

159367

Form 345-6 Hall-Poorbaugh Press Roswell, New Mexico

THIS AGREEMENT made this 16th day of March 1995 between James E. Kurtz and Diane E. Kurtz, husband and wife and Beverly J. Snell, a widow, and Estate of Warren E. Snell, Personal Representative, 7837 Maddison Avenue, Citrus Heights, CA 95610 and Yates Petroleum Corporation

Lessor (whether one or more), whose address is: 7837 Maddison Avenue, Citrus Heights, CA 95610 Lessor in consideration of Ten Dollars and No/100 Dollars

1. Lessor in consideration of Ten Dollars and No/100 Dollars, hereby grants, leases and lets exclusively and assigns to Lessee, for the purpose of exploring, prospecting, drilling and mining for and producing oil and gas, laying pipe lines, building roads, tanks, power stations, telephone lines and other structures thereon and on, over and across lands owned or claimed by Lessor adjacent and contiguous thereto, to produce, save, take care of, treat, transport, and own said products, and housing its employees, the following described land in Nevada County, Nevada

Section 13: A parcel of land in the NE/4 more particularly described as follows: Commencing at the E/4 corner of said section 13 Township 27 North, Range 31 East, MDB&M County, Nevada

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2. Without reference to the commencement, prosecution or cessation at any time of drilling or other development operations and/or to the discovery, development or cessation at any time of production of oil or gas and without further payment than the royalties herein provided, and notwithstanding anything herein contained to the contrary, this lease shall be for a term of five years from this date (called "primary term"), and as long thereafter as oil or gas is produced from said land or land with which said land is pooled heretofore.

3. The royalties to be paid by Lessee are: (a) on oil, one-eighth of that produced and saved from said land, the same to be delivered at the wells or to the credit of Lessor into the pipe line to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price thereof prevailing for the field where produced on the date of purchase; (b) on gas, including casinghead gas or other gaseous substance, produced from said land, and used off the premises or for the extraction of gasoline or other product therefrom, the market value at the well of one-fifth of the gas so sold or used, provided that on gas sold at the wells the royalty shall be one-eighth of the amount realized from such sale; while there is a gas well on this lease or an acreage pooled therewith but gas is not being sold or used, Lessee may pay or tender as royalty, on or before ninety (90) days after the date on which said well is shut in and thereafter at annual intervals the sum of \$1.00 per acre, and if such payment is made or tendered, this lease shall not terminate and it will be considered that gas is being produced from this lease in paying quantities. Payment or tender of said shut-in gas royalty may be made by check or draft of Lessee mailed or delivered to the parties entitled thereto on or before the date said payment is due. Lessee shall have free use of oil, gas, coal and water from said land, except water from Lessor's wells, for all operations hereunder, and the royalty on oil and gas shall be computed after deducting any so water.

4. Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease, or any portion thereof, as to oil and gas, and gas, or either of them, with other land, lease or leases in the immediate vicinity thereof to the extent, hereinafter stipulated, when in Lessee's judgment it is necessary or advisable to do so in order to explore, or to develop and operate said leased premises in compliance with the spacing rules of the New Mexico Oil Conservation Commission, or other lawful authority, or when to do so would, in the judgment of Lessee, promote the conservation of oil and gas in and under and that may be produced from said premises. Units pooled for oil hereunder shall not substantially exceed 40 acres each in area, and units pooled for gas hereunder shall not substantially exceed 100 acres each in area, unless otherwise specified, units thereafter created may conform substantially in size with those prescribed by governmental regulations. Lessee under the provisions hereof may pool or combine acreage covered by this lease, or any portion thereof as above provided as to oil in any one or more strata, and as to gas in any one or more strata. The units formed by pooling as to any stratum or strata need not conform in size or area with gas units. The pooling in one or more strata or combined as to any other stratum or strata, and oil units need not conform in size or area with gas units. The pooling in one or more instances shall not exhaust the rights of the Lessee hereunder to pool this lease or portions thereof into other units. Lessee shall file for record in the appropriate records of the county in which the leased premises are situated an instrument describing and designating the pooled acreage as a pooled unit. Lessee may at its election exercise its pooling option after commencing operations for or completing an oil or gas well on or production of oil or gas in the leased premises, and the pooled unit may include land or leases upon which a well capable of producing oil or gas in paying quantities has theretofore been completed, or upon which operations for the drilling of a well for oil or gas have theretofore been commenced. Operations for drilling on or production of oil or gas from any part of the pooled unit which includes all or a portion of the land covered by this lease regardless of whether such operations for drilling were commenced or such production was secured before or after the execution of this instrument or of the instrument designating the pooled unit, shall be considered as operations for drilling on or production of oil or gas from land covered by this lease whether or not the well or wells be located on the premises covered by this lease, and the entire acreage constituting such unit, as to oil and gas, or either of them, as herein provided, shall be treated for all purposes, except the payment of royalties on production from the pooled unit, as if the same were included in this lease. For the purpose of computing the payment of royalties and payments out of production and each of them, shall be entitled on production of oil and gas, or either of them, from the pooled unit, there shall be allocated to the acreage covered by this lease and included in said unit a pro rata portion of the oil and gas, or either of them, produced from the pooled unit after deducting therefrom the production and included in such allocation shall be on an acreage basis—that is to say, there shall be allocated to the acreage covered by this lease and included in the pooled unit the pro rata portion of the oil and gas, or either of them, produced from the pooled unit, less the number of surface acres covered by this lease and included in the pooled unit. Royalties hereunder shall be computed on the portion of such production, whether it be oil and gas, or either of them, so allocated to the land covered by this lease and included in the unit, as though such production were from such land. The production from an oil well will be considered as production from a gas well will be considered as production from a gas well and not as production from an oil well. In addition to the foregoing, Lessee at its option is hereby given the right and power from time to time to commit said land or any part or formation or mineral substance covered hereby to any cooperative or unit agreement or plan of development and operation, and to any modifications thereof, which have been approved by the New Mexico Oil Conservation Commission or other lawful governmental authority. In such event, the royalty payable to Lessor hereunder shall be computed and paid on the basis of the oil or gas allocated to such land under the terms of any such agreement or plan of operation, which basis shall be the same by which the royalty due the United States or the State of New Mexico is computed and paid. This lease shall not expire during the life of such agreement or plan and shall be subject to the terms thereof and said agreement or plan of operation shall be filed with the New Mexico Oil Conservation Commission, or other lawful authority, and Lessee shall record in the County in which the leased premises are situated, an instrument designating such agreement or plan of operation and reflecting the commitment thereto, and the same may be recorded either before or after the completion of wells.

5. If at the expiration of the primary term of this lease or gas is not being produced on said land, or from land pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon, or shall have completed a dry hole thereon within 60 days prior to the end of the primary term, the lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are proceeded with no cessation of more than 60 consecutive days, and if they result in the production of oil or gas so long thereafter as oil or gas is produced from said land, or from land pooled therewith. If, should cease from any cause, this lease shall not terminate if Lessee commences operations for drilling or reworking within 60 days after the cessation of such production, but shall remain in force and effect so long as such operations are proceeded with no cessation of more than 60 consecutive days, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land, or from land pooled therewith. Any pooled unit designated by Lessee in accordance with the terms hereof, may be dissolved by Lessee by instrument filed for record in the appropriate records of the county in which the leased premises are situated at any time after the completion of a dry hole or the cessation of production on said unit. In the event a well or wells producing oil or gas in paying quantities should be brought in on an adjacent land and within 660 feet of and draining the lease premises, or land pooled therewith, Lessee agrees to drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances. Lessee may at any time execute and deliver to Lessor or place of record a release or release covering any portion or portions of the above described premises and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered.

6. Lessee shall have the right at any time during the term of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred feet of any residence or barn now on said land without Lessor's consent.

7. The rights of either party hereunder may be assigned in whole or in part, and the provisions hereof shall extend to their heirs, successors and assigns but no change or division in ownership of the land or royalties, however accomplished, shall operate to change the obligations or diminish the rights of Lessee; and no change or division in such ownership shall be binding on Lessee until thirty (30) days after Lessee shall have been furnished by registered U. S. mail at Lessee's principal place of business with a certified copy of recorded instrument or instruments evidencing same. In the event of assignment hereof in whole or in part liability for breach of any obligation hereunder shall rest exclusively upon the owner of this lease or of a portion thereof who commits such breach. If six or more parties become entitled to royalty hereunder, Lessee may withhold payment thereof unless and until furnished with recordable instrument executed by all such parties designating an agent to receive payment for all.

8. The breach by Lessee of any obligation arising hereunder shall not work a forfeiture or termination of this lease nor cause a termination or revocation of the estate created hereby nor be grounds for cancellation hereof in whole or in part. In the event Lessor considers that operations are not at any time being conducted in compliance with this lease, Lessor shall notify Lessee in writing of the facts relied upon as constituting a breach hereof, and Lessee, after the discovery of oil or gas in paying quantities on said premises, Lessee shall develop the acreage retained hereunder as a reasonably prudent operator and but in discharging this obligation it shall in no event be required to drill more than one well per forty (40) acres of the area retained hereunder and capable of producing oil in paying quantities and one well per 640 acres plus an acreage tolerance not to exceed 10% of 640 acres of the area retained hereunder and capable of producing gas in paying quantities. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other upon said land either in whole or in part, and in event Lessee does so, it shall be authorized to much then with the right to enforce same and apply royalties according hereunder toward satisfying same. Without impairment of Lessor's right under the warranty in event of failure of title, it is agreed that if Lessee owns an interest in the oil or gas on, in or under said land less than the entire fee simple estate, then the royalties to be paid Lessor shall be reduced proportionately. Should any one or more of the parties named as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

9. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other upon said land either in whole or in part, and in event Lessee does so, it shall be authorized to much then with the right to enforce same and apply royalties according hereunder toward satisfying same. Without impairment of Lessor's right under the warranty in event of failure of title, it is agreed that if Lessee owns an interest in the oil or gas on, in or under said land less than the entire fee simple estate, then the royalties to be paid Lessor shall be reduced proportionately. Should any one or more of the parties named as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

10. Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations thereon or from producing oil or gas therefrom by reason of accident, or inability to obtain or use equipment or material, or by operation of force majeure, any Federal or state law or any order, rule or regulation of governmental authority, then while no prevented, Lessee's obligation to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this lease shall be extended, while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas from the leased premises; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

James E. Kurtz Diane E. Kurtz Beverly J. Snell

BY: Beverly J. Snell Personal Representative ESTATE OF WARREN E. SNELL

BY: James E. Kurtz Personal Representative

159367

Oil and Gas Lease

FROM

TO

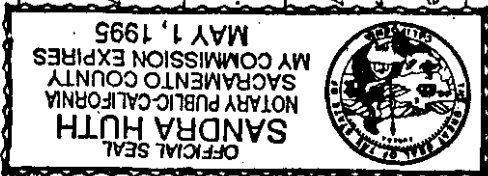
EUREKA COUNTY NEVADA
M.N. REBALANCE RECORDER
FILE NO. 800
FEES \$8.00

99 OCT -2 AM 8:37

RECORDED AT THE REQUEST OF
OFFICIAL RECORDS
PAGE 287
287
PAGE 265

BOOK 287 PAGE 266

No. Acres _____
Dated _____, 19____
Term _____
This instrument was filed for record on the _____ day of _____, 19____
at _____ o'clock _____ M., and duly recorded in Book _____, Page _____ of the _____ records of this office.
County Clerk _____
By _____ Deputy
When recorded return to _____



My commission expires _____ May 1, 1995
Notary Public _____

INDIVIDUAL ACKNOWLEDGMENT

STATE OF California
County of Sacramento

The foregoing instrument was acknowledged before me this 30th day of March, 1995

19 95 by Beverly J. Snell



My commission expires _____ May 1, 1995
Notary Public _____

19 95 by BEVERLY J. SNELL, as Personal Representative of the Estate of Warren E. Snell.

The foregoing instrument was acknowledged before me this 30th day of March, 1995

STATE OF California
County of Sacramento

INDIVIDUAL ACKNOWLEDGMENT



My commission expires _____ May 1, 1995
Notary Public _____

19 95 by James E. Kurtz and Diane E. Kurtz, husband and wife.

The foregoing instrument was acknowledged before me this 30th day of March, 1995

STATE OF California
County of Sacramento

INDIVIDUAL ACKNOWLEDGMENT