

BOOK 363 PAGE 170-176
OFFICIAL RECORDS
RECORDED AT THE REQUEST OF
Lacy Operations, Ltd
2003 JUL -7 AM 9:52

EUREKA COUNTY NEVADA
M.N. REGALATI RECORDER
FILED

FEES 44⁰⁰

182186

APN# _____

Recording Requested by:

Name LACY OPERATIS, LTD

Address P.O. Box 146

City/State/Zip Lovies, TX 95606

(Gas, Mineral Lease & Addendum

(Title of Document)

This page added to provide additional information required by NRS 111.312 Sections 1-2.
(Additional recording applies)

This cover page must be typed or printed.

BOOK 363 PAGE 170

THIS AGREEMENT made this 1st day of May 2003, between

Lessor (whether one or more), whose address is _____
and Lacy Properties, Ltd., O. Box 2146, Longview, TX 75606
_____, Lessee, WITNESSETH:

4. Lessee is hereby granted the right, option, to pool or unitize any land covered by this lease with any other land covered by this lease, and/or with any other land, lease, or leases, as to any or all minerals or hirs, so as to establish units containing not more than 80 surface acres, plus 10% acreage tolerance; provided, however, units may be established as to any one or more hirs, or existing units may be enlarged as to any one or more horizons, so as to contain not more than 640 surface acres plus 10% acreage tolerance, if limited to one or more the following: (1) gas, other than casinghead gas, (2) liquid hydrocarbons (condensate) which are not liquids in the subsurface reservoir, (3) minerals produced from wells classed as gas wells by the conservation agency having jurisdiction. If larger units than any of those herein permitted, either at the time established, or after enlargement, are used under any governmental rule or order, for the drilling or operation of a well at a regular location, or for obtaining maximum allowable from any well to be drilled, drilling, ready drilled, any such unit may be established or enlarged to conform to the size required by such governmental order or rule. Lessee shall exercise said option as to cased unit by executing an instrument identifying such unit and filing it for record in the public office in which this lease is recorded. Each of said options may be exercised by lessee at any time and from time to time while this lease is in force, and whether before or after production has been established either on said land, or on the portion said land included in the unit, or on other land unitized therewith. A unit established hereunder shall be valid and effective for all purposes of this lease even though there be mineral, royalty, or leasehold interests in lands within the unit which are not effectively pooled or unitized. Any operations conducted on any part of such unitized land shall be considered, for all purposes, except the payment of royalty, operations conducted upon said land under this lease. There

7. Lessee shall have the use, free from ~~ry~~, of water, other than from lessor's water wells, and of oil and gas produced from said land in all operations hereunder. Lessee shall have the right at any time to remove machinery and fixtures placed on said land, including the right to draw and remove casing. No well shall be drilled nearer than 200 feet to the house or barn now on said land out the consent of the lessor. Lessee shall pay for damages caused by its operations to growing crops and timber on said land.

8. The rights and estate of any party hereby be assigned from time to time in whole or in part and as to any mineral or horizon. All of the covenants, obligations, and considerations of this lease shall extend to an binding upon the parties hereto, their heirs, successors, assigns, and successive assigns. No change or division in the ownership of said land, royalties, or other moneys, or part thereof, howsoever effected, shall increase the obligations or diminish the rights of lessee, including, but not limited to, the location and drilling of wells and the measure of production. Notwithstanding any other actual or constructive knowledge or notice thereof of or to lessee, its successors or assigns, no change or division in the ownership said land or of the royalties, or other moneys, or the right to receive the same, howsoever effected, shall be binding upon the then record owner of this lease until thirty days after there has been furnished to such record owner at his or its principal place of business by lessor or lessor's heirs, successors, or assigns, notice of such change or division, supported by either originals or duly certified copies of the instruments which have been properly filed for record and which evidence such change or division, and of court records and proceedings, transcripts, or other documents as shall be necessary in the opinion of such record owner to establish the validity of such change or division. If any such change in ownership occurs by reason of the death of the owner, lessee may, nevertheless pay or tender such royalties, or other moneys, or part thereof, to the estate of the decedent in a depository bank provided for above.

9. In the event lessor considers that lessee 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 contract. Lessee shall then have sixty (60) days after receipt of said notice within which to meet or commence to meet all or any part of the breaches alleged by lessor. 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 an admission or presumption that lessee has failed to perform all its obligations hereunder. If this lease is cancelled for any cause, it shall nevertheless remain in full effect as to (1) sufficient acreage around each well as to which there are operations to constitute a drilling or maximum allowable unit under applicable governmental rules, (but in no event less than forty acres), such acreage to be designated by lessee as nearly as practicable in the form of a square centered at the well, or in such shape then existing spacing rules require; and (2) any part of said land included in a pooled unit on which there are operations. Lessee shall also have such easements on said land as are necessary to operations on the acreage so retained.

10. Lessor hereby warrants and agrees to hold title to said land against the claims of all persons whomsoever. Lessor's rights and interests hereunder shall be charged primarily with any mortgages, taxes or other lien interest and other charges on said land, but lessor agrees that lessee shall have the right at any time to pay or reduce same for lessor, either before or after maturity, and to delegate to the rights of the holder thereof and to deduct amounts so paid from royalties or other payments payable or which may become payable to lessor and/or assigns under this lease. If this lease covers a less interest in the oil, gas, sulphur, or other minerals in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not), or no interest therein, then the royalties and other moneys accruing from any part as to which this lease covers less than such interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. All royalty interest covered by this lease (whether or not owned by lessor) shall be paid out of the royalty herein provided. 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.

11. If, while this lease is in force, at, or the expiration of the primary term hereof, it is not being continued in force by reason of the shut-in well provisions of paragraph 3 hereof, and lessee is not conducting operations on said land by reason of (1) any law, order, rule or regulation, (whether or not subsequently determined to be invalid) or (2) any other cause, whether similar or dissimilar (except financial) beyond the reasonable control of lessee, the primary term hereof shall be extended until the first anniversary date hereof occurring ninety (90) or more days following the removal of such delaying cause, and this lease may be extended thereafter by operations as if such delay had not occurred.

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

JD RANCH PARTNERSHIP,
a California general partnership

By: Angel K. Tsakoulis

Title: MANAGING PARTNER

LESSOR

SS. OR TAX I.D. NO.

LACY PROPERTIES, LTD., a Texas limited
partnership by Lacy Property Management,

Inc. its general partner

By: Neal A. Hawthorn

Title: Vice President

LESSOR

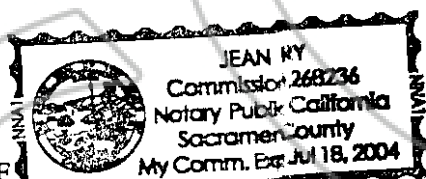
SS. OR TAX I.D. NO.

LESSEE

ACKNOWLEDGEMENT

STATE OF CALIFORNIA
COUNTY OF SACRAMENTO

This instrument was acknowledged before me on the 19th day of MAY, 2003,
by ANGEL K. TSAKOULIS



STATE OF TEXAS
COUNTY OF GREGG

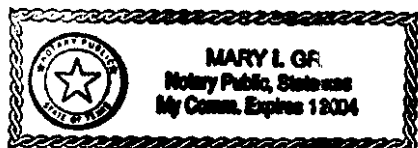
This instrument was acknowledged before me on the _____ day of _____, 19____,
by _____

Notary Public, State of Texas
Notary's name (printed): _____

Notary's commission expires: _____ **CORPORATE ACKNOWLEDGEMENT**

STATE OF TEXAS
COUNTY OF GREGG

This instrument was acknowledged before me on the 6th day of May, 2003, 19____,
by Neal A. Hawthorn, Vice President
of Lacy Property Management, Inc.
a Texas corporation, on behalf of said corporation Neal A. Hawthorn



Notary Public, State of Texas
Notary's name (printed): _____

Notary's commission expires: _____

**ADDENDUM TO OIL, GAS AND MINERAL LEASE
(JD Ranch)**

This ADDENDUM OIL, GAS AND MINERAL LEASE ("Addendum") is dated for purposes of identification only as of May 1, 2003 and is entered into by and between **JD Ranch Partnership, a California general partnership** ("Lessor") and **Lacy Properties, Ltd., a Texas limited partnership** ("Lessee") with reference to the following facts:

RECITALS

A. Concurring herewith, Lessor and Lessee are entering into that certain Oil, Gas and Mineral Lease ("Lease Agreement") in connection with the leasing from Lessor to Lessee of those certain undivided 50% interest in mineral rights on that certain land commonly known as JD Ranch and more particularly described in ~~Unit "A"~~ to the Lease Agreement; and

B. Lessor and Lessee now desire to amend and clarify certain provisions of the Lease Agreement, all on the terms and conditions contained herein.

NOW, THEREFORE, Lessor and Lessee hereby agree as follows:

AGREEMENT

1. Recitals. The foregoing recitals are true and correct and are incorporated herein by this reference.

2. Definition. Except as otherwise expressly defined in this Addendum, all initially capitalized terms contained herein shall have the same meaning as set forth in the Lease Agreement.

3. Indemnification and Hold Harmless. Lessee shall indemnify, defend and hold harmless Lessor and the land from and all claims, damages, injury, suits, losses, claims, judgments and expenses including reasonable attorneys' fees, arising from (i) Lessee's use of the Land or from the conduct of its business or in any activity, work, or other things done, permitted or suffered by Lessee on the land during the term of, (ii) any breach or default by Lessee in the performance of any obligation of Lessee's part to be performed under the terms of this Lease, or (iii) any act or negligence of Lessee, or any officer, agent, employee, guest or invitee of Lessee. Lessee, upon written notice from Lessor, shall defend Lessor with respect to the foregoing at Lessee's expense by counsel reasonably satisfactory to Lessor. The foregoing indemnity shall not apply to the extent such matters are due to the negligence or misconduct of Lessor, whether active or passive in nature.

4. Insurance. Lessee shall, at Lessee's own cost and expense, secure and maintain, during the period of time Lessee is conducting drilling operations hereunder, a broad form comprehensive coverage policy of public liability insurance insuring Lessee against loss or liability caused by or connected with Lessee's operation and use of the Premises under this Lease as provided in the terms and conditions contained in such insurance policy. Lessee will provide Lessor a certificate of insurance evidencing not less than \$20,000.00 of public liability insurance.

5. Plans and maps. Upon the expiration or sooner termination of this Lease

Agreement, all plans, studies reports and documents developed by Lessee (other than Lessee's own internal, proprietary studies or procured by Lessee from parties other than Lessor, in connection herewith shall be delivered to Lessor and shall become the property of Lessor, in a lien free condition and at no cost to Lessor, without any representation or warranty of Lessee.

6. No Representations/"As-Is." Except as otherwise expressly set forth in Section 6, or elsewhere in this Lease Agreement, neither Lessor nor any employee or agent of Lessor has made any representations, guarantees, promises, statements, assurances or warranties, express or implied, to Lessee, Lessee's agents or employees, or any other third party, as to the suitability for any purpose or the profitability of owning and operating the land, the physical condition thereof, the net or gross acreage contained therein, the condition of title thereto, including the timing thereof, or any other past, present or future matter. Lessee acknowledges that except as otherwise expressly set forth in this Lease Agreement, no representations have been made by Lessor, and that with the aid of such independent expert advice as Lessee deems appropriate, Lessee has and/or will have inspected and/or satisfied itself as to the condition of the land, and, with the exception of such express representations and warranties of Lessor expressly contained herein, the land being leased "AS-IS."

Accordingly, except as to any express representations, guarantees, promises, statements, assurances or warranties specifically set forth in this Lease Agreement, Lessee hereby expressly releases Lessor, its agents, employees, officers, directors, partners, and representatives, for all amounts, actions, demands, claims, costs, expenses, damages and liabilities (including, without limitation, attorneys' fees) (collectively, "Liabilities") incurred to or arising from the condition of the land. Lessee acknowledges and agrees that the release and charge Lessee hereby gives to Lessor and its agents, employees, officers, directors, partners, and representatives extends to all such Liabilities described above, whether known or unknown, foreseen or unforeseen, patent or latent, which Lessee may have against Lessor, and Lessee hereby expressly waives the benefit of the provisions of California Civil Code Section 1542, which provides as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."



Lee's Initials

7. Pre-leasing costs. Immediately upon execution of this Lease Agreement by both parties, Lessee shall pay to Lessor the legal fees of Sinadinos & Vryonis, R.L.L.P. in preparing and negotiating this Lease Agreement and the other agreements contemplated herein, in the amount of Three Hundred Sixty-Five Dollars (\$365.00). Lessee understands and acknowledges that Sinadinos & Vryonis, R.L.L.P. is not representing Lessee in this transaction, and that Lessee's payment of the legal fees as provided above shall not create an attorney-client relationship or any other relationship of any kind or nature.

8. No Fee Interest. Lessee understands and acknowledges that Lessor holds only mineral rights on the land, not the fee interest. Accordingly, Lessee shall have to negotiate with the owner of such fee interest in respect to the actual use of the land for its mining and drilling activities. In that regard, Lessee acknowledges that Lessor shall have no obligation concerning mortgages, taxes and liens against the land, and accordingly, the first two sentences of Section 10 of the Lease Agreement are

stricken in their entirety.

9. GENERAL PROVISIONS.

A. Exhibits. All exhibits, riders and addenda, if any, affixed to this Lease Agreement are incorporated herein and are a part hereof.

B. Waiver. A waiver by Lessor of any term, covenant or condition herein contained shall not be deemed to be a waiver of such term, covenant or condition or any subsequent breach of the same, or any other term, covenant or condition herein contained.

C. Joint Obligation. If there be more than one Lessee, the obligations hereunder imposed shall be joint and several.

D. Marginal Edits. The marginal headings and article title to the article of this Lease Agreement are for convenience only and shall have no effect upon the construction or interpretation of any part hereof.

E. Time. Time is of the essence of this Lease Agreement and each and all of its provisions in which performance is a factor.

F. Successors and Assigns. The covenants and conditions herein contained, subject to the provisions as to assignment, shall be binding on and inure to the benefit of the parties thereto, their respective heirs, successors, executors, administrators and assigns.

G. Integration and Amendment. This Lease Agreement, inclusive of this Addendum, contains all of the parties' agreement with respect to the matters covered or mentioned in this Lease Agreement and supersedes any and all prior agreements or understandings pertaining to any such matters. No provision of this Lease Agreement may be amended or modified except by an express agreement in writing signed by the parties hereto or their respective successors in interest. This Lease Agreement shall not be effective or binding on any party until fully executed by both parties hereto. Except as expressly modified herein, all of the terms and provisions of the Lease Agreement shall remain unmodified and in full force and effect.

H. Counterparts. This Lease Agreement may be executed in identical counterparts, all of which taken together shall constitute the same instrument.

I. Cumulative Remedies. No remedy or election hereunder shall be deemed exclusive but shall, whenever possible, be cumulative with all other remedies at law or in equity.

J. Attorneys' Fees. In the event either party shall commence legal action or arbitration proceedings for the purpose of enforcing or interpreting any provision or condition hereof, by reason of any alleged breach arising under the provisions hereof, or in any other action or proceeding to which this Lease Agreement gives rise (whether arising in contract or tort) then the successful party in such proceedings shall be entitled to reasonable attorneys' fees, costs and expert witness fees to be determined by the Court incurred in such proceeding or action, including any fees and costs incurred in enforcing any judgment rendered, in addition to any other relief to which it may be entitled.

K. Notices. Notices and demands to Lessee provided for herein shall be deemed to have

been served only when notice in writing is personally served on Lessee or has been deposited in the United States mail by registered or certified mail addressed to P. O. Box 2146, Longview, Texas 75606 or at such other place as Lessee so advises Lessor in writing. All notices and demands to Lessor provided for herein shall be deemed to have been served only when such notice in writing is personally served on Lessor or has been deposited in the United States mail by registered or certified mail addressed to JD Ranch Partnership, c/o Ano K. Tsakopoulos, 7700 College Town Drive, Suite 101, Sacramento, CA 95826 or at such other place as Lessor so advises Lessee in writing.

L. Construction; Severability. Each party has been represented by counsel and has cooperated in the drafting and preparation of this Agreement. Therefore, in any construction to be made to this Agreement, the same shall not be construed against any party. If any term of this Lease Agreement, or the application thereof to any person or circumstance, shall to any extent be invalid or unenforceable, the remainder of this Lease Agreement, or the application of such term to persons or circumstances other than to that to which it is invalid or unenforceable, shall not be affected thereby, and each term of this Lease Agreement shall be valid and enforceable to the fullest extent permitted by law.

M. Relationship of Parties. Nothing contained in this Lease Agreement shall be deemed or construed by the parties, or any third party, as creating the relationship of principal and agent, partnership, or joint venture between the parties. It is understood and agreed that no provision contained in this Lease Agreement or any act of the parties will be deemed to create any relationship other than the relationship of lessor and lessee.

IN WITNESS WHEREOF, Lessor and Lessee have caused this Addendum to be executed as of the day and year first written above.

Lessee:

Lacy Properties, LTD, a Texas
limited partnership, by Lacy
Property Management, Inc., its
General Partner

By: N A Hawthorn

Its: N A Hawthorn ^{MS}
V President

Lessor:

JD Ranch Partnership,
a California general partnership

By: [Signature]

Its: MANAGING PARTNER