

OIL AND GAS LEASE

Billings Blue Print  
Billings, Montana

THIS AGREEMENT is made and entered into as of

December 7, 1989 by and between

J. D. Ranch Partnership, a California General Partnership, by Angelo K. Tsakopoulos,  
Managing Partner and William C. Cummings, Managing Partner  
7700 College Town, Suite 101, Sacramento, California 95826

and The Gary-Williams Company  
Republic Plaza, 370 17th Street, Suite 5300, Denver, Colorado 80202

1. Lessor, for and in consideration of TEN AND MORE Dollars, the receipt of which is hereby acknowledged, and covenants and agreements herein contained, does grant, demise, lease and let exclusively unto Lessee, for the purpose and with exclusive right of exploring by geophysical and other methods, drilling and operating for and producing therefrom, oil, liquid hydrocarbons, all gases and their respective constituent products, with rights of way and easements for laying pipe lines, power lines, building tanks, power stations, ponds, roadways and structures thereon for producing, saving, treating and caring for such products and any and all other rights and privileges necessary or incident thereto, all that certain land and lands riparian thereto situated in the County of Eureka State of Nevada described as follows (herein called "said land"):

Township 24 North, Range 49 East, MDM

Section 9: N $\frac{1}{2}$ NW $\frac{1}{4}$ , SE $\frac{1}{2}$ NW $\frac{1}{4}$ , SW $\frac{1}{2}$ NE $\frac{1}{4}$   
Section 10: SW $\frac{1}{2}$ SE $\frac{1}{4}$ , SE $\frac{1}{2}$ SW $\frac{1}{4}$   
Section 12: SW $\frac{1}{2}$ SE $\frac{1}{4}$ , NE $\frac{1}{2}$ SE $\frac{1}{4}$   
Section 13: NE $\frac{1}{2}$ NW $\frac{1}{4}$ , SW $\frac{1}{2}$ NW $\frac{1}{4}$ , NW $\frac{1}{2}$ SW $\frac{1}{4}$   
Section 14: SE $\frac{1}{2}$ SE $\frac{1}{4}$   
Section 15: N $\frac{1}{2}$ NW $\frac{1}{4}$   
Section 23: NE $\frac{1}{2}$ NE $\frac{1}{4}$ , SW $\frac{1}{2}$ NE $\frac{1}{4}$ , W $\frac{1}{2}$ SE $\frac{1}{4}$   
Section 26: NE $\frac{1}{2}$ NW $\frac{1}{4}$ , W $\frac{1}{2}$ E $\frac{1}{2}$   
Section 35: E $\frac{1}{2}$ W $\frac{1}{2}$

Township 24 North, Range 50 East, MDM

Section 2: Lot 3, SE $\frac{1}{4}$ NW $\frac{1}{4}$   
Section 7: Lot 2  
Section 14: SE $\frac{1}{2}$ NW $\frac{1}{4}$ , SW $\frac{1}{2}$ NE $\frac{1}{4}$ , W $\frac{1}{2}$ SE $\frac{1}{4}$ , SW $\frac{1}{2}$   
Section 22: NE $\frac{1}{4}$   
Section 23: NW $\frac{1}{4}$

Five (5)

1834.20

For the purpose of determining the amount of any money payment hereunder, said land shall be considered to comprise 1834.20 acres.

2. Subject to the other provisions herein contained, this lease shall be for a term of 5 years from this date (herein called "primary term") and as long thereafter as oil or gas is produced from said land or as long thereafter as Lessee is engaged in actual drilling or reworking operations on said land.

3. As royalties, Lessee covenants and agrees as follows: (a) To deliver to the credit of Lessor free of cost, on the lease or into any pipeline to which Lessee may connect its wells, the equal one-eighth part of all oil produced and saved from said land, or at the Lessee's option may pay to the Lessor for such royalty the market price for oil of like grade and gravity prevailing in the same field or area on the day such oil is run into the pipeline or the storage tanks. (b) To pay to Lessor for gas of whatsoever nature or kind, produced and sold from said land or used for the manufacture of gasoline or any other products, one-eighth of the proceeds from the sale of such gas at the mouth of the well. The Lessor may have gas free of charge from any gas well on said land for use in the principal dwelling on said land by making his own connections with the well, the use of said gas to be at the Lessor's sole risk and expense.

If a well capable of producing gas or gas and gas-condensate in paying quantities located on said land, or on acreage pooled or unitized therewith, is at any time shut-in and no gas or gas-condensate therefrom is sold or used off the premises or for the manufacture of gasoline or other products, nevertheless such shut-in well shall be deemed to be a well on said land producing gas in paying quantities and this lease will continue in force during all of the time or times while such well is so shut-in, whether before or after the expiration of the primary term hereof. Lessee shall use reasonable diligence to market gas or gas and gas-condensate capable of being produced from such shut-in well but shall be under no obligation to market such products under terms, conditions or circumstances which, in Lessee's judgment exercised in good faith, are unsatisfactory. Lessee shall be obligated to pay or tender to Lessor and all other royalty owners as their interests in royalty under the well shall appear, on or before the anniversary of the date of this lease following the shutting-in of such well, and annually thereafter, while such well is so shut-in, as royalty, an amount equal to the annual delay rental herein provided for under the terms of this lease, or, if this lease does not provide for any delay rental, then the sum of \$100 per well. Lessor's portion of such payment may be made or tendered to Lessor or to Lessor's credit by check or draft mailed or delivered to the depository bank designated herein. Portions of such payment payable to others may be made or tendered by check or draft, mailed or delivered, to such owners' credit in Lessor's depository bank. Royalty ownership as of the last day of each such annual period as shown by Lessee's records shall determine the amounts and the party or parties entitled to receive such payment. "Shutting-in" of a well shall be the date on which production casing in such well is perforated and a gas flow test shall disclose that the well is capable of production in paying quantities. Until such casing shall have been run and the gas flow tested, no well shall be considered "shut-in."

4. If operations for the drilling of a well for oil or gas are not commenced on said land on or before one year from the date hereof, this lease shall terminate, unless the Lessee shall on or before that date pay or tender to the Lessor or the Lessor's credit in the Central Bank

at 2581 Fair Oaks Boulevard, Sacramento, CA 95825, or its successors, which Bank and its successors are the Lessor's agent and shall continue as the depository of any and all sums payable under this lease regardless of changes of ownership in said land or in the oil and gas or in the rentals to accrue

hereunder, the sum of One Thousand Eight Hundred Thirty-Four and 20/100 Dollars, which shall operate as a rental and cover the privilege of deferring the commencement of operations for drilling for a period of one year. In like manner and upon like payments or tenders, the commencement of operations for drilling may further be deferred for like periods successively. All payments or tenders may be made by check or draft of Lessee or any assignee thereof, mailed or delivered on or before the rental date, either direct to Lessor or assigns or to said depository bank, and it is understood and agreed that the consideration first recited herein covers not only the privilege granted 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. Notwithstanding the death of the Lessor or his successors in interest, the payment or tender of rentals in the manner provided herein shall be binding on the heirs, devisees, executors, and administrators of such persons.

5. If Lessor owns a less interest in said land than the entire and undivided fee simple estate therein then the royalties and rentals herein provided for shall be paid Lessor only in the proportion which his interest bears to the whole and undivided fee.

6. If at any time prior to the discovery of oil or gas on said land and during the term of this lease, the Lessee shall drill a dry hole, or holes on said land, this lease shall not terminate, provided operations for the drilling of a further well shall be commenced within 12 months from the expiration of the last rental period for which rental has been paid or provided the Lessee, on or before the expiration of said 12 months begins or resumes the payment of rentals in the manner and amount hereinabove provided; and in this event the preceding section hereof governing the payment of rentals and the manner and effect thereof shall continue in force.

7. If within the primary term of this lease, production on said land shall cease from any cause, this lease shall not terminate provided operations for the drilling of a well shall be commenced on said land on or before the next ensuing rental paying date; or, provided Lessee begins or resumes the payment of rentals in the manner and amount hereinbefore provided. If, after the expiration of the primary term of this lease, production on said land shall cease from any cause, this lease shall not terminate provided Lessee resumes operations for drilling or reworking a well within sixty days from such cessation, and this lease shall remain in force during the prosecution of such operations and, if production results therefrom, then as long thereafter as production continues.

8. The Lessee shall have the right to use, free of cost, gas, oil and water found on said land for its operations thereon, except water from the wells, springs and reservoirs of the Lessor. When required by Lessor, the Lessee shall bury its pipelines below plow depth. Lessee shall pay for damage caused by its operations on said land. No well shall be drilled nearer than 200 feet to the house or barn now on said land without written consent of the Lessor. Lessee shall have the right at any time during, or within 180 days after the expiration of this lease, to remove all machinery, fixtures, buildings and other structures placed by Lessee on said land, including the right to draw and remove all casing, but thereafter such equipment shall become the property of Lessor, unless Lessor on or before such date shall, by written request, require Lessee to remove such material and restore said land as nearly as possible to its original condition.

9. Lessee is hereby granted the right and power to pool or combine said land, or any portion thereof, with other land, lease or leases in the vicinity thereof at any time and from time to time, whether before or after production, when in Lessee's judgment it is necessary or advisable to do so for the prevention of waste and the conservation and greatest ultimate recovery of oil or gas. Such pooling shall be into a unit or units not exceeding in area the acreage prescribed or required in any Federal or State law, order, rule or regulation for the drilling or operation of one well, or for obtaining the maximum allowable production from one well. Such pooling shall be accomplished or terminated by filing of record in the proper county a declaration of pooling or declaration of termination of pooling, a copy of which may be mailed or tendered to Lessor. The production of pooled substances and development and operation on any portion of a unit so pooled, including the commencement, drilling, completion and operation of a well thereon, shall be considered and construed, and shall have the same effect, except for the payment of royalty, as production, development and operation on said land under the terms of this lease. The royalties herein provided shall accrue and be paid to Lessor on pooled substances produced from any unit in the proportion, but only in the proportion, that Lessor's acreage interest in the land covered hereby and placed in the unit bears to the total acreage placed in such unit.

10. If the estate of either party hereto is assigned, and the privilege of assigning in whole or in part is expressly allowed, the covenants hereof shall extend to the heirs, devisees, executors, administrators, successors, and assigns, but no change of ownership in the land or in the rentals or royalties or any sum due under this lease shall be binding on the Lessee until 30 days after Lessee has been furnished with either the original recorded instrument of conveyance or a duly certified copy thereof and all advance payments or rentals made hereunder before receipt of said documents shall be binding on any direct or indirect assignee, grantee, devisee, administrator, executor, or heir of Lessor.

11. Lessee may at any time surrender this lease in whole or in part by placing such release of record in the proper county. If said lease is surrendered as to only a portion of the acreage covered thereby, then all payments and liabilities thereafter accruing under the terms of said lease as to the portion surrendered shall cease and determine and any rentals thereafter paid may be apportioned on an acreage basis, but as to the portion of the acreage not released the terms and provisions of this lease shall continue and remain in full force and effect for all purposes. It is hereby agreed that in the event this lease shall be assigned as to a part or as to parts of said land and the holder or owner of any such part or parts shall make default in the payment of the monies due from him or them, such default shall not operate to defeat or affect this lease insofar as it covers the part of said land upon which the Lessee or any assignee hereof shall make proper payment of any monies due hereunder.

12. Lessor hereby warrants and agrees to defend the title to the land herein described and agrees that the Lessee, at its option, may pay and discharge in whole or in part any taxes, mortgage, or other liens, existing, levied, or assessed on or against said land and, in the event it exercises such option, it shall be subrogated to the rights of any holder or holders thereof and may reimburse itself by applying to the discharge of any such mortgage, tax or other lien, any royalty or rentals accruing hereunder. Lessor further agrees that any interest or title to said land acquired by Lessor after the date hereof shall be subject to this lease to the same extent as if said interest or title had been held by Lessor at the date hereof. In such event the amount of rental payable hereunder shall be appropriately adjusted at the next ensuing rental date after Lessee has been furnished evidence of such after acquired title.

13. 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 terminated, 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, any such Law, Order, Rule or Regulation.

14. This lease shall be binding upon all who execute it, whether they are named in the granting clause and whether all parties named in the granting clause execute this lease. All provisions of this lease shall inure to the benefit of and be binding upon the heirs, executors, administrators, successors and assigns of Lessor and Lessees. Lessor hereby waives and releases all rights of dower and homestead in said lands insofar as the rights granted under this lease might be affected thereby.

Tax ID # 68-0139355

William C. Cummings, Managing Partner

J. D. Ranch Partnership, a California  
General Partnership by

Angelo K. Tsakopoulos, Managing Partner

PARTNERSHIP ACKNOWLEDGMENT

NO. 203

State of California }  
County of Sacramento } ss.

On this the 11th day of January 1990, before me,  
Sue Mapes  
the undersigned Notary Public, personally appeared  
Angelo 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

7130 122

NATIONAL NOTARY ASSOCIATION • 23012 Ventura Blvd. • P.O. Box 4625 • Woodland Hills, CA 91364

PARTNERSHIP ACKNOWLEDGMENT

NO. 203

State of California }  
County of Sacramento } ss.

On this the 10th day of January 1990, 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

7130 122

NATIONAL NOTARY ASSOCIATION • 23012 Ventura Blvd. • P.O. Box 4625 • Woodland Hills, CA 91364

ACKNOWLEDGMENT FOR CORPORATION

STATE OF ..... }  
COUNTY OF ..... } ss.

On this ..... day of ..... 19 ....., before me personally appeared  
..... known to me to be the .....  
of .....  
the corporation that executed the within instrument, and acknowledged to me that such corporation executed the same.

My commission expires: .....

.....  
Notary Public  
Residing at .....

RECORDING DATA

ADDENDUM TO LEASE

Attached to and made a part of that certain Oil and Gas Lease dated January 11, 1990, by and between THE JD RANCH PARTNERSHIP, A California Partnership, Lessor, and THE GARY WILLIAMS COMPANY, 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 or 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 stock water 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: 1/11/90

Lessor:  
THE JD RANCH PARTNERSHIP

By Angelo K. Tsakopoulos, Gen Prtnr

By William C. Cummings, Gen Prtnr  
G-W.Lse

Dated: 2/5/90

Lessee:  
THE GARY-WILLIAMS COMPANY

By Pat Keating, Attorney-in-Fact

COPY

OFFICIAL RECORDS  
RECORDED AT THE REQUEST OF  
BOOK 209 PAGE 291  
*Mary Williams*  
90 MAR 20 A2:25  
*Company*  
EUREKA COUNTY, NEVADA  
M.N. REBALEATI, RECORDER  
FILE NO. 132036 FEE \$8.00