

Producers 88-1959

OIL AND GAS LEASE

COMERCIAL PAPER CO.-BIRMINGHAM, N. C.

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

R. D. DAMELE and ARLENE W. DAMELE, husband and wife,
P.O. Box 342 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]

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

of Section 22.6 Township five Range 10 North
more or less that this lease shall remain in force for a term of five years from date and date as long thereafter as oil or gas of whatsoever nature or kind, or
either of them is produced from said land or premises pooled therewith or drilling operations are continued as hereinafter provided. If prior to discovery of
oil or gas on said land or on acreage pooled therewith, the lease shall terminate if the lessee commences additional drilling or reworking operations
or if it is within the primary term) commences or resumes the payment of a royalty or bonus or before the initial-paying date next ensuing after the ex-
piration of the primary term, or if the lease is not being drilled or worked at the expiration of the primary term, or if the lease is not being drilled or worked, then this
lease shall continue in force so long thereafter as drilling or reworking operations are continued on said land or on a drilling or reworking
operation or operating unit which includes all or part of said land, and drilling or reworking operations shall be considered to be continued on said land or on a drilling or reworking
operation or operating unit if the lease shall elapse between the completion or abandonment of one well and the beginning of drilling or reworking on another well. If oil or gas shall be discovered and/or produced from said land or on a drilling or reworking operation or operating unit which includes all or part of said lands,
this lease shall continue in force so long thereafter as oil or gas is produced from the leased premises or from any such well.

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

(a) To deliver to the credit of lessor, free of cost on 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, and all of the premises, or used in the manufacture of any products

(b) To pay lessor for gas of whatsoever nature or kind produced and sold, or used off the premises, or used in the manufacture of any products therefrom, one-eighth, at the market price of such gas as sold, used off the premises, or in the manufacture of products therefrom; provided, such payment shall be made on or before the anniversary date of this lease next ensuing after the date from which said royalty is due, and if no payment is so made it shall be deemed that the same has been made on or before the anniversary date of this lease during the period such payment is thus in arrears, and if no payment is so made it will be considered that gas is being produced within the meaning of this lease.

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 or on acreage adjacent therewith as hereinafter provided on or before one year from the date hereof, this lease shall terminate as to both parties, unless the lessee on or before

Third-party as hereinafter provided on or before one year from the date of the lease.

First Interstate Bank at P.O. Box 325

that date shall pay or tender to the lessor or to the lessor's credit in the _____

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

[illegible][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 above described, after which all payments and liabilities therefor in arrears, 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.

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 pay for damages caused by his operation to growing crops on said lands.

[illegible]

9. Lessor hereby warrants and agrees to defend the title to the lands herein described, and agrees that the lessee shall have the right at any time to pay for lessor, any mortgage, taxes or other liens on the above-described lands in the event of default of payment by lessor, and he subrogated in 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 may become due the lessor under the terms of this lease.

10. If said lessee owns a less interest in the above-described land than the entire and undivided fee simple estate therein, then the rentals and rentals herein provided shall be paid the lessee only in proportion which his interest bears to the whole and undivided fee. Any interest in the parcelation from the land herein described to which the interest of lessee may be subject shall be deducted from the rentals herein reserved.

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 lessee 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 lessee for purposes of complying with such laws or regulations lessee may rely upon the address of lessee herein set forth or upon the last known address of lessee. Neither any error in the determination of the residence of lessee nor any error in the payment of any sums of money due or payable to lessor under the terms of this lease which is made during the course of status of lessee'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 lessee. All of lessee'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 therewith 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 re-working 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.

R. D. DAMELE

S.S. #

ARLENE W. DAMELE

S.S. #

ACKNOWLEDGMENTS

STATE
COUNTY

STATE OF NEVADA

COUNTY OF

On April 5, 1988 personally appeared

before me, a notary public,

who acknowledged that he executed the above instrument.

STATE
COUNTY

STATE OF NEVADA

COUNTY OF

On April 5, 1988 personally appeared

before me, a notary public,

who acknowledged that she executed the above instrument.

SEAL
Affixed

SEAL
Affixed

No.

Oil

Dated

No. Acres

Term

This lease

the

recorded in

records of

By

STATE OF
COUNTY OF

CORPORATE, North Dakota, South Dakota, Nebraska

On this day of in the year before me, a Notary Public,

personally appeared

known to me to be 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
R. D. DAMELE AND ARLENE W. 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.

RECORDED AT THE REQUEST OF
BOOK 179 PAGE 075

PAGE 1 OF 1

BOOK 179 PAGE 077

78 JUN 14 10:42
Hanagan Petroleum
OFFICIAL RECORDS
EUREKA COUNTY, NEVADA
M.N. REBALLATI, RECORDER
FILE NO. 119203
FEE \$ 7.00