

COMMERCIAL PAPER - ACCEPTANCE - S.

HANAGAN PETROLEUM CORPORATION, P.O. Box 1737

hereinafter called lessee

Eureka Nevada

tract or tracts of land situated in the County of Eureka, State of California

of Section XXX Township XXX Range XXX and containing 2,121.90 acres
five from and as long thereafter as oil or gas of whatsoever nature or kind, and

[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, 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 quality at the time of delivery of the same, in cash or in kind, as the lessee may elect, and

(b) To pay to the lessor, as and when due, the royalty on the oil produced and saved from the leased premises, at the rate of \$10.00 per barrel.

[illegible]

thereafter on or before one year from the date hereof, unless the lease shall terminate as to both parties, unless the lessee shall have produced oil or gas in paying quantities from the well or wells located on the leased premises.

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 adjacent lands owned or controlled by the lessee, this lease shall terminate as to both parties, unless the lessee shall have produced oil or gas in paying quantities from the well or wells located on the leased premises.

D.O. Box 325

First Interstate Bank at P.O. Box 325

Eureka, Nevada 89316

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 **TWO THOUSAND ONE HUNDRED TWENTY-ONE and 90/100**** DOLLAR**

[illegible]

5. Lessee, at its option, is hereby given the right and power at any time and from time to time as a recurring right, either before or after production has commenced, to deposit with the National Bank located in the same county with the first named bank, due notice of such deposit to be mailed to lessor at least thirty days prior to the date of said deposit, and all other rights conferred by this lease shall remain in full force and effect until the expiration of the term hereof.

[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 or liabilities thereunder to accrue as to the lands released, shall cease and terminate. 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 surface, ponds, reservoirs, or wells of lessor.

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 have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove cash on hand.

8. If the estate of either party hereto is assigned, and the privilege of assigning in whole or in part is expressly allowed, although it is agreed that the leasehold interest in the land, or rentals or royalties, however accomplished, shall operate to enlarge the obligations of ownership of the land or assignment of rentals or royalties shall be binding on the leasee until after the leasee has been furnished with a deed or deeds of muniments of title describing title to the land, and it is hereby agreed in this event this lease shall be assigned to the assignee in whole or in part of the above-described lands and the assignee or assignees of such part or parts shall fail or make default in the payment of the proportionate part of the rents due from him or them, such default shall not constitute a default in the payment of the rents by the leasee, but the leasee shall nevertheless be liable for the proportionate part of the rents due from him or them to the lessor, and it is hereby agreed in this event a part or parts of said lands as to which the said leasee or any assignee or assignees of such part or parts shall fail or make default in the payment of the proportionate part of the rents due from him or them to the lessor, shall be sold by the lessor in the event of death of any person entitled to rentals hereunder, leasee may pay or cause to be paid the amount of the proportionate part of the rents due from him or them to the lessor, and qualification of an executor or administrator of the estate of the deceased until such time as leasee is furnished with proper evidence of the death of the deceased and qualification of an executor or administrator of the estate of the deceased until such time as leasee is furnished with proper evidence of the death of the deceased.

9. Lessee 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 defense of the title to the lands herein described, and the lessor shall be entitled to reimbursement of the amount so paid by the lessor, and the reimbursement shall be a first lien in favor of the lessor on the lands herein described, and the lessor shall be entitled to enforce the same by foreclosure of the lien. The lessor shall be entitled to enforce the same by foreclosure of the lien. The lessor shall be entitled to enforce the same by foreclosure of the lien.

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

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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 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 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 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 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 issued as official by or under public authority claiming jurisdiction, or Act of God, adverse fluid, 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 the 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 based on 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. #

14.

ACKNOWLEDGMENTS

ST/
CO

STATE OF NEVADA

COUNTY OF Esmeralda

My

On April 5, 1968 personally appeared

before me, a notary public, R. D. Damele

who acknowledged that he executed the above instrument.

ST/
CO

STATE OF NEVADA

COUNTY OF Esmeralda

My

On April 5, 1968 personally appeared

before me, a notary public, Arlene W. Damele

who acknowledged that she executed the above instrument.

No.	Oil	Dated	No. Acres	Term	This instrument	the	day	of	recorded in B	records of this	By	W/h
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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
R. D. DAMELE AND ARLENE W. 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. RECORDER

FILE NO.

FEE \$

119208

700

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