

AFFIDAVIT OF NONDEVELOPMENT  
AND NONPAYMENT OF RENTAL

165907

STATE OF Ca. }  
COUNTY OF Sacramento } ss.J.D. RANCH PARTNERSHIP, a California General Partnership

being first duly sworn, deposes and says:

That theyare  
the present owner of that certain real property located in the County of  
Eureka, State of Nevada, more particularly described as follows:

SEE ATTACHED EXHIBIT "A"

Said land is described in an oil and gas mining lease executed on the 23rd day of  
March, 19 82, by Frank Paxton and Family, a General Partnership Consisting of Franklin J. Paxton  
W.A. Tarr Paxton, C. Tad Paxton and Genevieve P. Paxton and Frank Paxtonas Lessors, and SOHIO PETROLEUM CORP.as Lessee, recorded in Book 102, Page 203, in the Office  
of the County Recorder of said County.That since the date of said lease there has been no well drilled upon said land, nor  
any oil or gas produced therefrom, and that none of the rentals accruing under and by  
virtue of the terms of said lease have been paid or tendered to affiant or said Lessors, or  
to any bank for their credit, by the Lessee, or his agents or assigns since4-7-89, and further that the Lessee and his assigns had actual notice that  
rentals were payable to affiant under said lease. Affiant states that he has not at any  
time executed any extension of said original lease, and that the same has expired.Affiant further states that by reason of the noncompliance with the terms of said  
lease by Lessee and his assigns, affiant hereby declares said lease forfeited, and will  
not, by acceptance of rentals, or in any other manner, recognize the same as a valid or  
existing lease.EXECUTED this 15<sup>th</sup> day of January, 19 77.

J.D. RANCH PARTNERSHIP

BY: Subscribed and sworn before me  
this      day of     , 19     .

NOTARY PUBLIC

STATE OF CALIFORNIA

COUNTY OF Sacramento

On Jan. 15, 1997 before me, Carolyn K. Wolfgram  
a Notary Public in and for said State, personally appeared  
Angela K. Tsakopoulos AND William C. Cummings  
personally known to me (or proved to me on  
the basis of satisfactory evidence) to be the person(s) whose  
name(s) is/are subscribed to the within instrument and  
acknowledged to me that he/she/they executed the same in  
his/her/their authorized capacity(ies), and that by  
his/her/their signature(s) on the instrument the person(s), or  
the entity upon behalf of which the person(s) acted, executed  
the instrument.

WITNESS my hand and official seal.

Signature: Carolyn K. Wolfgram  
Name : Carolyn K. Wolfgram



AGREEMENT Made and entered into this 23rd day of March, 1982  
 by and between FRANK PAXTON and FAMILY, a GENERAL PARTNERSHIP, consisting of  
Franklin T. Paxton, also known as Taft Paxton; C. Tad Paxton;  
George P. Rawson; and Frank Paxton.  
Carlin, Nevada 89822

Party of the first part, hereinafter called lessor (whether one or more) and  
SONIO PETROLEUM CORP., 633 17th St., Denver, CO. Party of the second part, hereinafter called lessee.  
Ten and more (\$10.00) DOLLARS

WITNESSETH, That the said lessor, for and in consideration of the covenants and agreements hereinafter contained on the part of lessee to and in hand paid, receipt of which is hereby acknowledged and of the covenants and agreements hereinafter contained on the part of lessor to and in hand paid, receipt of which is hereby acknowledged, leased, and let and by these presents does grant, demise, lease and let unto the said lessee, its successors and assigns for the sole and only purpose of surveying by geological, geophysical and all other methods, mining and operating for oil and gas, and laying pipe lines, and building tanks, power stations and structures thereon to produce, save and take care of said products, all that certain tract of land, together with any reveriesory rights therein, situate in the County of Eureka

State of Nevada, described as follows, to wit: (FOR DESCRIPTION OF LEASED LANDS SEE EXHIBIT "A" ATTACHED HERETO AND BY THIS REFERENCE MADE A PART HEREOF FOR ALL PURPOSES)

and containing 1.681.90 acres, more or less.

It is agreed that this lease shall remain in force for a term of Ten (10) years from date, and so long thereafter as oil or gas, or either of them, is produced from said land by the lessee, its successors and assigns.

In consideration of the premises the said lessee covenants and agrees:

First. The lessee shall deliver to the credit of lessor as royalty, free of cost to the pipe line to which lessee may connect its wells, the equal one-eighth part of all oil produced and saved from the leased premises, or, at lessor's option, may buy or sell such one-eighth royalty and pay lessor the market price for all of the grade and gravity prevailing in the field on the day such oil is run into pipe lines or into storage tanks.

Second. To pay lessor one-eighth (1/8) of the proceeds received for gas sold from each well where gas only is found, at the market value at the well of such gas used off the premises, and lessor to have gas free of cost from any well for all slaves and all inside lights in the principal dwelling house on each land during the same time by making his own connections with the well at his own risk and expense.

Third. To pay lessor one-eighth (1/8) of the market value at the well for gas produced from any oil well and need of the premises, or for the manufacture of casing-head gas or dry commercial gas.

If no well be commenced on said land on or before the 23rd day of March, 1982, this lease shall terminate as to both parties, unless the lessee on or before that date shall pay or tender to the lessor or to the lessor's credit in the

First Interstate Bank of Utah Bank at Beaver, Utah 84713

the sum of One thousand six hundred eighty-one and 90/100 DOLLARS, \*\*\*\*\*

which shall operate as a rental and cover the privilege of delaying the commencement of a well for twelve months from said date. In the manner and upon the payment or tender of the commencement of a well may be further deferred for like periods of the same number of months successively. And it is understood and agreed that the consideration first recited herein, the down payment, covers not only the privileges 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 say and all other rights conferred. Rentals may be paid by check or draft and may be remitted by mail. Mailing of rental as or before the rental-paying date shall be deemed a timely tender thereof and shall preclude termination of this lease. Notwithstanding the death of the lessor, or his successor in interest, the payment or tender of rentals in the manner provided above shall be binding on the heirs, devisees, executors and administrators of such person.

Should any well drilled on the land above described be a dry hole or cease to produce and there are no other producing well or wells on the land or drilling operations are not being conducted thereon, then and in that event if a well is not commenced before the next ensuing rental-paying date after the expiration of ninety (90) days from the date of such dry hole or cessation of production, this lease shall terminate as to both parties, unless the lessee, on or before the rental-paying date next ensuing after the expiration of ninety (90) days from the date of the completion of the well, or the cessation of production, shall resume the payment of rentals in the same amount and in the same manner as hereinbefore provided, and it is hereby agreed upon resumption of the payment of rentals, as above provided, the last preceding paragraph herein, governing the payment of rentals and the above rental shall continue in force as though there had been no interruption in the rental payment. If a dry hole should be drilled or if production ceases at any time subsequent to ninety (90) days prior to the beginning of the last year of the primary term, no rental payment or operations are necessary in order to keep the lease in force during the remainder of the primary term. If, after the expiration of the primary term, production necessary in order to keep the lease in force shall not terminate if lessee resumes operations for the drilling of a well or restoration of production within ninety (90) days from such cessation, and this lease shall remain in force and effect during the production of such operations and, if production resumes therefrom, then so long thereafter as such production continues.

If at any time, either before or after the expiration of the primary term of this lease, there is any gas well on the lands covered hereby, or on other lands with which said lands are pooled or unitized, which is capable of producing in paying quantities, but which is shut-in either before or after production therefrom, and the production therefrom is not being sold or used, lessee agrees to pay or tender to the mineral owners in the depositary bank named as the lessor, as royalty, a sum equal to the amount of delay rentals payable under this lease. Such payments shall be made on or before the shut-in royalty payment date, as herein defined, next occurring after the expiration of ninety (90) days from the date the well was shut-in, unless prior to such date gas from the well is produced and sold or used. In the manner on or before each succeeding shut-in royalty payment date while such gas to such date gas from the well is produced and sold or used. In the manner on or before each succeeding shut-in royalty payment date while such gas to such date gas from the well is produced and sold or used. The term "gas well" shall include wells capable of producing natural gas, condensate, gas or any gaseous substance, and wells classified as gas wells by any governmental authority. The term "shut-in royalty payment date" shall mean any rental-paying date of this lease if within the primary term, or any subsequent anniversary thereof, if after the primary term, or any anniversary date of this lease if no rental-paying date is specified herein.

If said lessee owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties and rentals herein provided shall be paid the lessor only in the proportion which his interest bears to the whole and undivided fee. However, such rentals shall be increased at the next ensuing rental anniversary after lessee has been notified of any reversion having occurred to cover the interest so acquired.

Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for its operations thereon, except water from wells and reservoirs of lessor. Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

Lessee shall pay for damages caused by its operations on said lands. When requested by the lessor, lessee shall bury its pipe lines below plow depth. No well shall be drilled nearer than 200 feet to the house or barn now on said premises, without the written consent of the lessor.

Lessee shall have the right to drill to completion with reasonable diligence and dispatch (1) any well commenced within the term of this lease and (2) any well commenced before the completion of a well which has been commenced within such term. If oil and gas or either of them be found in paying quantities in any such well, this lease shall continue and be in force with like effect as if such well had been completed within the term of years herein first mentioned.

Lessee is hereby granted the right and power to pool or combine the acreage covered by this lease, 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 size 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, or 40 acres each for the production of oil, or 640 acres each for the production of gas, whichever is the larger, plus a tolerance over the maximum area of 40 acres for the production of oil or 640 acres for the production of gas to include additional acreage in any irregular governmental subdivision or lot or portion thereof. Such pooling shall be effected by Lessee's executing and filing in the office where this lease is recorded an instrument identifying and describing the pooled acreage. The production of pooled substances and formation in the office where this lease is recorded on production, drilling, completion and operation of a well thereon, shall be considered and operated as one well and shall have the same effect, except for the payment of royalty, as production, development and operation on the leased premises under the terms of this lease. The royalties herein provided shall accrue and be paid to Lessee on pooled substances produced from any unit in the proportion, but only in the proportion, that Lessee's acreage interest in the land covered hereby and placed in the unit bears to the total acreage in the land placed in such unit.

If the estate of either party herein is assigned, and the privilege of assigning in whole or in part is expressly allowed, the covenants hereof shall extend to their heirs, executors, administrators, successors or assigns, but no change in the ownership of the land or assignment of royalty or royalties shall be binding on the lessee until after the lessor has been furnished with a written transfer or assignment or a certified copy thereof; and it is hereby agreed in the event this lease shall be assigned so to a part or parts of the above described lands and the assignee or assignees of such part or parts shall fail or make default in the payment of the proportionate part of the rents due from him or them, such default shall not operate to defeat or affect this lease in so far as it covers a part or parts of said lands which the said lessor or any assignee thereof shall make the payment of said rents. An assignment of this lease, in whole or in part, shall so to the extent of such assignment relieve and discharge the lessor of all obligations hereunder.



**EXHIBIT "A" to OIL AND GAS LEASE and  
RATIFICATION AND RENTAL DIVISION ORDER**

**DATED: MARCH 23, 1962**

**FROM: FRANK PAXTON AND FAMILY, a GENERAL PARTNERSHIP, consisting  
of Franklin T. Paxton, also known as Taft Paxton; C. Tad  
Paxton; Genevieve P. Paxson; and Frank Paxton, LESSOR**

**TO: SONIO PETROLEUM CORPORATION, LESSEE**

**DESCRIPTION: Township 25 North, Range 51 East, Mount Diablo Meridian**  
Sec. 6: Lots 5(40.99), 4(34.95), 5(35.76), 6(35.46),  
7(33.17), SE1/4NW1, E1/4SW1  
Sec. 7: E1/4NW1

**Township 26 North, Range 51 East, Mount Diablo Meridian**  
Sec. 6: Lots 5(40.30), 4(38.27), 5(38.36), 6(38.54),  
7(38.71), SE1/4NW1, E1/4SW1  
Sec. 7: Lots 1(38.84), 2(38.93), 3(39.03), 4(39.12)  
Sec. 18: Lots 1(39.19), 2(39.25), 3(39.31), 4(39.37)  
Sec. 19: Lots 1(39.44), 2(39.53), 3(39.63), 4(39.72)  
Sec. 30: Lots 1(39.82), 2(39.94), 3(40.06), 4(40.18),  
E1/4SW1  
Sec. 31: NE1/4NE1, E1/4W1, Lot 4(40.03), SW1/4SE1  
Containing 1,681.90 acres, more or less  
All in Eureka County, Nevada

**IT IS THE INTENT OF THE LESSOR AND LESSEE HEREIN THAT THE LEASED  
LANDS INCLUDE ALL OIL AND GAS RIGHTS AND RIGHTS OF INGRESS AND  
EGRESS THAT THE LESSOR MAY NOW, OR IN THE FUTURE, HAVE IN ROADWAYS,  
RIGHTS OF WAY, AND EASEMENTS OF ALL KINDS, CONTIGUOUS AND  
APPURTENANT TO ABOVE LANDS.**

**SIGNED FOR IDENTIFICATION**

*Frank Paxton*  
*Genevieve P. Paxson*

**RECORDED AT REQUEST OF**  
**Sonio Petroleum Co.**  
**BOOK 102 PAGE 205**

**82 APR 26 A 8:48**

**OFFICIAL RECORDS**  
**EUREKA COUNTY, NEVADA**  
**WELLS & REPAIRS RECORDER**  
**FILE NO. 165907**  
**FEES \$1.00**

**BOOK 305 PAGE 58**  
**OFFICIAL RECORDS**  
**RECORDED AT THE REQUEST OF**  
*Stewart Little*  
**97 JAN 17 PM 3:00**

**EUREKA COUNTY, NEVADA**  
**M.H. REBALEATI, RECORDER**  
**FILE NO. FEES \$1.00**

**165907**

**BOOK 305 PAGE 062**

**BOOK 102 PAGE 205**