

OIL AND GAS LEASE

176519

AGREEMENT, Made and entered into the 2nd of April, 2001, by and between James E. Kurtz and Diane E. Kurtz, husband and wife; and Beverly J. Snell, Individually, and as Trustee of the Warren E. and Beverly J. Snell Living Trust, u/a/d April 15, 1992, whose post office address is 6112 Kifisia W. Fair Oaks, CA 95628, hereinafter called Lessor (whether one or more) and Yates Petroleum Corporation whose post office address is 100outh 4th Street, Artesia, NM 88210, hereinafter called Lessee:

WITNESSETH, That the Lessor, for in consideration of TEN AND MORE DOLLARS cash in hand paid, the receipt of which is hereby acknowledged, and the covenants and agreements hereinafter contained, has granted, demised, leased and let, and by these presents does grant, demise, lease and let exclusively unto the said Lessee, the land herein described, with the exclusive right for the purpose of mining, exploring by geophysical and other methods, and operating for and producing therefrom oil and as of whatsoever nature or kind, with rights of way and easements for laying pipe lines, and erection of structures thereon to produce, save and take care of said pr:ts, all that certain tract of land situated in the County of Eureka, State of Nevada, described as follows, to-wit:

Township 27 North, Range East, MDM

Section 13:

A pi of land in the NE¼ more particularly described as follows:

Comcing at the E¼ corner of said Section 13, thence West, a distance of 2,158.95 feet along the ¼ sm line to a point on the Northwesterly ROW line of the Nevada State Highway . Then 34° 50' East, along said ROW line 639.60 feet to corner No. 1, the point of beginning; thepcontinuing North 34° 50' East, a distance of 539.70 feet to corner No. 2; thence West a distance of 1.23 feet to corner No. 3, a point on the North-South ¼ Section line of said Section 13; thence Souong said ¼ Section line a distance of 443.00 feet to corner No. 4; thence East 828.96 feet to corno. 1, the point of beginning; containing 10 acres, more or less. It is the intent of the lessors to incl all of the mineral interest owned by the lessors in the NE ¼ of Section 13.

and containing 10.00 acres, more or less.

1. It is agreed that this lease shall rer in force for a term of three(3) years from this date and as long thereafter as oil or gas of whatsoever nature or kind is produced from said leased premises or on acn pooled therewith, or drilling operations are continued as hereinafter provided. If, at the expiration of the primary term of this lease, oil or gas is not being produco the leased premises or on acreage pooled therewith but Lessee is then engaged in drilling or re-working operations thereon, then this lease shall continue in force ang as operations are being continuously prosecuted on the leased premises or on acreage pooled therewith; and operations shall be considered to be continuously prosecuted if not more than ninety (90) days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling of a subent well. If after discovery of oil or gas on said land or on acreage pooled therewith, the production thereof should cease from any cause after the primary term, thuse shall not terminate if Lessee commences additional drilling or re-working operations within ninety (90) days from date of cessation of production or from dai completion of dry hole. If oil or gas shall be discovered and produced as a result of such operations at or after the expiration of the primary term of this lease, this : shall continue in force so long as oil or gas is produced from the leased premises or on acreage pooled therewith.

2. This is a PAID-UP LEASE. In coration of the down cash payment, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations ng the primary term. Lessee may at any time or times during or after the primary term surrender this lease as to all or any portion of said land and as to any strata return by delivering to Lessor or by filing for record a release or releases, and be relieved of all obligation thereafter accruing as to the acreage surrendered.

3. In consideration of the premises thd Lessee covenants and agrees:

1st. To deliver to the credit of L: free of cost, in the pipe line to which Lessee may connect wells on said land, the equal one-eighth (1/8) part of all oil produced and saved from leased premises.

2nd. To pay Lessor one-eighth (1/8) the gross proceeds each year, payable quarterly, for the gas from each well where gas only is found, while the same is being used off the press, and if used in the manufacture of gasoline a royalty of one-eighth (1/8), payable monthly at the prevailing market rate for gas.

3rd. To pay Lessor for gas produom any oil well and used off the premises or in the manufacture of gasoline or any other product a royalty of one-eighth (1/8) of the proceeds, at the m of the well, payable monthly at the prevailing market rate.

4. Where gas from a well capable of rucing gas is not sold or used, Lessee may pay or tender as royalty to the royalty owners One Dollar per year per net royalty acre retained hereunder, such payment rder to be made on or before the anniversary date of this lease next ensuing after the expiration of 90 days from the date such well is shut in and thereafter on or be the anniversary date of this lease during the period such well is shut in. If such payment or tender is made, it will be considered that gas is being produced within meaning of this lease.

5. If said Lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties (including any shut-in gas royalty) herein provided for shall be the Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee.

6. Lessee shall have the right to use: of cost, gas, oil and water produced on said land for Lessee's operation thereon, except water from the wells of Lessor.

7. When requested by Lessor, Lessee: bury Lessee's pipe line below plow depth.

8. No well shall be drilled nearer than feet to the house or barn now on said premises without written consent of Lessor.

9. Lessee shall pay for damages causy Lessee's operations to growing crops on said land.

10. Lessee shall have the right at any : to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

11. The rights of Lessor and Lessee hnder may be assigned in whole or part. No change in ownership of Lessor's interest (by assignment or otherwise) shall be binding on Lessee until Lessee has beenmished with notice, consisting of certified copies of all recorded instruments or documents and other information necessary to establish a complete chain of recone from Lessor, and then only with respect to payments thereafter made. No other kind of notice, whether actual or constructive, shall be binding on Lessee. No pet or future division of Lessor's ownership as to different portions or parcels of said land shall operate to enlarge the obligations or diminish the rights of Lessee, and Lessee's operations may be conducted without regard to any such division. If all or any part of this lease is assigned, no leasehold owner shall be liable for act or omission of any other leasehold owner.

12. Lessee, at its option, is hereby g:ve right and power at any time and from time to time as a recurring right, either before or after production, as to all or any part of the land described herein and as ty one or more of the formations hereunder, to pool or unitize the leasehold estate and the mineral estate covered by this lease with other land, lease or leases in thmediate vicinity for the production of oil and gas, or separately for the production of either, when in Lessee's judgment it is necessary or advisable to do so. Irrespective of whether authority similar to this exists with respect to such other land, lease or leases. Likewise, units previously formed to include formations producing oil or gas, may be reformed to exclude such non-producing formations. The forming or reforming of any unit shall be accomplished by Lessee executind filing of record a declaration of such unitization or reformation, which declaration shall described the unit. Any unit may include land upon which a well has thfore been completed or upon which operations for drilling have theretofore been commenced. Production, drilling or reworking operations or a well shut in for v of a market anywhere on a unit which includes all or a part of this lease shall be treated as if it were production, drilling or reworking operations or a well shu for want of a market under this lease. In lieu of the royalties elsewhere herein specified, including shut-in gas royalties, Lessor shall receive on production from unit so pooled royalties only on the portion of such production allocated to this lease; such allocation shall be that proportion of the unit production that the total r of surface acres covered by this lease and included in the unit bears to the total number of surface acres in such unit. In addition to the foregoing, Lessee shawe the right to unitize, pool, or combine all or any part of the above described lands as to one or more of the formations thereunder with other lands in 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, 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 mred to conform to the terms, conditions, and provisions of such approved cooperative or unit plan of development or operation and, particularly, all drilling and doment requirements of this lease, express or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agent, and this lease shall not terminate or expire during the life of such plan or agreement. In the event that said above described lands or any part thereof, shareafter be operated under any such cooperative or unit plan of development or operation whereby the production therefrom is allocated to different portions of 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, 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 m 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.

13. All express or implied covenants in lease shall be subject to all Federal and State Laws, Executive Orders, Rules or Regulations, and this lease shall not be h:ed, in whole or in part, nor be h:ed 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. Lessor hereby warrants and ag: defend the title to the lands herein described, and agrees that the Lessee shall have the right at any time to redeem for Lessor, by payment, any mortgages, taxes and liens on the above described lands, in the event of default of payment by Lessor and be subrogated to the rights of the holder thereof, and the undersigned Lrs. for themselves and their heirs, successors and assigns, hereby surrender and release all right of dower and homestead in the premises described herein, inr as said right of dower and homestead may in any way affect the purposes for which this lease is made, as recited herein.

15. Should any one or more of the rs hereinabove named as Lessor fail to execute this lease, it shall nevertheless be binding upon all such parties who do execute it as Lessor. The word "Lessor," as in this lease, shall mean any one or more or all of the parties who execute this lease as Lessor. All the provisions of this lease shall be binding on the heirs, succes and assigns of Lessor and Lessee.

IN WITNESS WHEREOF, this instrint is executed as of the date first above written.

James E. Kurtz

Diane E. Kurtz

Beverly J. Snell, Individually, and as Trustee of the Warren E.

And Beverly J. Snell Living Trust u/a/d April 15, 1992

Attorney In Fact

STATE OF California
COUNTY OF Sacramento

Oklahoma, Kansas, New Mexico, Wyoming, Montana, Colorado, Utah
Nebraska, North Dakota, South Dakota
ACKNOWLEDGMENT INDIVIDUAL

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this 11 day of April, 2001, personally appeared James E. Kurtz and Diane E. Kurtz, husband and wife, to me known to be the identical persons, described in and who executed the within and foregoing instrument of writing and acknowledged to me they duly executed the same as their free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have here set my hand and affixed my notarial seal the day and year last above written.

My Commission Expires 3/20/02 [Signature]
Notary Public.



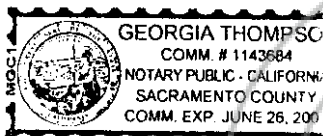
STATE OF California
COUNTY OF Sacramento

Oklahoma, Kansas, New Mexico, Wyoming, Montana, Colorado, Utah
Nebraska, North Dakota, South Dakota
ACKNOWLEDGMENT INDIVIDUAL

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this 11th day of April, 2001, personally appeared Beverly J. Snell, Individually, and trustee of the Warren E. and Beverly J. Snell Living Trust u/a/d April 15, 1992, to me known to be the identical person, described in and who executed within and foregoing instrument of writing and acknowledged to me that she duly executed the same as her free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have here set my hand and affixed my notarial seal the day and year last above written.

My Commission Expires 04/24/01 [Signature]



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OFFICIAL RECORDS
RECORDED AT THE REQUEST OF
DEP Mineral Services
01 JUN -7 PM 1:46
EUREKA COUNTY NEVADA
M.N. REBALEATI, RECORDER
FILE NO. FEES 8.00

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