

REAL ESTATE MORTGAGE

THIS MORTGAGE executed at Reno, Nevada on the 27<sup>th</sup> day of February, 1981, between WESTERN GAS, OIL AND MINING, LTD., a corporation organized under the laws of Nevada ("Mortgagor") and WINDFALL VENTURE, a general partnership composed of Kenneth E. Johnson, William E. Foster, Robert G. Wilson, Chan Edmonds and William L. Wilson, all of Grand Junction, Colorado, ("Mortgagee").

1. Grant of Mortgage. For good and valuable consideration of the aggregate sum of Two Million One Hundred Thousand Dollars (\$2,100,000.00) as stated in the installment promissory note ("Note") of the same date as this Mortgage, the Mortgagor conveys and grants to the Mortgagee, its successors or assigns, Mortgagor's undivided seventy-five percent (75%) interest in those certain patented mining claims, unpatented mining claims, millsite claims, and water rights situated in Eureka County, Nevada described as follows:

<u>Claim Name</u>	<u>U.S. Mineral Survey Number</u>
Jim Crow	3705
Jim Crow Fraction	3705
Southern Cross	3705
Elmer	3705
Elmer Fraction	3705
Windfall	3705
Windfall Fraction	3705
"2G"	3705
May	3705
May Fraction	3705
Windfall Extension Fraction	4537
Rustler No. 1	4537
Rustler No. 2	4537
Rambler	239
Little Rosa	301

(The above claims are referred to herein as the "Patented Claims").

<u>Claim Name</u>	<u>Book</u>	<u>Page</u>
F-1	34 O.R.	528
F-2	34 O.R.	508-509
F-3	34 O.R.	529
F-4	34 O.R.	510-511
F-5	34 O.R.	530
F-6	34 O.R.	512-513
F-7	34 O.R.	531
F-8	34 O.R.	514-515
F-9	34 O.R.	532
F-10	34 O.R.	516-517
F-11	34 O.R.	533

F-12	34 O.R.	518-519
F-13	34 O.R.	534
F-14	34 O.R.	520-521
F-15	34 O.R.	535
F-16	34 O.R.	522-523
F-17	34 O.R.	536
F-18	34 O.R.	524-525
F-19	34 O.R.	537
F-20	34 O.R.	526-527
F-21	34 O.R.	491
F-22	34 O.R.	501
F-23	34 O.R.	492
F-24	34 O.R.	502
F-25	34 O.R.	493
F-26	34 O.R.	503
F-27	34 O.R.	494
F-28	34 O.R.	504
F-29	34 O.R.	495
F-30	34 O.R.	496
F-31	34 O.R.	497
F-32	34 O.R.	498
F-33	34 O.R.	499
F-34	34 O.R.	500
F-91	71 O.R.	405
F-92	71 O.R.	406
F-93	71 O.R.	407
F-94	71 O.R.	408
F-95	71 O.R.	409
F-96	71 O.R.	410
F-97	35 O.R.	306
F-98	35 O.R.	307
F-102	35 O.R.	308
F-104	35 O.R.	309
F-106	35 O.R.	310
F-108	35 O.R.	311
F-110	35 O.R.	312
F-112	35 O.R.	313
F-118	35 O.R.	315
F-120	35 O.R.	316
F-122	35 O.R.	317
F-124	35 O.R.	318
F-126	35 O.R.	319
F-128	35 O.R.	320
F-130	34 O.R.	507
F-198	35 O.R.	314
W-3	26 O.R.	105-106
W-1	26 O.R.	101-102
W-2	26 O.R.	103-104
W-4	26 O.R.	107-108
W-5	26 O.R.	109-110
W-7	26 O.R.	111-112
W-8	26 O.R.	113-114
W-11	43 O.R.	077
W-12	26 O.R.	115-116
W-13	26 O.R.	117-118
W-17	26 O.R.	119-120
W-19	43 O.R.	078
W-20	33 O.R.	105
W-21	33 O.R.	106
W-22	33 O.R.	107
W-23	33 O.R.	108
W-24	33 O.R.	109
W-25	33 O.R.	110
W-26	33 O.R.	111

W-27	33 O.R.	112
W-30	43 O.R.	079
W-31	43 O.R.	080
W-32	43 O.R.	081
W-33	43 O.R.	082
W-34	43 O.R.	083
Gold	K-O.D.M.L.	100
Gold No. 1	K-O.D.M.L.	101
Summit	25 O.R.	300
Red Iron	25 O.R.	302
Johnnie	25 O.R.	301
Sadie Nos. 1 to 8	47 O.R.	78-85
H 1 to 7	71 O.R.	398-404
Rambler No. 1	H-O.D.M.L.	328
Rambler No. 2	H-O.D.M.L.	329
Gossan	J-O.D.M.L.	268
Doe Run No. 1	35 O.R.	322
Doe Run No. 2	35 O.R.	323
Pearl	H-M.L.	261
Nellie	H-M.L.	262
New York #1	75 O.R.	29
New York #2	75 O.R.	30
New York #3	75 O.R.	525

	<u>Book</u>	<u>Page</u>	<u>BLM No.</u>
HC 1-24	81 O.R.	223-255	NMC 153780-153803
HC Fraction	81 O.R.	257	NMC 153304
IM 1-18	81 O.R.	258-275	NMC 153805-153822
F 55-90	81 O.R.	276-311	NMC 153744-153749
J 1-4	81 O.R.	312-315	NMC 153823-153826
J 5-14	81 O.R.	316-325	NMC 153827-153836
J 15-16	81 O.R.	326-327	NMC 153837-153838
J 17-19	81 O.R.	328-330	NMC 153839-153841
J 10-23	81 O.R.	331-334	NMC 153842-153845
J 30-31	81 O.R.	335-336	NMC 153846-153847
HC 25, 26	88 O.R.	153-154	NMC 172742-172743
W 101-104	88 O.R.	149-152	NMC 169094-169097
J 24-28	84 O.R.	361-365	NMC 150193-160197
J 29 Fraction	84 O.R.	366	NMC 160198
J 33-51	84 O.R.	367-385	NMC 160199-160217
J 52-54	84 O.R.	386-388	NMC 160218-160220
J 71-76	84 O.R.	389-394	NMC 160221-160226
J 81-84	84 O.R.	395-398	NMC 160227-160230

(The above described claims are referred to herein as the "Unpatented Claims.")

<u>Millsite Name</u>	<u>Book</u>	<u>Page</u>
MS #1 through #5, inclusive	47 O.R.	580-584
MS #6	50 O.R.	004
MS #7, #8	47 O.R.	585, 586
MS #9 through #12, inclusive	50 O.R.	005-008
MS #13	51 O.R.	572
MS #13A	74 O.R.	485

(The MS #13A claim was originally located as MS 13 which was a duplication of a claim of the same named owned by Idaho originally recorded in Book 56 at Page 399 and amended on Sept. 27, 1979 and recorded in Book 74 at Page 485.)

MS #14 through #21	56 O.R.	400-407
--------------------	---------	---------

(The above described claims are hereinafter referred to as the "Millsites.")



Together with all improvements and appurtenances located upon or used in connection with the real estate described above and together with all water and water rights, ditches and ditch rights, pipelines and pipeline easements utilized in connection therewith including application for water rights which are described by the Nevada permit number and source of the water rights as follows:

<u>Permit No.</u>	<u>Description</u>
27621	Murray Springs
28690	Mitchell Springs
29525	Hoosac Springs
29526	Gibellini Springs
29527	Beveridge Spring No. 2
41965	Secret Canyon Well

The Patented Mining Claims, Unpatented Mining Claims Millsite Claims and water rights described above are hereinafter referred to as the "Property".

To have, hold and retain the Property together with all improvements and appurtenances located upon or used in connection with the Property, subject to the terms and provisions of this instrument.

2. Warranty of Mortgagor. The Mortgagor warrants to the Mortgagee that the Mortgagor has full power and lawful right to convey and encumber the Property; that the Property is free from all liens and encumbrances made or suffered by Mortgagor.

3. Payment of Note. If the Mortgagor pays the Note and performs and complies with all of the stipulations, agreements, conditions and provisions of the Note and of this instrument, then this instrument and the lien and estate created by this instrument shall cease and thereafter be null and void.

4. Agreements of Mortgagor. The Mortgagor agrees with the Mortgagee as follows:

- (a) To pay all sums payable by virtue of the Note and this instrument promptly when such sums become due. cause to be paid *WJW*
- (b) To ~~pay~~ the taxes, assessments, levies, liabilities, obligations and encumbrances of every

nature levied or assessed against the Property. If the same are not promptly paid, the Mortgagee may at any time pay the same without waiving or affecting the option to foreclose or any other rights granted by this instrument. Every payment so made shall bear interest from the date thereof at the rate of fifteen percent (15%) per annum.

(c) To pay the costs, charges and expenses, including attorneys' fees, reasonably incurred or paid at any time by the Mortgagee because of the failure on the part of the Mortgagor to perform and comply with the provisions and conditions of the Note and this instrument, and every such payment shall bear interest from the date of such payment at the rate of fifteen percent (15%) per annum.

(d) To keep any improvements now or subsequently constructed on the Property insured against damage by fire, windstorm and extended coverage in reputable insurance companies authorized to do business as such in Nevada, in amounts sufficient to prevent the parties in interest from being or becoming co-insurers of any part of the risk, and to cause such policies to contain a provision naming the Mortgagee as insured, as his interest may appear. If the Mortgagor fails to keep the improvements insured in the foregoing manner, the Mortgagee may place and pay such insurance or any part thereof without waiving or affecting the option to foreclose or any other rights granted by this instrument. Every such payment shall bear interest from its date at the rate of fifteen percent (15%) per annum.

(e) Not to commit or allow waste (it being understood that mining of the Property shall not be considered waste), impairment or deterioration of the Property and not create or allow to be created any liens or charges against the Property,

(other than general ad valorem taxes) which for any reason would be superior to the lien of this Mortgage.

(f) To perform and comply with the stipulations, agreements and conditions in the Note and in this Mortgage.

5. Right of Mortgagee Upon Default. If Mortgagor should fail to make any payment of principal or interest when due under the Note or to perform when required any of the other obligations of Mortgagor under this Mortgage, the Mortgagee or the holder of the Note may give notice to the Mortgagor specifying the default in performance. Such notice shall be given in writing transmitted by certified mail to the Mortgagor at the following address:

Western Gas, Oil & Mining, Ltd.  
P. O. Box 20728  
Reno, Nevada 89510

With a copy to: Central Enterprises Ltd.  
~~Dragon Resources (USA), Ltd.~~ 10th Floor, Realty Building  
71, Des Voeux Road, Central  
Hong Kong

If the default specified in the notice is corrected by payment or other performance which may be required within thirty (30) days of the date of mailing the notice of default, or if such default (other than the payment of money) cannot be corrected within such thirty (30) day period but such correction is commenced and diligently prosecuted to completion such default shall be considered corrected. If such default is not corrected, as provided above, then Mortgagee or the holder of the Note shall at once become entitled to the possession, use and enjoyment of the Property, appointment of a Receiver for the Property and to receive the rents and income from the Property. Mortgagee shall be entitled to the rents and income as a matter of right, without regard to the solvency or insolvency of Mortgagor or the then owner of the Property and without regard to the value of the Property as security for payment of the indebtedness due Mortgagee. A Receiver may be appointed by any court of competent jurisdiction upon ~~application~~ <sup>my wdu</sup> application ~~and without notice (notice being~~



expressly ~~waived~~ by Mortgagor and all rents and income from the Property shall be applied by the Receiver (subject to the orders of the Court) to the payment of the indebtedness secured by this instrument.

6. Acceleration of Amount Due. If any of the payments under the Note are not paid, or if the provisions and conditions of the Note or of this instrument are not fully performed by the Mortgagor, and if such deficiency in payment or other failure of performance shall continue uncorrected for a period of thirty (30) days after the giving of the notice specified in Section 5 above, then and in either of those events the aggregate unpaid balance of the Note will become due and payable at the election of Mortgagee as if the aggregate unpaid balance has been originally stipulated to be paid on such day.

7. Miscellaneous. The following additional provisions shall be applicable:

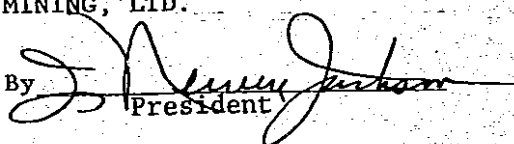
(a) All benefits and obligations contained herein shall accrue to and be binding upon the respective parties hereto and their respective successors or assigns.

(b) The debt this Mortgage secures may be prepaid only as provided in the Note.

(c) This Mortgage is expressly subordinate and second to that certain Real Estate Mortgage dated January 7, 1980 between Windfall Venture as Mortgagor and Idaho Mining Corporation as Mortgagee, which Mortgage is recorded in Book 78 at Pages 260-266 of the Official Records of Eureka County, Nevada.

This Mortgage was executed by Mortgagor on the day first above written

WESTERN GAS, OIL AND  
MINING, LTD.

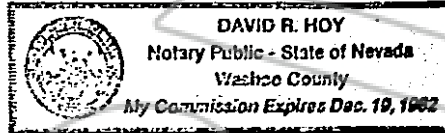
By  President

STATE OF NEVADA )  
 )  
COUNTY OF WASHOE ) ss.

On the 28<sup>th</sup> day of February, 1981, personally appeared before me, J. Newell Jackson, who being duly sworn, says that he is the President of WESTERN GAS, OIL AND MINING, LTD., and that he executed the above instrument on behalf of said corporation for the uses and purposes therein mentioned.

My commission expires: \_\_\_\_\_

David R. Hoy  
Notary Public



RECORDED AT REQUEST OF  
FRONTIER TITLE COMPANY  
BOOK 91 PAGE 517

81 MAR 2 P 3:45

OFFICIAL RECORDS  
WASHOE COUNTY, NEVADA  
WILLIS A. DEPAOLI - RECORDER  
FILE NO. 79013  
FEE 10.00

BOOK 91 PAGE 604