

Produced in 1959

OIL AND GAS LEASE

COMMERCIAL PRYS. CO.-BIRMINGHAM, 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 of Elko, Nevada 89801

waysack _____
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 2.121.90 acres.

[illegible]

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, whether or not the lessee is permitted to store the oil, for oil of like grade and

(b) 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, whether or not the lessee is permitted to store the oil, for oil of like grade and

and saved from the leased premises, or otherwise, 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 or on acreage pooled therewith as hereinafter provided on or before one year from the date hereof, this lease shall terminate as to both parties, unless the lessee or pooled lessee:

a. shall pay or tender to the lessor or to the lessor's credit in the First Interstate Bank at P.O. Box 471

that date shall pay or tender to the lessee 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 TWO THOUSAND ONE HUNDRED TWENTY-ONE and 90/100*** DOLLARS

[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 thereafter to accrue as to the lands released, shall cease and determine. In the event of a partial release, the annual field rental above mentioned shall be apportioned 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, creeks, or wells of lessee.

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.
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.
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.

No well shall be drilled deeper than 200 feet to the house.

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

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.

Notwithstanding to whom the right of assignment is assigned, the privilege of assigning in whole or in part is expressly allowed, although it is agreed that the lessor shall not be bound to enlarge the obligations or diminish the rights of the lessee.

Witness my hand and seal of office at the County of Santa Clara, State of California, this 10th day of May, 1911.

Notary Public for California.

[illegible][illegible]

10 If said lease runs in fee simple interest in the above-described land from the entire and undivided for simple estate (thereon, then the parties and their heirs, assigns and assigns forever) shall be paid the interest thereon to the said leasehold interest in proportion which his interest bears to the interest in the whole tract of land. Any interest in the portion of the land, hereinafter described in which the interest of the lessor may be subject shall be deducted from the aforesaid herein.

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 lessee for purposes of complying with such laws or regulations lessee 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 of lessee nor an 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 or as a result 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 lessor. 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 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.

SEE EXHIBIT

Charles Damele

CHARLES DAMELE, JR.

S.S. #

Patricia J. Damele

PATRICIA J. DAMELE

S.S. #

14.

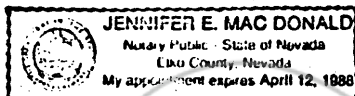
ACKNOWLEDGMENTS

Q

STATE OF NEVADA

COUNTY OF *Elko*

On *April 4, 1988* personally appeared
before me, a notary public, *Charles Damele, Jr.*
who acknowledged that he executed the above instrument.



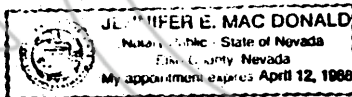
Jennifer E. Mac Donald

Q

STATE OF NEVADA

COUNTY OF *Elko*

On *April 4, 1988* personally appeared
before me, a notary public, *Patricia J. Damele*
who acknowledged that she executed the above instrument.



Jennifer E. Mac Donald

No.	Oil or	Dated	No. Acres	Term	This instrument	the	day of	recorded in Bk	records of this	By	When
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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 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
CHARLES DAMELE, JR. AND PATRICIA J. DAMELE,
LESSORS, AND HANAGAN PETROLEUM
CORPORATION, LESSEE.

DESCRIPTION

TOWNSHIP 26 NORTH, RANGE 50 EAST

SECTION 1: SE $\frac{1}{4}$ NE $\frac{1}{4}$, W $\frac{1}{2}$ SW $\frac{1}{4}$, E $\frac{1}{2}$ SE $\frac{1}{4}$
SECTION 11: NE $\frac{1}{4}$ NE $\frac{1}{4}$
SECTION 12: E $\frac{1}{2}$ NE $\frac{1}{4}$, NE $\frac{1}{4}$ SE $\frac{1}{4}$
SECTION 24: E $\frac{1}{2}$ SE $\frac{1}{4}$

TOWNSHIP 25 NORTH, RANGE 51 EAST

SECTION 6: LOTS 3, 4, 5, 6, 7, SE $\frac{1}{4}$ NW $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$
SECTION 7: E $\frac{1}{2}$ NW $\frac{1}{4}$

TOWNSHIP 26 NORTH, RANGE 51 EAST

SECTION 6: LOTS 3, 4, 5, 6, 7, SE $\frac{1}{4}$ NW $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$
SECTION 7: LOTS 1, 2, 3, 4
SECTION 18: LOTS 1, 2, 3, 4
SECTION 19: LOTS 1, 2, 3, 4
SECTION 30: LOTS 1, 2, 3, 4, E $\frac{1}{2}$ SW $\frac{1}{4}$
SECTION 31: NW $\frac{1}{4}$ NE $\frac{1}{4}$, E $\frac{1}{2}$ W $\frac{1}{2}$, LOT 4, SW $\frac{1}{4}$ SE $\frac{1}{4}$

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 10:42

Hanagan Petroleum

OFFICIAL RECORDS
EUREKA COUNTY, NEVADA
M.N. REBAL. ATT. PER ORDER

FILE NO. 115207 FEE \$ 700

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