

150-16107

In addition to and not in limitation of the rights granted in paragraph 8 hereof, lessor is hereby granted the right and option to consolidate, pool or divide the lease covered by this lease, or any portion thereof, or any stratum or strata thereunder, with other lands or like strata therewith for the purpose of drilling for or the production therefrom of oil, gas, or other hydrocarbons, or any or all of said products, when in lessor's discretion and belief it is advisable so to do for proper development of the properties, or to conform to spacing or zoning rules of any lawful authority, such pooling or combining to be into units of such shape and dimensions as may be determined by lessor, and such units shall be known as lease units, each of which is contiguous to, touches or corners with some one or more of the other tracts in the unit in such manner as to form a contract unit, and provided, further, that any tract included in any such unit separated only by a street, alley, road, railroad, canal, stream, right-of-way or other strip or parcel of land shall be considered as contiguous, cornering or touching within the meaning of this paragraph. Any unit formed under this paragraph notwithstanding any boundary or survey line, shall not exceed one hundred (100) acres in surface area, and for production of dry or gas well gas or dry gas wells, and condensate or distillate wells, no unit shall exceed one thousand (1,000) acres in surface area. If some larger unit for the production of oil and gas wells or dry gas wells or dry or gas well gas and condensate or distillate wells is required, then the unit so required may be larger than a unit provided that a governmental survey unit be appropriate in size in the area of this lease, the size of any of the units mentioned herein to be on the size of the three existing governmental survey units and areas in size to the unit acreage prescribed herein. The right and option herein granted to lessor may be exercised at any time or from time to time, whether before or after production is secured and whether or not a unit may theretofore have been created for some purpose, by executing in writing an instrument identifying the unit created, and delivering a copy thereof to lessor or by recording a copy thereof in the office of the recorder of deeds in any such unit shall be developed or operated as one tract and any operations for the drilling of a well or wells or for the production of oil, gas or other hydrocarbons, or any or all of said products, shall be treated as being operations on production secured on lands and lessor shall for all purposes except for the purpose of payment of royalty, heretofore provided for in this lease, retain the ownership and controlling interest in such unit and shall be the operator on the lands described in this lease and under the terms thereof regardless of whether and to what extent any or all of the wells covered by this instrument shall be drilled in such unit or a well of a type not covered by such instrument. In lieu of the royalties hereinabove herein set forth, lessor shall receive from production in any such unit only such portion of the royalties, at the rate stipulated herein, as lessor's acreage in the lease units interest thereon bears to the total acreage of the unit. Formation of any unit as herein provided shall in no manner affect the ownership or acreage interest which may be present in any unit under the terms of this lease.

The lessee and its assigns, contractors, subcontractors, agents and employees of the greatest ultimate yield of oil and/or gas lease shall have the right to use the leased premises with other premises in the same general area for the purpose of storage and maintenance, reprocessing and recycling facilities, and to purpose may locate such facilities, including man wells, upon the leased premises, and no royalties shall be payable hereunder upon any gas used for reprocessing and recycling operations benefiting the leased premises.

Lessor hereby warrants and agrees to deliver the title to the land herein described and agrees that the lessor, at its option, may pay and discharge any taxes, fees, or other charges existing, levied, or assessed on or against the above described lands and, in event it exercises such option, it shall be subrogated to the title of owner or holders thereof and may reinforce itself by applying to the discharge of any such mortgage, tax or other lien, any royalty or rentals accruing but not paid.

If the event lessor considers that lessor has not complied with all its obligations hereunder, both express and implied, lessor shall notify lessor in writing, specifically in what respects lessor has breached this contract. Lessor shall then have sixty (60) days after receipt of said notice within which to meet or correct such breach and if the breach is cured by lessor, the service of said notice shall be deemed to be the bringing of any action by lessor on said lease for rent, and no such action shall be brought until the lapse of sixty (60) days after service of such notice on lessor. Neither the service of said notice nor the date when lessor acted to meet all or any of the alleged breaches shall be deemed an admission or presumption that lessor has failed to perform all its obligations.

All express and implied covenants of this lease shall be subject to all federal and state laws, executive orders, rules and regulations, and this lease shall not be void, in whole or in part, nor lessor held liable in damages for failure to comply therewith if compliance is prevented by, or if such failure is the result of, an act of God, rule of regulation, or if such compliance is prevented by, or failure is the result of inability of lessor through no fault of its own, to obtain usual and necessary material and equipment to justify the commencement of drilling operations or to continue production of oil or gas from the leased premises.

Lessor and all its terms, conditions, and stipulations shall extend to and be binding on all successors of lessor or lessor, with respect to any and for the purpose of this lease, lessor, and each of them of there be more than one, hereby release and waive the right of homestead, his lease shall be binding upon each party who executes it with regard to whether it is executed by all those named herein as lessor, or by either or both hands as of the day and year first above written.

Angela K. Tsakopoulos
Angela K. Tsakopoulos, Partner of
the JJ Ranch, a California Partnership

62-30311424

William C. Cummings
William C. Cummings, Partner of
The JD Ranch, a California Partnership

PARTNERSHIP ACKNOWLEDGMENT

On this the 31st day of May, 1989 before me,

Sue Mapes
the undersigned Notary Public, personally appeared
Angela K. Tsakopoulos
personally known to me
 proved to me on the basis of satisfactory evidence
to be the person(s) who executed the within instrument on behalf of the
partnership, and acknowledged to me that the partnership executed it.
WITNESS my hand and official seal.

Sue Mapes
Notary's Signature

OFFICIAL SEAL
SUE MAPES
NOTARY PUBLIC - CALIFORNIA
SACRAMENTO COUNTY
My Comm. Expires May 29, 1990

NATIONAL NOTARY ASSOCIATION • 2202 Ventura Blvd • P.O. Box 4625 • Woodland Hills, CA 91364

On this the 2nd day of June, 1989 before me,

Sue Mapes
the undersigned Notary Public, personally appeared
William C. Cummings
personally known to me
 proved to me on the basis of satisfactory evidence
to be the person(s) who executed the within instrument on behalf of the
partnership, and acknowledged to me that the partnership executed it.
WITNESS my hand and official seal.

Sue Mapes
Notary's Signature

OFFICIAL SEAL
SUE MAPES
NOTARY PUBLIC - CALIFORNIA
SACRAMENTO COUNTY
My Comm. Expires May 29, 1990

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EXHIBIT "B"

Description of lands, attached to and made a part of Oil and Gas Lease
Dated March 15, 1989, between The JD Ranch, a California Partnership,
consisting of Angelo K. Tsakopoulos and William C. Cummings, as Lessor
and Loma Energy Corp., as Lessee, to-wit:

Township 25 North, Range 50 East M.D.M.

Section 24: SE¹NW¹, NW¹SW¹
Section 25: S¹SE¹, SE¹
Section 28: W¹NE¹, SE¹NW¹
Section 31: SE¹NW¹, SW¹SE¹
Section 33: NW¹NW¹
Section 35: E¹NE¹, SW¹NE¹, E¹SW¹, SE¹
Section 36: NW¹NE¹, NW¹, NW¹SW¹

Township 25 North, Range 51 East M.D.M.

Section 6: Lots 3(40.99), 4(34.95), 5(33.76), 6(33.46), 7(33.17),
SE¹NW¹, E¹SW¹
Section 7: E¹NW¹
Section 19: SE¹SW¹
Section 30: Lots 2(34.91), 3(34.99), NW¹NE¹, E¹NW¹
Section 35: N¹NW¹

Township 26 North, Range 50 East M.D.M.

Section 1: SE¹NE¹, W¹SW¹, E¹SE¹
Section 11: NE¹NE¹
Section 12: E¹NE¹, NE¹SE¹
Section 24: E¹SE¹

Township 26 North, Range 51 East M.D.M.

Section 6: Lots 3(40.30), 4(38.27), 5(38.36), 6(38.54), 7(38.71),
SE¹NW¹, E¹SW¹
Section 7: Lots 1(38.84), 2(38.93), 3(39.03), 4(39.12)
Section 18: Lots 1(39.19), 2(39.25), 3(39.31), 4(39.37)
Section 19: Lots 1(39.44), 2(39.53), 3(39.63), 4(39.72)
Section 30: Lots 1(39.82), 2(39.94), 3(40.06), 4(40.18), E¹SW¹
Section 31: Lot 4(40.03), NW¹NE¹, E¹W¹, SW¹SE¹

Township 27 North, Range 51 East M.D.M.

Section 30: Lot 4(37.64), S¹NE¹, E¹SW¹, N¹SE¹
Section 31: Lot 1(37.75)

Signed For Identification *[Handwritten signatures]*
Angelo K. Tsakopoulos, Partner

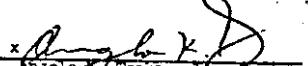
[Handwritten signature]
William C. Cummings, Partner

EXHIBIT "A"

OPTION AGREEMENT

LESSOR HEREBY GRANTS UNTO LESSEE AN OPTION TO EXTEND THE FIVE-YEAR PRIMARY TERM OF THIS LEASE FOR AN ADDITIONAL PERIOD OF FIVE YEARS AT THE SAME TERMS AND CONDITIONS (INCLUDING DELAY RENTAL PAYMENTS IN THE SAME AMOUNT) AS HERINABOVE SET OUT. SUCH OPTION SHALL BE EXERCISABLE BY LESSEE BY PAYING OR TENDERING TO LESSOR PRIOR TO THE EXPIRATION OF THE FIFTH YEAR OF THE PRIMARY TERM AN AMOUNT EQUAL TO \$10.00 PER NET MINERAL ACRE THEN COVERED BY THIS LEASE, WHICH AMOUNT SHALL COVER AND INCLUDE THE DELAY RENTAL PAYMENT FOR THE SIXTH YEAR OF THE PRIMARY TERM OF SAID LEASE AS EXTENDED HEREBELOW. PAYMENT OR TENDER OF SAID AMOUNT MAY BE MADE IN THE SAME MANNER AS HERINABOVE PROVIDED FOR PAYMENT OR TENDER OF DELAY RENTALS.

SIGNED FOR IDENTIFICATION:


x Angelo J. Tsakopoulos, Partner

x William C. Cummings, Partner

ADDENDUM TO LEASE

Attached to and made a part of that certain DIF and GCF Lease dated March 15, 1989, by and between THE JD RANCH PARTNERSHIP, a California Partnership, Lessor, and LOMA ENERGY CORP., Lessee.

1. This lease is expressly limited to oil, gas, and hydrocarbon substances.
 2. Lessee agrees to conduct their operations upon the leased premises in such a manner as to cause the least possible damage to property and livestock with particular care to damage resulting from fire. Lessee shall restore any damaged land or property occurring from its operation as nearly as is reasonably possible.
 3. Lessee agrees to indemnify and hold harmless Lessor from and against any and all claims, suits, damages, costs, losses, liability and expenses arising or growing out of injuries to or death of persons or loss of or damage to property or loss or pollution of water or water zones in any manner directly or indirectly resulting from or caused by operations under this lease.
 4. Lessee shall promptly repair all damage to fences, gates and cattle guards on the leased premises and in the grazing areas utilized by the Lessor arising out of the use of the leased premises under this lease or the action or activities of Lessee on the leased premises.
 5. Lessee understands that water rights are of paramount interest to the Lessor. Accordingly, Lessee agrees that it shall not attempt to use, apply for or appropriate any waters or water rights which would conflict with the Lessor's water rights or in any way diminish their present water rights or reduce any ground water that may not or hereafter be available to them for development and appropriation for domestic, irrigation or stockwater use. It is understood, however, that Lessee may use whatever water is found during drilling operations. Lessee agrees that it shall not in any way pollute any ground or surface waters usable or being used by the Lessor or any other persons using the same water sources. Lessee further agrees that no oil, gas, minerals, brine, fluid or surplus water be reinjected into a fresh water zone and if reinjected it shall be reinjected into the zone from which it came following which Lessee shall cement off or otherwise seal off the zones to prevent their entry into ground or surface water sources which are usable for domestic, agricultural or stockwatering purposes. Lessee agrees that it shall not, without prior approval of the Lessor, interfere with or damage the Lessor's ditches, wells, or irrigation systems and irrigation methods.
 6. If any well drilled on the above described lands is not capable of producing oil or gas or either of them in paying quantities, but may be capable of producing potable water or sufficient gas for Lessor's uses, Lessee will notify Lessor of the intention to plug and abandon said well and Lessor will have twelve (12) hours to elect to assume operations of said well and complete it at Lessor's sole cost and expense. Lessor agrees to execute all instruments as may be reasonably required to assume and relieve Lessee of all obligations, liabilities, and risks with regard to the well, including, but not limited to, Lessee's legal obligation to plug the same.

DATED:

DATED: 2-3-85

Lessor:
THE JD RANCH PARTNERSHIP

Lessee:
LOMA ENERGY CORP.

by Angelo K. Tsakopoulos, Gen Prtnr by Douglas R. Hansen, President
by William C. Cummings, Gen. Pres.

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