

126532

LEASE AGREEMENT

This Lease Agreement is made effective as of the 1st day of March, 1989 (the "effective date") by and between Eureka Livestock Co. ("Landowner"), 7805 Calloway Drive, Bakersfield, CA 93312, and Penrod Drilling Company ("Penrod").

I. LEASE TERM AND CONSIDERATION

Landowner hereby leases to Penrod that certain 3-acre tract of land, with improvements, located in Eureka County, Nevada more fully described in Exhibit "A" (the "Property") for the term of 1 month, 0 days from and after the effective date (the "Primary Term"), to be used by Penrod for the storage of Penrod drilling rig 20 and related drilling equipment on the Property, in consideration of the payment by Penrod to Landowner of a rental in the amount of \$300.00 per month (the "monthly rental"), payable as follows:

- (1) Upon execution of this Agreement, Penrod shall pay Landowner \$300.00 rental for the primary term; and
- (2) Thereafter and during any option period exercised by Penrod on a timely basis, Penrod shall make monthly rental payments of \$300.00 per month.

Penrod shall have no obligation to Landowner to pay any taxes or other fees or expenses, including insurance, which may, from time to time, be incurred or levied upon the property. Penrod shall, however, pay for any utility charges (exclusive of deposits) which may, from time to time, be incurred as a result of Penrod's use of the improvements located on the Property.

II. EXTENSION OPTION

This Agreement shall terminate upon the expiration of the primary term. Penrod shall have Twenty Three (23) one-month options to extend this Agreement, upon the same terms, conditions and rental, upon payment of the monthly rental to

Landowner on or before the expiration of the primary term or of any option period.

III. INDEMNIFICATIONS AND LANDOWNER'S WARRANTIES

Landowner agrees to hold Penrod harmless and indemnify Penrod from and against all claims, demands and causes of action of every kind and character for: (i) damage to or for the recovery of restoration costs of the property or any improvements located on the property; or, (ii) injury to or death or illness of Landowner, his family or others residing in or near the Property, his employees, agents, invitees, visitors, contractors or subcontractors and their employees, or livestock. Penrod agrees to hold Landowner harmless and indemnify Landowner from and against all claims, demands and causes of action of any kind or character for injury to or death or illness of Penrod's employees, servants, agents, contractors or subcontractors and their employees. The foregoing defense, hold harmless and indemnity obligation and/or liability assumed by Landowner and Penrod shall be without limit and without regard to the cause or causes of any incident giving rise to any such obligation and/or liability including the sole, joint or concurrent negligence or fault of any party, and/or by ruin or defective premises, equipment, facilities, appurtenances or location of any party under any code, law or other type of strict liability, whether or not such ruin or defect pre-exists this Lease Agreement and/or is latent, patent or otherwise.

Landowner covenants and warrants to Penrod that he is seized of the property in fee simple and has full right to make this lease and that Penrod shall have quiet and peaceable possession of the property for the primary term and any option period timely exercised by Penrod. Specifically, Landowner warrants that Penrod, its agents, servants or employees shall have unlimited rights of ingress and egress to and from

the Property during the primary term and any option period
timely exercised by Penrod.

IV. LANDOWNER'S REMEDIES AND LANDOWNER'S WARRANTIES

It is expressly understood and agreed by Landowner that
in the event Penrod fails to pay the rental which is due under
this Lease Agreement or if a dispute arises between Landowner
and Penrod under the terms of this Lease Agreement, then Land-
owner's sole remedy shall be an action for monetary damages
in court of competent jurisdiction, Landowner expressly waiv-
ing all other actions or remedies, at law or in equity.

AGREED:

LANDOWNER

Elbert Etcheverry

PENROD DRILLING COMPANY

By:

T. L. Cozies
Authorized Agent

THE STATE OF NEVADA §
COUNTY OF EUREKA §

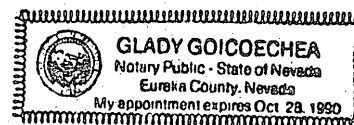
BEFORE ME, the undersigned authority, on this day person-
ally appeared Elbert Etcheverry, to me known to be the iden-
tical person who executed the within and foregoing instrument,
and acknowledged to me that he executed the same as his free
and voluntary act and deed for the purposes therein set forth.

SWORN AND SUBSCRIBED TO BEFORE ME this 17th day of
February, 1989.

Glady Goicoechea
Notary Public in and for
the State of NEVADA

My Commission Expires:

October 28, 1990



THE STATE OF TEXAS §

COUNTY OF DALLAS §

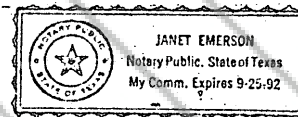
BEFORE ME, the undersigned authority, on this day personally appeared F. L. Croyle as the authorized agent of Penrod Drilling Company, a partnership, known to me to be the identical person who executed the within and foregoing instrument, and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of such partnership for the purposes therein set forth.

SWORN AND SUBSCRIBED TO BEFORE ME this 27th day of February, 1989.

Janet Emerson
Notary Public in and for
the State of Texas

My Commission Expires:

9-25-92



RECORDED AT THE REQUEST OF

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Penrod Drilling Corporation
89 MAR -7 AIO:32

OFFICIAL RECORDS
EUREKA COUNTY, CALIFORNIA
M.H. REBALEATI, RECORDER
FILE NO. FEE \$800

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