

COMMERCIAL CODE, CH. 29, § 29-201, N. J. S.

THIS AGREEMENT, made and entered into this 8th day of February 19 88 by and between

JOHN V. DAMELE and ROBERTA M. DAMELE, husband and wife,
P. O. Box 295 of Eureka, Nevada 89316

hereinafter called lessor (whether one or more) and HANAGAN PETROLEUM CORPORATION, P.O. Box 1737,
Roswell, New Mexico 88201 hereinafter called lessee:

[illegible]

tract or tracts of land situated in the County of Eureka, State of Nevada, described as follows, to-wit:

SEE EXHIBIT "A"
ATTACHED HERETO

of Section XXX Township XXX Range XXX and containing 1.584.10 acres
 more or less, five from date and as long thereafter as oil or gas of whatsoever nature or kind, or

[illegible]

which includes all or a part of said lease:

3. In consideration of the premises the said lessee covenants and agrees:

(a) To deliver to the credit of lessor, free of cost in the pipe line to which lessee may connect his wells, the equal one-eighth part of all oil produced and saved from the leased premises, or at the lessee's option, may pay to the lessor for such one-eighth royalty, the market price for oil of like grade and gravity prevailing on the day such oil is run into the pipe line or into storage tanks.

(b) To deliver to the credit of lessor, free of cost and sold, or used off the premises, or used in the manufacture of any product from

(b) To pay bonus for gas of whatever nature or kind produced and sold, or used, of the premises, or in the manufacture of products therefrom. Where gas from these premises is sold at the market price at the well for the gas sold, used off the premises, or in the manufacture of products therefrom, such payment shall be made by the lessee to the lessor at the rate of ten percent (10%) of the market price per net royalty acre owned hereunder, such payment to be made by the lessor to the lessee, if the gas is sold, used off the premises, or in the manufacture of products therefrom, after the expiration of 90 days from the date such well is shut in or tender to be made on or before the anniversary date of the lease term, and if the gas is sold, used off the premises, or in the manufacture of products therefrom on or before the anniversary date of this lease during the period such well is shut in, to the royalty owners or to the lessor, credit on the rental dispositive bank herein designated. If such payment or tender is made, it will be considered that gas is being produced within the meaning of the lease.

If operations for the drilling of a well for oil or gas are not commenced or if there is no oil or gas being produced on said land or on acreage pooled therewith, this lease shall terminate as to both parties, unless the same is renewed or extended by the parties to this lease.

If operations for the drilling of a well for oil or gas are not commenced or if there is no oil or gas being produced on said land or on acreage pooled therewith, this lease shall terminate as to both parties, unless the same is renewed or extended by the parties to this lease.

that date shall pay or tender to the lessor or to the lessor's credit in the First Interstate Bank or P.O. Box 325

Eureka, Nevada 89316 or its successors, which shall continue as the depository for rental regardless of changes in the ownership of said land, the sum of ONE THOUSAND FIVE HUNDRED EIGHTY-FOUR and 10/100** DOLLARS

(s) 1,584.10) which shall operate as a rental and cover the privilege of deferring the commencement of operations for drilling of a well for twelve months from said date. In like manner and upon like payments or tenders the commencement of operations for drilling of a well may be further deferred for like periods in the same number of successive years. All payments or tenders may be made by check or draft payable to or for the benefit of the undersigned. If no payment or tender is received by the undersigned, the down payment covers one year's rental and the balance of the rental shall be paid at the rate of \$1.00 per acre per month. It is understood and agreed that the consideration for extending that period as aforesaid, and amounts so mailed or delivered on account of paying date. It is understood and agreed that the consideration for extending that period as aforesaid, and amounts so mailed or delivered on account of paying date. It is understood and agreed that the consideration for extending that period as aforesaid, and amounts so mailed or delivered on account of paying date.

only the proceeds granted to the date when said first rental is payable as aforesaid, but also the interest thereon, together with all other rights connected therewith, shall be assigned to the undersigned, his heirs and assigns may deposit rental or royalties as aforesaid, and amounts so mailed or delivered on account of paying date. It is understood and agreed that the consideration for extending that period as aforesaid, and amounts so mailed or delivered on account of paying date.

National Bank located in the same county with the first named bank. Due notice of such deposit, to be mailed to broker at last known address.

[illegible]

6. Lessee may, at any time, release this lease as to any stratum or strata and as to part or all of the lands shown described, after which all payments and liabilities thereunder in respect to the lands released, shall cease and determine. In the event of a partial release, the annual delay rental above mentioned shall be reduced proportionately.

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 ditches, ponds, reservoirs, or wells of lessor.

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 machinery and fixtures placed on said premises, including the right to draw and remove casing

[illegible]

9. Lessor hereby warrants and agrees to defend the title to the lands herein described, and agrees that the lessor shall have the right at any time to pay for the lessor, any mortgage, taxes or other liens on the above-described lands in the event the same are not paid by the lessee, and be subrogated to the rights of the holder thereof, and lessor hereby agrees that any such payments made by the lessor for the lessor may be deducted from any amounts of money which the lessor may be entitled to receive from the lessee under the terms of this lease.

10. If said Lessor owns a less interest in the above-described Land than the entire and undivided fee simple estate therein, then the amount of the royalty to be paid to said Lessor shall be the amount of the royalty to be paid to the owner of the fee simple estate in the Land less the amount of the royalty to be paid to the owner of the less interest in the Land.

11. Lessee shall comply with all laws and regulations of any Governmental body purporting to exercise taxing authority over the lands covered by this lease or the person of the lessor herein and in so complying lessee shall not be responsible for determining the legality, validity or constitutionality of any such law or regulation enacted or issued by any such Governmental body. In determining the residence of lessor for purposes of complying with such laws or regulations of lessor may rely upon the address of lessor herein set forth or upon the last known address of lessor. Neither any error in the determination of the residence or status of lessor nor an error in the payment of any sum of money due or payable to lessor under the terms of this lease which is made during the course of or as a result of lessor's good faith efforts to comply with any such laws or regulations shall terminate this lease or constitute grounds for any cause of action against lessor. All of lessor's obligations and covenants hereunder, whether express or implied, shall be suspended at the time or from time to time as compliance with any thereof is prevented or hindered by or is in conflict with Federal, State, County, or municipal laws, rules, regulations or Executive Orders asserted as official by or under public authority claiming jurisdiction, or Act of God, adverse field, weather, or market conditions, inability to obtain materials in the open market or transportation thereof, war, strikes, lockouts, riots, or other conditions or circumstances not wholly controlled by lessee, and this lease shall not be terminated in whole or in part, nor lessee held liable in damages for failure to comply with any such obligations or covenants if compliance thereon is prevented or hindered by or is in conflict with any of the foregoing eventualities. The time during which lessee shall be prevented from conducting drilling or reworking operations during the primary term of this lease, under the contingencies above stated, shall be added to the primary term of the lease; provided, however, that delay rentals as herein provided shall not be suspended by reason of the suspension of operations and if this lease is extended beyond the primary term above stated by reason of such suspension, lessee shall pay an annual delay rental on the anniversary dates hereof in the manner and in the amount above provided.

12. Should any person, firm or corporation have an interest in the above-described land not leased to lessee, or should any one or more of the parties named above as lessors not execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

13. The undersigned lessors for themselves and their heirs, successors, and assigns, hereby expressly release and waive all rights under and by virtue of the homestead exemption laws of said state, insofar as the same may in any way affect the purposes for which this lease is made as recited herein.

IN WITNESS WHEREOF, the undersigned execute this instrument as of the day and year first above written.

14. SEE EXHIBIT "A"

JOHN V. DAMELE

S.S. # [REDACTED]

John V. Damele

ROBERTA M. DAMELE

S.S. # [REDACTED]

Roberta M. Damele

ACKNOWLEDGMENTS

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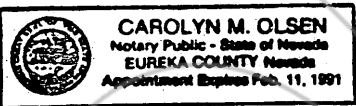
STATE OF NEVADA

COUNTY OF Eureka

Instru
My co

On April 7, 1988 personally appeared
before me, a notary public, John V. Damele,
who acknowledged that he executed the above instrument.

STAT
COUS



Carolyn M. Olsen

STATE OF NEVADA

COUNTY OF Eureka

Instru
My co

On April 7, 1988 personally appeared
before me, a notary public, Roberta M. Damele,
who acknowledged that she executed the above instrument.



Carolyn M. Olsen

No. _____ Oil _____
Dated _____ No. Acres _____
Term _____ This instrument _____
the _____ day _____ of _____
recorded in _____
records of the _____
By _____ W/in _____

STATE OF _____ }
COUNTY OF _____ }
On this _____ day of _____ in the year _____ before me, a Notary Public,
personally appeared _____
known to me to be the _____ of the Corporation that is described in and that executed the within instrument and
acknowledged to me that such Corporation executed the same.
My commission expires: _____ Notary Public.

EXHIBIT "A"

ATTACHED TO AND MADE A PART OF
THAT CERTAIN OIL AND GAS LEASE
DATED FEBRUARY 8, 1988, BETWEEN
JOHN V. DAMELE AND ROBERTA M. DAMELE,
LESSORS, AND HANAGAN PETROLEUM
CORPORATION, LESSEE.

DESCRIPTION

TOWNSHIP 24 NORTH, RANGE 49 EAST

SECTION 12: NE $\frac{1}{4}$ SE $\frac{1}{4}$

TOWNSHIP 24 NORTH, RANGE 50 EAST

SECTION 2: LOT 3, SE $\frac{1}{4}$ NW $\frac{1}{4}$

SECTION 7: LOT 2

TOWNSHIP 25 NORTH, RANGE 50 EAST

SECTION 24: SE $\frac{1}{4}$ NW $\frac{1}{4}$, NW $\frac{1}{4}$ SW $\frac{1}{4}$

SECTION 25: S $\frac{1}{4}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$

SECTION 28: W $\frac{1}{4}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$

SECTION 32: SE $\frac{1}{4}$ NE $\frac{1}{4}$

SECTION 33: NW $\frac{1}{4}$ NW $\frac{1}{4}$

SECTION 35: E $\frac{1}{4}$ NE $\frac{1}{4}$, SW $\frac{1}{4}$ NE $\frac{1}{4}$, E $\frac{1}{4}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$

SECTION 36: NW $\frac{1}{4}$ NE $\frac{1}{4}$, NW $\frac{1}{4}$, NW $\frac{1}{4}$ SW $\frac{1}{4}$

TOWNSHIP 25 NORTH, RANGE 51 EAST

SECTION 19: SE $\frac{1}{4}$ SW $\frac{1}{4}$

SECTION 30: NW $\frac{1}{4}$ NE $\frac{1}{4}$, E $\frac{1}{4}$ NW $\frac{1}{4}$, LOT 2, LOT 3

SECTION 35: N $\frac{1}{4}$ NW $\frac{1}{4}$

14. Lessor hereby accepts as sufficient the bonus consideration given by lessee and agrees that no additional cash amount is required as bonus consideration for signing this lease. Lessee, however, agrees to pay lessor additional amounts in the event that lessee acquires additional leasehold interest in the lands described above from any other mineral owner within two (2) years from the date of this lease. The amount to be paid by lessee shall be equal to the difference between the per acre price paid to lessor herein for bonus consideration and the highest per acre price paid to any subsequent lessor times the number of gross acres leased from the subsequent lessor and proportionately reduced by the fractional interest lessor herein has in the subsequently leased tract.

*J.V.D.
R.M.S.*

RECORDED AT THE REQUEST OF
BOOK 179 PAGE 066

'88 JUN 14 10:41
Hanagan Petroleum
OFFICIAL RECORDS
EUREKA COUNTY, NEVADA
M.N. RECREATION RECORDER
FILE NO. 119200 FEE \$ 7.00

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