

Producers 88 1959

OIL AND GAS LEASE

COMMERCIAL PAPER, CO.-DISTANCE, N. D.

THIS AGREEMENT, made and entered into this 8th day of February, 1988 by and between

CHARLES DAMELE, JR. and PATRICIA J. DAMELE, husband and wife,
Waysack Elko, Nevada 89801

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

1. WITNESSETH: That the lessor, for and in consideration of the sum of 10.00 or more cash in hand paid, receipt of which is hereby acknowledged, and the covenants and agreements hereinafter contained on the part of the lessee to be paid, kept and performed, has granted, demised, leased and let unto the lessee and his heirs, assigns and assigns forever, unto the lessee and his heirs, assigns and assigns forever, by these presents does grant, demise, lease and let exclusively unto said lessee, the entire right of mining, exploring for geophysical and other methods and operating for and producing therefrom oil and all other minerals, including but not limited to oil, gas, coal, natural gas, oil shale, oil sands, and geothermal energy, and all other minerals, and the exclusive surface and subsurface rights and privileges related in any manner to any and all such operations and any and all other rights and privileges necessary, incident to, or convenient for the economical operation alone or jointly with neighboring land for such purposes, all that certain

SEE EXHIBIT "A"
ATTACHED HERETO

of Section XXX Township XXX Range XXX and containing 1,584.10 acs.
more or less.

2. It is agreed that this lease shall remain in force for a term of _____ years, whether or not drilling operations are continued as hereinafter provided. If prior to the expiration of either of the terms of production or of acreage pooled therewith, lessors should drill a dry hole or hole which is not productive, or if the lease should expire for any cause, this lease shall nevertheless continue in force for a period of _____ days after the expiration of the term of production or of the term of acreage pooled therewith, or if the lease should terminate for any cause, this lease shall nevertheless continue in force for a period of _____ months from the date of completion of a well which is not productive, but if later it then engages in drilling or reworking operations that are productive of oil or gas it shall nevertheless continue in force so long thereafter as drilling or reworking operations are continued. If the lease should terminate for any cause, this lease shall nevertheless continue in force so long thereafter as drilling or reworking operations shall be considered to be continuously prosecuted and the primary term of this lease shall be extended for a period of _____ days after the completion or abandonment of one well and the beginning of drilling or reworking operations on another well. If oil or gas shall be discovered and/or produced from the leased premises at any time after the expiration of the term of production or of the term of acreage pooled therewith, this lease shall continue in force so long thereafter as oil or gas is produced from the leased premises or from any acreage pooled therewith. This lease includes all or a part of said lands.

3. In consideration of the premises the said lesser covenants and stores:

(a) To deliver to the credit of lessee, free of cost in the pipe line to which lessee may connect his wells, the equal one-eighth part of oil and gas produced 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.

[illegible]

4. 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 within the time specified in the lease hereunto made, this lease shall terminate as to both parties, unless the lessee, on or before the expiration of the term herein specified, shall have commenced operations thereon as hereinafter provided on or before one year from the date hereof, this lease shall terminate as to both parties.

First Interstate

Box 471

that date shall pay or tender to the lessor or to the lessor's credit in the _____
 Elko, Nevada 89801 _____ 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

[illegible][illegible]

to exclude such non-producing formations. The forming or reformation shall describe the unit. Any unit may include land upon which a well has been drilled but no production has been obtained, which includes all or a part of this lease shall be treated as if it were production. Drilling or reworking operations shall be completed or upon which operations for drilling have theretofore been commenced. Production, drilling or reworking operations of a well

shut in for want of a market anywhere on a unit which includes the surface area covered by this lease. In lieu of the royalties elsewhere herein specified, including a reworking operations or a well shut in for want of a market under this lease, only on the portion of such production allocated to this lease, such gas royalties, lessor shall receive on production from the unit so pooled royalties only on the portion of such production allocated to this lease, such as surface acres covered by this lease and included in the unit bears

allocation shall be that proportion of the unit production therefrom which is attributable to the foregoing, lessee shall have the right to utilize such portion of the total number of surface acres in such unit. In addition to the foregoing, lessee shall have the right to utilize such portion of the total number of surface acres in such unit by entering into a co-tenancy agreement with the owner of the lands in the same general area as the above described lands as to one or more of the formations thereunder with the owner of such lands, or by obtaining approval to modify the plan of development or operation approved by any governmental authority and, from time to time, with like approval, to modify the plan of development or operation approved by any governmental authority. The terms of this lease shall be deemed modified to conform with the provisions of this section.

operative of Unit plan, and such plan or agreement and in such event, the terms, conditions, and provisions of such plan or agreement shall govern the development and operation and, particularly, all drilling operations, and such plan or agreement shall be subject to the terms, conditions, and provisions of such approved cooperative or unit plan or agreement, and the lessee shall comply with the development and development requirements of such lease, express or implied, and shall comply with the drilling and development requirements of such lease, express or implied, or expire during the life of such plan or agreement. In the event that said plan or agreement shall terminate or expire during the life of such plan or agreement, the lessee shall be bound to any particular tract of land shall for the purpose of computing the royalties to be paid hereunder be treated as having been produced from the particular tract of land to which it is allocated and the royalty payments to be made hereunder to lessor shall be computed on the basis of the production from such tract of land. Lessor shall formally express lessor'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.

6. Lessor may, at any time, release this lease as to any stratum or strata and as to part or all of the lands hereunder, and the annual delay rental above mentioned shall be reduced proportionately, as 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.

When requested by the lessor, lessee shall bury its pipe lines on cultivated portions below plow depth. 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 pay for damages caused by his operation to growing crops on said lands. Lessee shall, at all times, remove all machinery and fixtures placed on said premises, including the right to draw and remove casing

day and year from above written

Patricia J. Damele

PATRICIA J. DAMELE

S.S. # [REDACTED]

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EXHIBIT "A"

ATTACHED TO AND MADE A PART OF
THAT CERTAIN OIL AND GAS LEASE
DATED FEBRUARY 8, 1988, BETWEEN
CHARLES DAMELE, JR. AND PATRICIA J. 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 $\frac{1}{2}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$
SECTION 28: W $\frac{1}{2}$ 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 $\frac{1}{2}$ NE $\frac{1}{4}$, SW $\frac{1}{4}$ NE $\frac{1}{4}$, E $\frac{1}{2}$ 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 $\frac{1}{2}$ NW $\frac{1}{4}$, LOT 2, LOT 3
SECTION 35: N $\frac{1}{2}$ 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.

RECORDED AT THE REQUEST OF
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'88 JUN 14 10:41
Hanagan Petroleum

OFFICIAL RECORDS
EUREKA COUNTY, NEVADA
H.M. REBALEATI, RECORDER
FILE NO. 119202 FEE \$ 7.00

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