

through a well or wells on another portion of the above-described lands, and until furnished with a recordable instrument executed by all such parties designating a trustee to receive payment for all.

B. Lessee shall have the right to utilize, pool, or combine all or any part of the above-described lands with other lands in the same general area by entering into a cooperative or unit plan of development or operation approved by any governmental authority and, from time to time, with like approval to modify, change or terminate any such plan or agreement and, in such event, the terms, conditions and provisions of this Lease shall be deemed modified to conform to the terms, conditions, and provisions of such approved cooperative or unit plan of development or operation and, particularly, all drilling and development of this Lease, express or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this Lease shall not terminate or expire during the life of such

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plan or agreement. If said lands or any part thereof, shall hereafter be operated under any such cooperative or unit plan of development or operation whereby the production therefrom is allocated to different portions of the land covered by said plan, then the production allocated to any particular tract of land shall, for the purpose of computing the royalties to be paid hereunder to Lessor, be regarded as having been produced from the particular tract of land to which it is allocated and not to any other tract of land; and the royalty payments to be made hereunder to Lessor shall be based upon production only as so allocated. Lessor shall formally express Lessor's consent to any cooperative or unit plan of development or operation adopted by Lessee and approved by any governmental agency by executing the same upon request of Lessee.

10. In addition to and not in limitation of the rights granted in paragraph 9 hereof, Lessee is hereby granted the right and option to consolidate, pool or combine the lands covered by this Lease, or any portion or portions thereof or any stratum or strata thereunder, with other lands of like strata thereunder for the development thereof or for the production therefrom of oil, gas, casinghead gas or other hydrocarbons, or any or all of said products, when in Lessee's discretion and judgment it is advisable to do so for proper development or operation of the leased premises, or to conform to spacing or zoning rules of any lawful authority, such consolidation, pooling or combining to be into units of such shape and dimensions as Lessee may elect provided that any such unit when completed shall be composed of tracts each of which is contiguous to, touches or comes with some one or more of the other tracts in the unit in such manner as to form one connected tract or unit, and provided, further, that any tracts included in any such unit separated only by a street, alley, road, railroad, canal, stream, right-of-way or other similar 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 for production of oil and casinghead gas shall not exceed 163 acres in surface area, and for production of dry gas or gas well gas or dry gas well gas and condensate or distillate shall not exceed 660 acres in surface area. If some larger unit for the production of oil and casinghead gas or dry gas or gas well gas or dry gas well gas and condensate or distillate is permitted or prescribed by lawful authority, then in such event such larger unit shall control, provided that, if governmental survey units be irregular in size in the area of this Lease, the size of any units mentioned herein may be increased to the size of the there existing governmental survey unit nearest in size to the unit acreage prescribed herein. The right and option herein granted to Lessee 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 therefore have been created for some other product, by executing in writing an instrument identifying and describing the unit created, and by delivering a copy thereof to Lessor or by recording a copy thereof in the county where the land is located. The lands in any such unit shall be developed or operated as one tract and any operations for the drilling of a well on or production from such unit, whether or not from lands described in this Lease, shall be deemed to be drilling operations on or production secured on lands subject to this Lease for all purposes except for the purpose of payment of royalty hereunder; provided, further, that any operations for drilling and completing a well on any such unit shall be deemed to be operations on the lands described in this Lease and under the terms thereof regardless of whether said operations result in a well of the type covered in the instrument declaring such unit or a well of a type not covered by such instrument. In lieu of the royalties elsewhere herein specified, Lessor shall receive from production of any such unit only such portion of the royalty, at the rate stipulated elsewhere herein, as Lessor's acreage in the unit (or his royalty interest therein) bears to the total acreage of the unit.

11. In the interest of conservation, the protection of reservoir pressures and recovery of the greatest ultimate yield of oil and/or gas, Lessee shall have the right to combine the leased premises with other premises in the same general area for the purpose of operating and maintaining repressuring and recycling facilities; and for such purpose may locate such facilities, including input wells, upon the leased premises, and no royalties shall be payable hereunder on any gas used for repressuring and recycling operations benefitting the leased premises.

12. Lessor hereby warrants and agrees to defend the title to the land herein described and agrees that Lessee, at its option, may pay and discharge any taxes, mortgage, or other liens existing, levied, or assessed on or against the above described lands, and if Lessee does so, 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 accruing hereunder.

13. If Lessor considers that Lessee has not complied with all its obligations hereunder, both express and implied, Lessor shall notify Lessee in writing, setting out specifically in what respects Lessee has breached this contract. Lessee shall then have sixty days after receipt of said notice within which to meet or commence to meet all or any part of the breaches alleged by Lessor. The service of said notice shall be precedent to the bringing of any action by Lessor on said Lease for any cause, and no such action shall be brought until the lapse of sixty days after service of such notice on Lessee. Neither the service of said notice nor the doing of any acts by Lessee aimed to meet all or any of the alleged breaches shall be deemed an admission or presumption that Lessee has failed to perform all its obligations hereunder.

14. If Lessor, during the primary term of this Lease, receives a bona fide offer which Lessor is willing to accept from any party offering to purchase from Lessor a lease covering any or all of the substances covered by this Lease and covering all or a portion of the land described herein, with the lease becoming effective upon expiration of this Lease, Lessor agrees to notify Lessee in writing of said offer immediately, including in the notice the name and address of the offeror, the price offered and all other pertinent terms and conditions of the offer. Lessee, for a period of 15 days after receipt of the notice, shall have the prior and preferred right and option to purchase the lease or part thereof or interest therein, covered by the offer at the price and according to the terms and conditions specified in the offer. All offers made up to and including the last day of the primary term of this Lease shall be subject to the terms and conditions of this paragraph. Should Lessee elect to purchase the lease pursuant to the terms hereof, it shall so notify Lessor in writing by mail or telegram prior to expiration of said 15 day period. Lessee shall promptly thereafter furnish to Lessor the new lease for execution on behalf of Lessor along with Lessee's sight draft payable to Lessor in payment of the specified amount as consideration for the new lease, such draft being subject only to approval of title according to the terms thereof. Upon receipt thereof, Lessor shall promptly execute said lease and return same along with the endorsed draft to Lessee, a representative or through Lessor's bank for payment.

15. 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 terminated, in whole and in part, nor Lessee held liable in damage 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, or if such compliance is prevented by or failure is the result of inability of Lessee through no fault of its own, to obtain sufficient and satisfactory material and equipment to justify the commencement of drilling operations or to continue production of oil or gas from the leased premises.

16. This Lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of Lessor and Lessee.

17. With respect to and for the purpose of this Lease, Lessor, and each of them if there be more than one, hereby releases and waives the right of homestead.

18. This Lease shall be binding upon each party who executes it without regard to whether it is executed by all those named herein as Lessor.

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

Elsie Merrick

S. S. # _____
S. S. # _____

S. S. # _____
S. S. # _____

NEVADA INDIVIDUAL ACKNOWLEDGEMENT

STATE OF Nevada ss.
COUNTY OF Churchill
On this 29th day of August, in the year 1996, before me MARY J ORR, known to me to be the person whose name is subscribed to the within instrument, and acknowledged to me that he executed the same.

My Commission expires: 7/16/97

Mary J Orr
Notary Public
Winnemucca Nevada
Place of Residence
MARY J. ORR
NOTARY PUBLIC
STATE OF NEVADA
CHURCHILL COUNTY
My Appointment Expires July 16, 1997

NEVADA CORPORATE ACKNOWLEDGMENT

STATE OF _____ ss.
COUNTY OF _____
On this _____ day of _____, in the year _____, before me _____, known to me to be the _____ President of the corporation that executed the within instrument and acknowledged to me that such corporation executed the same.

My Commission expires: _____

Notary Public

Place of Residence _____

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OFFICIAL RECORDS
RECORDED AT THE REQUEST OF
Storeland Corp.
96 OCT 21 PM 2:03

EUREKA COUNTY NEVADA
M.N. REBALEATI, RECORDER
FILE NO. _____ FEES \$8.00

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