

OIL AND GAS LEASE

THIS AGREEMENT made and entered into this 7th day of

February, 1972 by and between EUREKA COUNTY, Eureka,

Nevada 89316, hereinafter caller LESSOR (whether one or more)

and THE GARY-WILLIAMS COMPANY, 115 Inverness Drive East, Engle-

wood, Colorado 80112-5116, hereinafter called LESSEE (whether

one or more).

W I T N E S S E T H :

1. LESSOR, for and in consideration of the sum of

TWO HUNDRED FORTY (\$240.00) DOLLARS, the royalties provided

herein, and the covenants of the LESSEE, hereby grants, leases

and lets exclusively to LESSEE the land described below for the

purpose of investigating, exploring for, drilling for, producing,

saving, owning, handling, storing, treating and transporting

oil and gas together with all rights, privileges and easements

useful for LESSEE'S operations on said land and on land in the

same field with a common Oil and Gas Reservoir, including but

not limited to rights to lay pipelines, build roads, construct

tanks, pump and power stations, power and communication lines,

houses for it's employees, and other structures and facilities,

and the right to drill for, produce and use fresh water. The

phrase "Oil and Gas" as used herein includes all hydrocarbons

and other substances produced therewith. The land included in

this Lease is situated in Eureka County, State of Nevada and is

described as follows:

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1 Township 27 North, Range 51 East, Section 13: Part of the S½ SW¼ NE¼ located in Eureka County, consisting of that area lying more than 2114.5' south of the Northern border of Section 13 and lying west of Route 278, APN 06-050-07, Said parcel contains eight (8) acres, more or less.

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7 including all oil and gas and substances produced therewith
8 underlying lakes and streams of which all or any part of the
9 land is riparian, all roads, easements, and rights-of-way which
10 traverse or adjoin said land and including all lands owned or
11 claimed by LESSOR as a part of any of said land, and including
12 easements, and rights-of-way which traverse or adjoin said land
13 and including all reversionary rights therein, said land contain-
14 ing Eight (8) acres more or less. This lease covers all the
15 interest now owned by, or hereafter vested in the LESSOR and
16 LESSOR releases and waives all rights under any Homestead Exemp-
17 tion Laws. In calculating any payments based on acreage, LESSEE
18 may consider that the land contains the acreage stated above,
19 whether it actually contains more or less. LESSEE may inject
20 water, salt water, gas or other substances into any stratum or
21 strata under said land and not productive of fresh water.
22 2. This Lease shall remain in force for a period of
23 Five (5) years from this date, called "primary term", and as long
24 thereafter as Oil, Gas or other Hydrocarbons and substances pro-
25 duced therewith are produced from said land, or LESSEE is engaged
26 in drilling or re-working operations on said land.

1 3. LESSEE shall pay royalties to LESSOR as follows:

2 (a) one-eighth (1/8th) of the Oil produced and saved from said
3 land to be delivered at the wells or to the credit of LESSOR

4 into the pipeline to which the well may be connected: LESSEE may,
5 at any time or times, purchase any royalty oil, paying the market
6 value in the field on the day it is run to the storage tanks or

7 pipeline: (b) the market value at the well of one-eighth (1/8th)
8 of the gas (including casinghead gas or other gaseous substances)

9 produced from the land and sold, provided that on gas sold at the
10 well the royalty shall be one-eighth (1/8th) of the amount reali-

11 zed from such sale: (c) one-eighth (1/8th) of the amount reali-
12 zed from the sale of any other substances produced from said land

13 with oil and gas.
14 Where there is a gas well or wells on the lands covered

15 by this lease or acreage unitized therewith, whether it be before
16 or after the Primary Term hereof, and such well or wells are

17 shut-in and there is no other production, drilling operations or
18 other operations being conducted capable of keeping this lease

19 in force under any of its provisions, LESSEE shall pay as royalty
20 to LESSOR (and if it be within the Primary Term hereof such

21 payment shall be in lieu of delay rentals), the sum of ONE DOLLAR
22 (\$1) per year net mineral acre, such payment to be made to the

23 Depository Bank hereinafter named on or before the anniversary
24 date of this Lease next ensuing after the expiration of 90 days

25 from the date such well or wells are shut-in, and thereafter on
26 the anniversary date of this Lease during the period such wells

1 are shut-in, and upon such payment it shall be considered that
2 this lease is maintained in full force and effect. LESSEE may
3 use, free of royalty, oil, gas, and water for all operations
4 hereunder.

5 4. If drilling operations are not commenced on said

6 land on or before January 1, 1993 this lease shall terminate
7 unless LESSEE, on or before that date, shall pay or tender to
8 LESSOR, or to LESSOR'S credit in the First Interstate

9 Bank at Everkn, Nevada or any successor,

10 the sum of TWO THOUSAND (\$2,000.00) DOLLARS which shall extend
11 for one (1) year the time within which such operation may be

12 commenced. Thereafter, annually, in the same manner and upon

13 the same payment or tender called Rental, this Lease may be con-

14 tinued in force and such operations again deferred for successive

15 periods of one (1) year during the Primary Term: Provided, that

16 if any Oil and Gas shall be produced from or any drilling or

17 re-working operations conducted on said land within ninety (90)

18 days prior to any anniversary of this Lease during the Primary

19 Term, the rental occurring on such anniversary date shall be

20 excused and this Lease shall continue in force as though such

21 rental had been paid. Such operations shall be commenced when

22 the first material is moved in or the first work done. Payments

23 or tenders of rentals may be made by mailing or delivering cash,

24 or LESSEE'S check or draft to LESSOR, or to the Depository Bank

25 on or before the date of payment. If the Depository Bank fails

26 or refuses to accept the rental this Lease shall not terminate,

1 nor LESSEE be held in default for failure to pay rental unless

2 LESSEE fails to pay such rental for thirty (30) days after

3 LESSOR has delivered to LESSEE a recordable instrument designa-

4 ting another Depository Bank. Any Bank designated as a Deposi-

5 tory shall continue as such and as LESSOR'S agent regardless of

6 changes in ownership of LESSOR'S Interest and LESSEE may pay

7 tender rental jointly to the credit of all parties having any

8 interests. If LESSEE shall in good faith and with reasonable

9 diligence attempt to pay any rental but fails to pay or incor-

10 rectly pays part of the rental, this lease shall not terminate

11 unless LESSEE fails to rectify the error or failure within

12 thirty (30) days after written notice of the failure. LESSEE may

13 at any time or times surrender this Lease as to all or any part

14 of the land or as to any stratum or strata, by mailing or ten-

15 dering to LESSOR or to the Depository Bank, or by filing a release

16 or releases in the County Records, and thereby be relieved of all

17 obligations as to the portion surrendered, after which the rental

18 shall be reduced in the same proportion the acreage is reduced.

19 5. LESSEE may at any time or times pool any part or

20 all of said land and Lease or any stratum or strata, with other

21 lands and Leases, stratum or strata, in the same field to consti-

22 tute a spacing unit to facilitate an orderly or uniform well

23 spacing pattern or to comply with any order, rule or regulation

24 of the State or Federal regulatory or conservation agency having

25 jurisdiction. Such pooling shall be accomplished or terminated

26 by filing of record a Declaration of Pooling, or Declaration of

1 Termination of Pooling, and by mailing or tendering a copy to
 2 LESSOR, or to the Depository Bank. Drilling or re-working opera-
 3 tions upon or production from any part of such spacing unit shall
 4 be considered for all purposes of this Lease as operations or
 5 productions from this Lease. LESSEE shall allocate to this Lease
 6 the proportionate share of production which the acreage in this
 7 Lease included in any such spacing unit bears to the total
 8 acreage in said spacing unit.
 9 6. If at any time or times after the Primary Term all
 10 operations, and if producing, all production shall cease for any
 11 cause, this Lease shall not terminate if LESSEE commences or
 12 resumes any drilling or re-working operations, or production,
 13 within ninety (90) days after such cessation; provided that
 14 payment of rental as herein provided for shall be resumed if such
 15 cessation occurs during the Primary Term, which rental shall be
 16 in addition to any royalty paid. LESSEE may, in the interests
 17 of economy, commingle production from this Lease with production
 18 from one or more Leases in the same field provided a method of
 19 measurement in accordance with established engineering practices
 20 is used to measure the production and to allocate the production
 21 to the respective Leases commingled.
 22 7. LESSEE shall pay for all damages caused by LESSEE'S
 23 operations to growing crops, buildings, irrigation ditches and
 24 fences. When requested by the surface owner, LESSEE shall bury
 25 pipelines below ordinary plow depth across cultivated lands. No
 26 well shall be drilled within two hundred (200) feet of any

1 residence or barn now on said land without the consent of the
2 surface owner. LESSEE shall have the right at any time to remove
3 all LESSEE'S property and fixtures, including the right to draw
4 and remove all casing. LESSEE shall drill any well which a
5 reasonably prudent operator would drill under the same or similar
6 circumstances to prevent substantial drainage from said land by
7 wells located on adjoining land not owned by LESSOR, when such
8 drainage is not compensated by counterdrainage, subject to the
9 continuing right of the LESSEE to release all or part of the
10 lands covered hereby as provided for in Paragraph four (4) above.
11 No default of LESSEE with respect to any well or part of the
12 land covered hereby shall impair LESSEE'S rights as to any other
13 well or any other part of the lands covered hereby.
14 8. The rights of LESSOR and LESSEE may be assigned in
15 whole or in part. No change in ownership of LESSOR'S interest
16 shall be binding on LESSEE until after LESSEE has been given
17 notice consisting of certified copies or recorded instruments or
18 documents necessary to establish a complete chain of title from
19 LESSOR. No other type of notice, whether actual or constructive,
20 shall be binding on LESSEE, and LESSEE may continue to make
21 payments as if no change had occurred. No present or future
22 division of LESSOR'S ownership as to all or any part of said
23 lands shall enlarge the obligations or diminish the rights of
24 LESSEE, and LESSEE may disregard any such division. If all or
25 any part of LESSEE'S interest is assigned, no leasehold owner
26 shall be liable for any act or omission of any other leasehold

owner, and failure by one to pay rental shall not affect the
 1 rights of the others; rental is apportionable in proportion to
 2 acreage owned by each leasehold owner.
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 4 9. Whenever, as a result of any cause reasonably
 5 beyond LESSEE'S control, such as fire, flood, windstorm or other
 6 Act of God, decision, law, order, rule, or regulation of any
 7 local, State or Federal Government or Governmental Agency, or
 8 Court; or inability to secure men, material or transportation,
 9 and LESSEE is thereby prevented from complying with any express
 10 or implied obligations of this Lease, LESSEE shall not be liable
 11 in damages or forfeiture of this Lease, and LESSEE'S obligations
 12 shall be suspended so long as such cause persists, and LESSEE
 13 shall have ninety (90) days after the cessation of such cause in
 14 which to resume performance of this Lease.
 15 10. LESSEE may at any time or times unitize all or any
 16 part of said land and Lease, or any stratum or strata, with other
 17 lands and Leases in the same field so as to constitute a unit or
 18 units whenever, in LESSEE'S judgment, such unitization is
 19 required to prevent waste or promote and encourage the conserva-
 20 tion of Oil and Gas by any cooperative or unit plan of develop-
 21 ment or operation; or by a cycling, pressure-maintenance,
 22 repressuring or secondary recovery program. Any such unit formed
 23 shall comply with the local, State and Federal Laws and with the
 24 orders, rules, and regulations of State or Federal regulatory
 25 or conservative agency having jurisdiction. The size of any such
 26 unit may be increased by including acreage believed to be pro-

1 ductive and decreased by excluding acreage believed to be unpro-
2 ductive, or where the owners of which do not join the unit, but
3 any such change resulting in an increase or decrease of LESSOR'S
4 royalty shall not be retroactive. Any such unit may be esta-
5 blished, enlarged or diminished and in the absence of production
6 from the unit area, may be abolished and dissolved by filing of
7 record an instrument so declaring, and mailing or tendering to
8 LESSOR, or to the Depository Bank, a copy of such instrument.
9 Drilling or re-working operations upon, or production from any
10 part of such units shall be considered for all purposes of this
11 Lease as operations or production from this Lease. LESSEE shall
12 allocate to the portion of this Lease included in any such unit
13 a fractional part of production from such unit on any one of the
14 following basis': (a) the ratio between the participating
15 acreage in this Lease in such units and total of all participa-
16 ting acreage in the unit; or, (b) the ratio between the quantity
17 of recoverable production from the land in this Lease in such
18 unit and the total of all recoverable production from all such
19 unit; (c) any basis approved by State or Federal authorities
20 having jurisdiction. LESSOR shall be entitled to the royalties
21 in this Lease on the part of the unit production so allocated to
22 that part of this Lease included in such unit and no more.
23 11. LESSOR warrants and agrees to defend the title to
24 said Land as to LESSOR'S interest therein. The royalties and
25 rental provided for are determined with respect to the entire
26 mineral estate in Oil and Gas (including all previously reserved

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1 or conveyed non-participating royalty), and if LESSOR owns a
 2 lesser interest, the royalty and rental to be paid LESSOR shall
 3 be reduced proportionately. Failure of LESSEE to proportionately
 4 reduce the rental shall have no relationship to the royalties to
 5 be proportionately reduced if production is secured. LESSEE may
 6 purchase or discharge in whole or in part any tax, mortgage or
 7 lien upon said land, or redeem the land from any purchaser at
 8 any tax sale or adjudication, and shall be subrogated to such
 9 lien with the right to enforce it, and may reimburse itself from
 10 any rentals or royalties accruing under the terms of this lease.
 11 12. This lease shall be binding upon all who execute
 12 it, whether they are named in the granting clause and whether
 13 all parties named in the granting clause execute the lease or not.
 14 All provisions of this lease shall inure to the benefit of and
 15 be binding upon the heirs, executors, administrators, successors,
 16 and assigns of the LESSOR and LESSEE.
 17 13. Within four (4) months of the termination of this
 18 lease or the cessation of production, whichever is earlier,
 19 LESSEE agrees to clean up the leasehold so as to leave the land
 20 in substantially the same condition as it was when this lease
 21 was signed. Further, LESSEE agrees to pay for all costs of clean-
 22 ing up the leasehold and all legal and other fees incurred in
 23 enforcing this provision should LESSEE fail to satisfactorily
 24 clean up the land after the lease has expired or production has
 25 ceased, whichever is earlier.
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14. LESSEE agrees to abide by all state laws and regu-

lations regarding safe and ecologically sound operation and
clean-up of any wells that may be drilled and to be bonded, if
required by law or regulation, before the start of drilling
operations.

15. The provisions of this Lease contract may be
specifically enforced, the aggrieved party may sue for damages,
or terminate the Lease, or any or all combinations thereof, if
this contract is breached by the other party.

IN WITNESS WHEREOF this instrument is executed on the
date first hereinabove set out.

THE GARY-WILLIAMS COMPANY

By: [Signature]
Pat Keating, Attorney-in-Fact

[Signature]
156701001218
Gary Williams

STATE OF Nevada
County of Livorno

The foregoing instrument was acknowledged before me,

this 6th day of February, 1990, by JE
Levescheff - LeRoy Levescheff, Hank Bailey

WITNESS my hand and official seal.

My Commission expires:

1-1-91

[Signature]
NOTARY PUBLIC

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My Commission expires:

7-8-1990

WITNESS my hand and official seal.

Pat Keating as Attorney-in-Fact for The Gary-Williams Company

this 16th day of February, 1990, by

The foregoing instrument was acknowledged before me,

STATE OF COLORADO)
County of DENVER)
ss.)

NOTARY PUBLIC

James S. Anderson

OFFICIAL RECORDS
RECORDED AT THE REQUEST OF
BOOK 208 PAGE 279
Eureka County
90 FEB 23 AM 11:40

EUREKA COUNTY, NEVADA
M.N. REBAL EATL. RECORDED
FILE NO. 131522
FEE \$ No
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