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...m 88 Spec.—U

OIL AND GAS LEASE

...EEMENT, Made and entered into the 27th day of October, 19 89, by and between Gracian Sallaberry, a married man dealing in his sole and separate property

8795 Turbine, Lemon Valley, Nevada 89506, hereinafter called lessor (whether one or more) and The Gary-Williams Company

115 Inverness Drive East, Englewood, Colorado 80112-5116, hereinafter called lessee:

WITNESSETH: That the lessor, for and in consideration of TEN AND MORE DOLLARS (10.00), cash in hand paid, receipt of which is hereby acknowledged, and of the covenants and agreements hereinafter contained on the part of the lessee ... paid, kept and performed, has granted, demised, leased and let, and by these presents does grant, demise, lease and let exclusively unto said lessee, with the exclusive ... of mining, exploring by geophysical and other methods, and operating for and producing therefrom oil, gas, casinghead gas, casinghead gasoline and other hydro... substances, and laying pipelines, telephone and telegraph lines, and building tanks, power stations, gasoline plants, ponds, roadways and structures thereon to ... save and take care of said products, and the exclusive right of injecting water, brine and other fluids into subsurface strata, and housing and boarding ... and any and all other rights and privileges necessary, incident to, or convenient for the economical operation alone, or conjointly with neighboring land, for ... production, saving, and taking care of oil, gas, casinghead gas, casinghead gasoline and other hydrocarbon substances and the injection of water, brine and other into subsurface strata, all that certain tract of land situated in the

...y of Eureka, State of Nevada, described as follows, to-wit:

Township 28 North, Range 51 East, MDM
Section 18: NE¼
Section 21: N½NW¼, SE¼NW¼, SW¼NE¼

Township 28 North, Range 50 East, MDM
Section 24: SE¼SW¼
Section 25: NW¼NE¼, NE¼NW¼

...tion XX Township XX Range XX and containing 440.00 acres, more or less.

... agreed that this lease shall remain in force for a term of Five (5) years from this date, and as long thereafter as oil, gas, casinghead gas, casinghead gasoline and ... hydrocarbon substance or any of them is produced from said leased premises, or drilling operations are continued as hereinafter provided. If, at the expiration ... primary term of this lease, oil or gas is not being produced on the leased premises but lessee is then engaged in drilling operations, then this lease shall continue ... so long as drilling operations are being continuously prosecuted on the leased premises, and drilling operations shall be considered to be continuously prose... if not more than sixty days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well. ... or gas shall be discovered and produced from any such well or wells drilled or being drilled at or after the expiration of the primary term of this lease, this lease ... continue in force so long as oil or gas shall be produced from the leased premises.

...n consideration of the premises the said lessee covenants and agrees:

1st. 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 ... 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 ... such oil is run into the pipe line or into storage tanks.

2nd. The lessee shall pay lessor, as royalty, one-eighth of the proceeds from the sale of the gas, as such, for gas from wells where gas only is found and where not ... shall pay Fifty ($50.00) Dollars per annum as royalty from each such well, and while such royalty is so paid such well shall be held to be a producing well. The ... to have gas free of charge from any gas well on the leased premises for stoves and inside lights in the principal dwelling on said land by making his own con... with the well, the use of said gas to be at the lessor's sole risk and expense.

3rd. To pay lessor for gas produced from any oil well and used off the premises or for the manufacture of casinghead gasoline, one-eighth, at the market price at ... for the gas so used, for the time during which such gas shall be used, said payments to be made monthly.

4th. Oil and gas royalty hereunder shall be computed after deducting any oil or gas used upon the premises for operations thereon, including repressuring, ... maintenance, cycling and secondary recovery operations.

~~... well be commenced on said land on or before one year from the date hereof, this lease shall terminate as to both parties, unless the lessee on or before that ...~~

~~... shall pay or tender to the lessor~~ or to the lessor's credit in the (Bank)

~~... or its successors,~~ which shall continue as the depository regardless of changes in ownership of said land,

... sum of DOLLARS, which shall operate as a rental and cover the privilege ... ferring the commencement of a well for twelve months from said date. In like manner and upon like payments or tenders the commencement of a well may be further ... ed for like periods of the same number of months successively. All payments or tenders may be made by check or draft of lessee or any assignee thereof, mailed or ... ed on or before the rental paying date. It is understood and agreed that the consideration first recited herein, the down payment, covers not only the privilege ~~... to the date when said first rental is payable as aforesaid, but also the lessee's option of extending that period as aforesaid, and any and all other rights conferred.~~

Should the first well drilled on the above described land be a dry hole, then, and in that event, if a second well is not commenced on said land within twelve months ... the expiration of the last rental period for which rental has been paid, this lease shall terminate as to both parties, unless the lessee on or before the expiration ... twelve months shall resume the payment of rentals in the same amount and in the same manner as hereinbefore provided. And it is agreed that upon the ... of the payments of the rentals, as above provided, that the last preceding paragraph hereof, governing the payment of rentals and the effect thereof, shall ... in force just as though there had been no interruption in the rental payments.

Notwithstanding the death of the lessor or his successor in interest, the payment or tender of rentals in the manner provided herein shall be binding upon the ... devisees, executors and administrators of the lessor and his successors in interest.

Lessee may at any time release this lease as to part or all of the lands above described, after which all payments and liabilities thereafter to accrue, as to the lands ... ed, shall cease and determine. In the event of a partial release, the annual delay rental above mentioned shall be reduced proportionately.

No part of the surface of the leased premises shall, without the written consent of the lessee, be let, granted, or licensed by the lessor to any other party for the ... construction, location, or maintenance of structures, tanks, pits, reservoirs, equipment or machinery to be used for the purpose of exploring, developing or ... ing adjacent lands for oil or gas.

If said lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties and rentals herein provided ... be paid the lessor only in proportion which his interest bears to the whole and undivided fee. However, such rental shall be increased at the next succeeding rental ... after any reversion occurs, to cover the interest so acquired, and lessor agrees to notify lessee in writing upon acquisition of any reversionary interest.

Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for all operations thereon, including repressuring, pressure maintenance, ... and secondary recovery operations, except water from wells of lessor.

When requested by the lessor, lessee shall bury its pipe lines 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 lessor.

Lessee shall pay for damages caused by its 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.

If the estate of either party hereto is assigned or sublet, and the privilege of assigning or subletting in whole or in part is expressly allowed, the express and ... covenants hereof shall extend to the sub-lessors or assigns, their heirs, executors, administrators and successors, and in the event of an assignment or subletting ... lessee shall be relieved and discharged, as to the lands so assigned or sublet, from any liability to the lessor thereafter accruing upon any of the covenants ... of the lease, either express or implied. No change in the ownership of the land or assignment of rentals or royalties shall be binding on the lessee until ... the lessee has been furnished with a written transfer or assignment or a true copy thereof, and it is hereby agreed in the event this lease shall be assigned as ... to a part or parts of the above described lands and the assignee or assignees, or sub-lessee or sub-lessees, of such part or parts shall fail or make default ... payment of the proportionate part of the rents due from him or them, such default shall not operate to defeat or affect this lease in so far as it covers a part ... of said lands as to which the said lessee or any assignee or sub-lessee thereof shall make due payment of said rental.

If at any time there be as many as four parties entitled to rentals or royalties, lessee may withhold payments thereof unless and until all parties designate, in ... as a recordable instrument to be filed with the lessee, a common agent to receive all payments due hereunder, and to execute division and transfer orders on ... of said parties and their respective successors in title.

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, ... mortgage, taxes or other liens on the above described lands in the event of default of payment by lessor, and be subrogated to the rights of the holder thereof, ... lessor hereby agrees that any such payments made by the lessee for the lessor may be deducted from any amounts of money which may become due the lessor ... the terms of this lease.

All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules or Regulations and this lease shall not be ... ated, in whole or in part, nor lessee held liable in damages, for failure to comply therewith, if compliance is prevented by, or if such failure is the result of, ... such Law, Order, Rule or Regulation.

Should the depository bank hereafter close without a successor, lessee or his assigns may deposit rental in any National Bank located in same county with first ... bank, due notice of the deposit of such rental to be mailed to lessor at last known post office address.

Should any person, firm or corporation having an interest in the above described land not lease to lessee, or should any one or more of the parties named above ... not execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

Lessor agrees that the lessee or assigns may include the land covered hereby, or any part thereof, in any unit plan of development or operation as designated or ... by any Federal Law, State Law, Executive Order, or rule or regulation prescribed by a Governmental body having jurisdiction thereof and lessor agrees to ... any such approved unit plan in order to make it effective as to the interests covered by this lease. In such event, royalty will be paid to lessor at the rates ... above, as to the land covered hereby and included in the unit, based upon the production allocated pursuant to the unit plan to said land, and the drilling ... completion or continued operation of a well on any portion of the area included within such a plan shall be construed and considered as the drilling or completion ... continued operation of a well under the terms of this lease as to all of the land covered by the lease.

The undersigned lessors, for themselves and their heirs, successors and assigns, hereby expressly release and waive all rights of dower and homestead in the ... herein described, insofar as said rights of dower and homestead may in any way affect the purposes for which this lease is made, as recited herein.

In Testimony Whereof, We Sign, as of the day and year first above written.

(SEAL)

Gracian Sallaberry (SEAL)

Gracian Sallaberry (SEAL)

(SEAL)

S.S.# [redacted] (SEAL)

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PAID-UP LEASE

STATE OF Nevada } ss.
COUNTY OF Eureka

Oklahoma, Kansas, New Mexico, Wyoming, Montana, Colorado, Utah, Nebraska, North Dakota, South Dakota
ACKNOWLEDGMENT — INDIVIDUAL

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this 27th day of October, 19 89, personally appeared Gracian Sallaberry, a married man dealing in his sole and separate property

to me known to be the identical person described in and who executed the within and foregoing instrument of writing and acknowledged to me that duly executed the same as his free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.

GLADY GOICOECHEA
Eureka County, Nevada
My appointment expires Oct 28, 1990

My Commission Expires Oct. 28, 1990 Notary Public.

STATE OF } ss.
COUNTY OF

Oklahoma, Kansas, New Mexico, Wyoming, Montana, Colorado, Utah, Nebraska, North Dakota, South Dakota
ACKNOWLEDGMENT — INDIVIDUAL

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this ______ day of ______, 19___, personally appeared

______, to me known to be the identical person____, described in and who executed the within and foregoing instrument of writing and acknowledged to me that ______ duly executed the same as ______ free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.

My Commission Expires ______ Notary Public.

STATE OF } ss.
COUNTY OF

ACKNOWLEDGMENT (For use by Corporation)

On this ______ day of ______, A. D. 19___, before me personally appeared ______, to me personally known, who, being by me duly sworn, did say that he is the ______ of ______ and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors

RECORDED AT THE REQUEST OF
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The Gary Williams Co.
'89 NOV 27 A9 :08

OFFICIAL Records
Eureka County Nevada
M N REBALEATI Recorder
FILE NO. FEE 6.00

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