or not the well or wells be located on the premises covered by this lease, and the entire acreage constituting such unit or units, as to oil and gas, or either of them, as herein provided, shall be treated for all purposes, except the payment of royalties on production from the pooled unit, as if the same were included in this lease. For the purpose of computing the royalties to which owners of royalties and payments out of production and each of them, shall be entitled on production of oil and gas, or either of them, from the pooled unit, there shall be allocated to the land covered by this lease and included in said unit a pro rata portion of the oil and gas, or either of them, produced from the pooled unit after deducting that used for operations on the pooled unit. Such allocation shall be on an acreage basis—that is to say, there shall be allocated to the acreage covered by this lease and included in the pooled unit that pro rata portion of the oil and gas, or either of them, produced from the pooled unit which the number of surface acres covered by this lease and included in the pooled unit bears to the total number of surface acres included in the pooled unit. Royalties hereunder shall be computed on the portion of such production, whether it be oil and gas, or either of them, so allocated to the land covered by this lease and included in the pooled unit which the production therefrom bears to the total production from the lease or oil pooled unit from which the oil or gas is produced and not on production from a gas pooled unit; and production from a gas well will be considered as production from the lease or gas pooled unit from which it is produced and not from an oil pooled unit.

5. If at the expiration of the primary term of oil or gas is not being produced on said land, or from land pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon, or shall have completed a dry hole thereon within 60 days prior to the end of the primary term, the lease shall remain in force as long as operations on said well or for drilling or reworking of any additional well are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil or gas so long thereafter as oil or gas is produced from said land, or from land pooled therewith. If, after the expiration of the primary term of this lease and after oil or gas is produced from the pooled unit, the production therefrom should cease from any cause, this lease shall not terminate if Lessee commences operations for drilling or reworking within 60 days after the cessation of such production, but shall remain in force and effect so long as such operations are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land, or from land pooled therewith. Any pooled unit designated by Lessee in accordance with the terms hereof, may be dissolved by Lessee by the cessation of production on said unit. In the event a well or wells producing oil or gas in paying quantities should be brought in on an adjacent land and within 660 feet of and draining the lease premises, or land pooled therewith, Lessee agrees to drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances. 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.

6. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines below ordinary plow depth.

7. The rights of either party hereunder may be assigned in whole or in part, and the provisions hereof shall extend to their heirs, successors and assigns but no change or division in ownership of the land or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee; and no change or division in such ownership shall be binding on Lessee until thirty (30) days after Lessee shall have been furnished by registered mail or mail at Lessee's principal place of business with a certified copy of record instrument or instruments evidencing same. In the event of assignment hereof in whole or in part liability for breach of any obligation hereunder shall rest exclusively upon the owner of this lease or of a portion thereof who commits such breach. If six or more parties become entitled to royalty hereunder, Lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating an agent to receive payment for all.

8. The breach by Lessee of any obligation arising hereunder shall not work a forfeiture or termination of this lease, nor constitute a termination or reversion of the estate created hereby nor be grounds for cancellation hereof in whole or in part. In the event Lessor or any other party commences an action or reversion, in default, shall have sixty days after receipt of such notice in which to commence the compliance with the obligations imposed by virtue of this instrument. After the discovery of oil or gas in paying quantities on said premises, Lessee shall develop the acreage retained hereunder as a reasonably prudent operator of producing oil in paying quantities and one well per 640 acres plus an acreage tolerance not to exceed 10% of 640 acres of the area retained hereunder and capable of producing gas in paying quantities.

9. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land either in whole or in part, and in event Lessee does so, it shall be subrogated to such lien with the right to enforce same and apply royalties accruing hereunder toward satisfying same. Without impairment of Lessor's right under the warranty in event of failure of title, it is agreed that if Lessor owns an interest in the oil or gas in or under said land, and less than the entire fee simple estate, the royalties to be paid Lessor shall be reduced proportionately. Should any one or more of the parties named as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

10. Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations thereon or from producing oil or gas therefrom by reason of scarcity of or inability to obtain or to use equipment or material, or by operation of force majeure, any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas from the leased premises; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

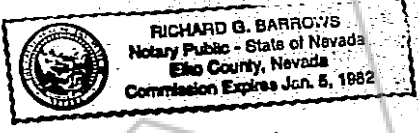
Tony Sestanovich Lessor Lorraine Sestanovich Lessor Tax Identification Number Tax Identification Number 631508-2-BOOK 87 PAGE 434

INDIVIDUAL ACKNOWLEDGMENT

STATE OF Nevada
County of Elko ss.

The foregoing instrument was acknowledged before me this 21 day of August
19 80 by Tony Sestanovich and Lorraine Sestanovich

My Commission expires _____, 19____ Notary Public *[Signature]*



INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____
County of _____ ss.

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

My Commission expires _____, 19____ Notary Public

Producers 86 Rev. (5 Year Lease) (2-56)
With 640 Acre Pooling Provision

No. _____
Oil and Gas Lease

FROM

TO

Dated _____, 19____
No. Acres _____
County, _____

Term _____
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 _____
Deputy _____
When recorded return to _____

When recorded return to:
AMOCO PRODUCTION COMPANY
Amoco Building
Denver, Colorado 80202

EXHIBIT A

Attached to and made a part of Oil and Gas Lease dated June 19, 1980, by and between Tony Sestanovich and Lorraine Sestanovich, husband and wife, and Amoco Production Company.

11. Lessee shall consult with Lessor in selecting all well locations and routes for access roads to such well locations on the leased premises, but Lessor will not prohibit the drilling of any wells in search for oil and gas, or the building of an access road to any well location, on said leased premises.
12. Lessee shall not install living quarters or dwellings on the premises the subject of this lease.
13. In the event that Lessee abandons any well which will produce water, Lessor shall have the option to purchase as much casing in the well at its fair market price at the time as is necessary to maintain said well. If Lessor exercises this option, upon purchase of the casing, he will thereafter hold Lessee harmless for any expense incurred in connection with the operation of the water well.
14. No forfeiture or termination of this lease by the Lessee shall be effective until such time as Lessee has executed and delivered to Lessor a release or quitclaim deed to the property the subject of this lease.
15. Lessee shall not conduct its operations pursuant to this lease in such a manner as to prevent or unreasonably disturb Lessor's irrigation, haying, cattle pasturing, or other ranching operations.

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BOOK 87 PAGE 43E

ADDENDUM :

Attached to and made part of Oil and Gas Lease dated June 24, 1980, by and between ~~Floyd C. Slagowski~~ and ~~Charlene S. Tony~~ ¹⁹ ~~Sestanovich~~ ^{G.S. C.S.} Slagowski, husband and wife, Pine Valley Route, Carlin, Nevada 89822 and Amoco Production Company.

Lorraine Sestanovich
G.S.

A-1: This lease is expressly limited to oil and gas and hydrocarbon substances recoverable in solution with oil or gas and recoverable only through a well bore. This lease expressly does not include coal, shale, lignite, minerals, geothermal steam, hot water, hot brines, thermal energy, gases (except oil, gas and said hydrocarbon substances) or minerals in solution in water or steam or recoverable in connection therewith through a well bore, and Lessor expressly reserves the right to sell, lease, mine, drill or otherwise transfer, dispose of, recover and market all minerals, coal, shale, lignite, geothermal steam, hot water, hot brines, thermal energy, gases (other than oil, gas and hydrocarbon substances included in this lease) and minerals or solutions. These rights and estates reserved shall include the use of the surface as necessary to investigate, explore for, locate, mine, drill for, extract, produce, remove, market, process or produce on the land and sell the substances herein reserved.

A-2: The parties hereby agree that the rights reserved by the Lessor in paragraph A-1 will not interfere with any operations while a well is being drilled, or with any producing wells or associated facilities on the lease which are necessary to maintain prudent operations.

A-3: In the event Lessee enters upon the lands of Lessor and drills a well which is not productive and which well is plugged and abandoned by Lessee, Lessee shall restore the lands occupied by it and the forage that was on the lands as nearly as is reasonably possible to their condition prior to entry by Lessee. In addition, Lessee shall pay Lessor fair market value of any crop damaged or destroyed by Lessee.

A-4: Notwithstanding any provision of the printed lease to the contrary, the location of all drill sites, structures, buildings, camps, equipment, fences, facilities, transmission lines, power lines, pipe lines, utility lines, ditches, drains, culverts, gates, ponds, roads, poles, pipes and other improvements used, constructed or placed on the leased premises shall be approved by Lessor prior to commencing such construction, placement or use. Lessor agrees not to unreasonably withhold such approval.

A-5: Upon termination of this lease in any manner, or if a well is abandoned, the Lessee agrees: to re-level the surface of the land involved; to fill all abandoned sump holes and excavations made by Lessee; to remove derricks, tanks, tank supports and other structures and property of the Lessee thereon; to remove all cement blocks; foundations and footings which have been placed on the leased premises and any and all other supports placed by Lessee, or permitted by Lessee to be placed on said leased premises; to replant

any lands disturbed by Lessee to the forage or crops which were growing thereon before Lessee's use; to repair and restore all ditches, fences and other improvements on the lands in any way disturbed by Lessee.

A-6: Lessee agrees to indemnify and hold harmless Lessors from and against any and all claims, suits, damages, costs, losses, liability and expenses arising or growing out of injuries to or death of persons or loss of or damage to property or loss or pollution of water or water zones in any manner directly or indirectly resulting from or caused by operations under this lease on the leased premises, or adjacent thereto, or the existence of wells, structures, facilities, pipe lines, utility lines, power lines, transmission lines, hot water, steam, gas derricks, tanks or appurtenances thereof, or other items used or placed on the lands by Lessee or resulting from Lessee's use, occupancy of or activities on the lands.

A-7: Notwithstanding any other provision contained in this lease to the contrary, Lessor does not warrant, either express or implied, the rights, title, estate or possessory interest granted to Lessee under this lease. It is understood that the rights and privileges granted to Lessee hereunder are subject to the extent of Lessor's ownership and any and all existing mortgages, deeds of trust, liens, rights of way, easements, oil, gas, mineral and other reservations contained in patents, deeds or other instruments and all other documents of record in the Elko County Recorder's Office, Elko, Nevada, as of the date of this lease, and all matters set out in Exhibit A attached hereto.

A-8: If any lien, encumbrance or security interest is filed against any of the real or personal property of the Lessor, caused or incurred by the Lessee, Lessee shall, within thirty (30) days after such filing, remove the same from the Lessor's property. The Lessee shall give the Lessor seven (7) days advance written notice of all construction, repairs, (other than repairs of an emergency nature), drilling and other activities Lessee intends to do or cause to be done which could result in a mechanic's or materialmen's lien being filed against the Lessor's property so that Lessor can timely file a written Notice of Non-Responsibility pursuant to N.R.S. 108.234.

A-9: At the expiration or any other termination of this lease, Lessee shall peaceably deliver possession of the premises to the Lessor and reconvey all leased property to the Lessor by properly executed quitclaim deed in form suitable for recording in the Elko County Recorder's Office.

A-10: The Lessee shall keep the Lessor's property free and clear of all rubbish, garbage, litter and abandoned items of property brought to or placed upon the Lessor's property by the Lessee or any of Lessee's agents, employees, contractors, sub-contractors or assigns.

A-11: Any storage on the Lessor's property of vehicles, materials and other property of the Lessee shall be done only upon such locations as are approved in advance by Lessor. Lessor shall not unreasonably withhold such approval.

A-12: Lessee shall promptly repair all damage to fences, gates and cattle guards on the leased premises and in the grazing areas utilized by the Lessor arising

out of use of the leased premises under this lease or the actions or activities of the Lessee on the leased premises.

A-13: The parties understand and agree that the leased premises are used primarily by the Lessor for ranching and raising of livestock, which is more important to them than the activities of the Lessee under this lease. Accordingly, Lessor reserves the right to the use of the surface of all leased lands for all ranching and livestock producing purposes and expressly reserves and excepts from this lease all water rights of Lessors and waters being used by Lessors and all rights, privileges, preferences, licenses and permits to graze livestock upon the public lands and National Forests. Lessee agrees to conduct its operations upon the leased premises in such manner as to cause the least possible amount of interference with and damage to the ranching and livestock operations of the Lessor. It is agreed that if the acts, omissions, or operations of the Lessee, or any person or entity acting by, through or under it, result in the pollution of any of the domestic, irrigation or livestock waters used by the Lessor, or damage any areas of the Lessor's meadows or other farming or crop producing areas or other lands of the Lessor other than those Lessor has expressly given prior approval to the Lessor for use in drilling operations, or result in the loss, injury or death of more than percent of the Lessor's livestock in any one calendar year, the Lessor shall have the right to terminate this lease if the condition is not cured within thirty (30) days after notice is provided in Paragraph A-16.

A-14: The Lessee understands that water rights are of paramount interest to the Lessor. Accordingly, Lessee agrees that it shall not attempt to use, apply for or appropriate any waters or water rights which would conflict with the Lessor's water rights or in any way diminish their present hereafter be available to them for development and appropriation for domestic, irrigation or stockwater use. Lessee agrees that it shall not in any way pollute any ground or surface waters useable or being used by the Lessor or any other persons using the same water sources. Lessee further agrees that no oil, gas, minerals, brine, fluid or surplus water which is not suitable for domestic, irrigation or stockwater purposes shall not be disposed of on Lessor's lands or grazing areas with Lessor's express prior written consent, nor shall such oil, gas, minerals, brine, fluid or surplus water be reinjected into a fresh water zone and if reinjected it shall be reinjected into the zone from which it came following which the Lessee shall cement off or otherwise seal off the zones to prevent their entry into ground or surface water sources which are useable for domestic, agricultural or stockwatering purposes. Lessee agrees that it shall not, without prior approval of the Lessor, interfere with or damage the Lessor's ditches, wells, or irrigation systems and irrigation methods.

A-15: Lessee agrees that it shall, if requested by the Lessor, fence off any of the Lessee's facilities, storage areas, drill sites, sumps, ditches, camps, housing areas, or other structures or developments on the leased lands with a livestock fence built to Bureau of Land Management standards in the area with such gates and cattle guards as Lessor shall specify. The Lessor shall designate the area which shall be no more than reasonably necessary to protect Lessor's livestock from the Lessee's activities and the fence lines shall be as designated by the Lessor.

RECORDED AT REQUEST OF
Amoco Production Co.
BOOK 87 PAGE 434

60 SEP 29 A10: 22

OFFICIAL RECORDS
CLERK & CLERK NEVADA
WILLIS A. DEPT. RECORDER
FILE NO. 76865
FEE \$ 9.00

RECORDED AT REQUEST OF
AMOCO PRODUCTION COMPANY
DENVER, COLORADO

When recorded return to COMPANY
AMOCO PRODUCTION COMPANY
Amoco Building
Denver, Colorado 80202

BOOK 87 PAGE 441