

LEASE AGREEMENT

This lease agreement is made and entered into this 30th day of May, 1975, by and between PIOCHE MINES CONSOLIDATED, INC., and ELY VALLEY MINES, INC., both Nevada corporations, hereinafter called "Lessors"; and B F MINERALS CORPORATION, a Texas corporation, hereinafter called "Lessee"; and ARABIAN SHIELD DEVELOPMENT COMPANY, a Delaware corporation.

I.

1. Arabian Shield Development Company, a Delaware corporation, currently has a lease with Ely Valley Mines, Inc., as of July 1, 1972, on certain mining property and equipment, including an undivided one-half (1/2) interest in certain real property on which there is a mill building containing various fixtures and equipment, and has an option with Pioche Mines Consolidated, Inc., until May, 1977, to lease the other undivided one-half (1/2) interest in the same mill and fixtures and equipment; and

2. WHEREAS, Arabian Shield Development Company has entered into an agreement with B F Minerals as of January 21, 1975, concerning the exploration and development of the Ely Valley Mines' properties; and

3. WHEREAS, B F Minerals wishes to be assured of mill facilities prior to exploration and development;

4. THEREFORE, Arabian Shield Development Company hereby waives its option to lease the mill facilities from Pioche Mines Consolidated, Inc., and will look solely to its agreement with B F Minerals from the production of ores from the mining claims owned by Ely Valley Mines, Inc., as of January 21, 1975, for any revenues.

II.

Lessors hereby lease to Lessee, and Lessee hereby leases from Lessors, for Ten Dollars and other good and valuable consideration, that certain property, hereinafter called the "leased premises", situated in Lincoln County, Nevada, and described as follows:

W 1/2 NW 1/4 Section 14, E 1/2 SE 1/4 NE 1/4 Section 15
Township 1 North, Range 67 East, M.D.B.&M.

Including all water rights and buildings, fixtures, machinery and other property situate thereon;

to be used for the milling of ores, processing of mineral products and uses normally incident thereto, for the primary term of twenty-two (22) years commencing on June 1, 1975, and at a rental determined and payable as specified in Paragraph IV. However, Lessors may terminate this lease if rentals have not been paid, as set forth in Paragraph IV, or Lessee has not commenced installation of improvements and/or active milling operations within thirty-six (36) months from date of this lease.

III.

Lessee is hereby granted and shall, if not at the time in default under this lease, have an option to renew this lease beyond the primary term for an additional period of time equal to the time period during which production of ore is continued from the mining claims of Ely Valley Mines, Inc., on the same terms, covenants and conditions as provided for in this agreement.

IV.

Lessee agrees to and shall pay Lessors at 900 Empire Life Building Dallas, Texas 75201, or at such other place as the Lessors shall designate from time to time in writing, as rent for the leased premises, a total sum to be calculated as follows:

1. Ores produced from mining claims presently owned by Ely Valley Mines, Inc., and Pioche Mines Consolidated, Inc., and milled on the leased premises.

Rental amount to be calculated on the basis of \$0.35 per short ton with a maximum daily rental of \$105.00 per day for milling of these ores.

2. Ores milled as "custom ores" defined as ores produced from mining properties other than those presently owned by Ely Valley Mines, Inc., and Pioche Mines Consolidated, Inc., and milled on the leased premises.

Rental amount to be calculated on the basis of \$1.00 per short ton with a maximum daily rental of \$300.00 per day for milling of these ores.

3. In any combination of 1 and 2 above, the daily rental amount shall not exceed \$300.00 per day.

Lessee must commence improvements to the mill and/or active milling operations within twelve (12) months from date of this agreement or shall pay Lessors a minimum rental consideration in lieu of rental rates established for the milling ores as follows:

Monthly rental during second year of \$500.00 per month.

Monthly rental during third year of \$1,000.00 per month.

Lessors may terminate this lease if Lessee has not commenced installation of improvements and/or active milling operations within thirty-six (36) months from date of this lease, unless a mutual agreement is reached between Lessors and Lessee for additional extension of time.

The above mill rental rates are to be adjusted semi-annually in conformity to any increases in the Consumer Price Index as published by the United States Government.

If Lessee defaults in the payment of any installment of rent hereunder, such installment shall bear interest at the rate of nine percent (9%) per annum from the day it is due until actually paid. In like manner, all other obligations, benefits, and monies which may become due to Lessors from Lessee under the terms hereof, or which are paid by Lessors because of Lessee's default hereunder, shall bear interest at the rate of nine percent (9%) per annum from the due date until paid, or, in the case of sums paid by Lessors, because of Lessee's default hereunder, from the date such payments are made by Lessors until the date Lessors are reimbursed by Lessee therefor.

V.

In addition to the foregoing sums, Lessee shall, as further consideration for this lease, pay and discharge all taxes, general and special assessments, which during the term of this lease may be levied on or assessed against the leased premises and all interests therein and all improvements and other property thereon, whether belonging to Lessors or to Lessee, or to which either of them may become liable in relation thereto. Lessors warrant that there are no unpaid taxes owing with respect to the leased premises which have accrued while said leased premises have been owned by Lessors.

Lessee agrees to and shall protect and hold harmless Lessors and the leased premises from liability for any and all such taxes, assessments, and charges accruing after the date hereof, together with any interest, penalties, or other sums thereby imposed, and from any sale or other proceeding to enforce payment thereof.

All such taxes and assessments for the first and last years of this lease shall be prorated between Lessors and Lessee.

Lessee agrees to and shall pay all such foregoing taxes, assessments, and charges not less than twenty (20) days prior to the date of delinquency

thereof and give written notice of each such payment to Lessors within five (5) days after such payment is made.

If Lessee fails to pay such taxes, assessments, or charges, or fails to give written notice of any payment thereof as herein provided, at least ten (10) days prior to the time the same becomes delinquent, Lessors may, at their option, at any time, pay such taxes, assessments, or charges, together with all penalties and interest which may have been added thereto because of Lessee's delinquency or default, and may likewise redeem the leased premises, or any part thereof, or the buildings or improvements situated thereon, from any tax sale or sales. Any such amounts so paid by Lessors shall become immediately due and payable as rent by Lessee to Lessors, together with interest thereon at the rate of nine percent (9%) per annum from the date of payment by Lessors until paid by Lessee. Any such payment by Lessors shall not be deemed to be a waiver of any other rights which Lessors may have under the provisions of this lease or as provided by law.

VI.

Lessee agrees to and shall, within thirty (30) days prior to commencement of milling operations, secure a good and responsible company or companies doing insurance business in the State of Nevada and maintain the following coverage:

- (1) Comprehensive public liability insurance in the minimum amount of \$1,000,000 for loss from an accident resulting in bodily injury to or death of one person or destruction of property.
- (2) Fire and extended coverage insurance on the mill and all other facilities situated on the premises with coverage in an amount of not less than \$2,000,000.

Lessee agrees that Lessors shall be named as an additional insured on the aforementioned policies of insurance.

upon securing the foregoing coverages, Lessee shall give Lessors written notice thereof, together with a certified copy of the appropriate policies.

Protection against Cancellation. Each of the policies provided for in this Article must expressly provide that the policy shall not be cancelled without twenty (20) days' prior written notice to the Lessors.

If Lessee at any time during the term hereof should fail to secure or maintain the foregoing insurance, Lessors shall be permitted to obtain such insurance in the Lessee's name or as the agent of Lessee and shall be compensated by Lessee for the cost of the insurance premiums. Lessee shall pay Lessors interest on paid insurance premiums at the rate of nine percent (9%) per annum computed from the date written notice is received that the premiums have been paid.

Proceeds. Proceeds from any such policy or policies shall be payable to Lessee, which shall use such proceeds to make repairs as provided below. Any part of the proceeds from such policy or policies which is not so used shall be allocated first to Lessee in an amount which will cover the cost of all improvements to the leased premises made by Lessee and then the balance of such proceeds shall be allocated to Lessors.

VII.

Lessee agrees to at all times during the life of this agreement, post and keep posted in a conspicuous place or places on said mill premises notices in writing, reading to the effect that the work of development and milling on said premises, and any improvements thereon, are being done wholly and solely at the expense of said Lessee, and stating that said Lessors will not be responsible for any indebtedness for labor, material, or any other costs, created or incurred by the said Lessee in connection with the work and operation of said mill premises; copy of said posted notice to be recorded if provided by law.

VIII.

Upon commencement of milling operations, Lessee shall pay all charges for telephone, gas, electricity, and water used in or on the leased premises and for the removal of rubbish therefrom before they shall become delinquent and shall hold lessors harmless from any liability therefor.

IX.

Upon commencement of milling operations, Lessee shall maintain the leased premises in condition fit for their intended use and shall make all repairs necessary for such maintenance.

X.

Upon thirty (30) days' written notice to Lessors, Lessee may alter or improve the leased premises, and any and all alterations, additions, improvements, and fixtures made or placed in or on said premises shall on expiration or sooner termination of this lease belong to Lessee, provided, however, that Lessors shall have the option to be exercised on expiration or sooner termination of this lease, to require Lessee to remove any or all of such additions, improvements, or fixtures. Lessee shall provide Lessors with plans and mill designs made by Lessee.

XI.

Lessors covenant that the leased premises are not subject to any lien, claim, or encumbrance, except as hereinafter set forth, and that they are not in default or arrears in the making of any payment or the performance of any obligation relating to the leased premises.

XII.

In consideration of the rent, covenants and conditions to be paid, performed and observed by Lessee hereunder, Lessee shall for the term of this lease have the right of first refusal to purchase the leased premises from Lessors. In this respect, if Lessors desire to sell the leased premises,

then an offer shall be made to Lessee to sell such premises to Lessee; which offer shall be made in writing and shall specify the terms of such offer. Lessee shall have sixty (60) days from the receipt of such offer within which to accept such offer. If said offer is not accepted in accordance with the terms thereof, then such offer shall be deemed to be rejected and Lessors shall be free to sell the leased premises on terms which are not substantially less favorable to Lessors than those set forth in such offer.

XIII.

Lessee shall commence installation of improvements and/or active milling operations within thirty-six (36) months from date of this lease, or said lease may be terminated by Lessors.

Lessee shall, at least sixty (60) days prior to expiration of the term, or any extended term, hereof give to Lessors a written notice of its intention to surrender the leased premises on that date, but nothing contained herein shall be construed as an extension of the term hereof or as a consent of Lessors to any holding-over by Lessee.

Lessee may terminate this lease and its obligations at any time, provided that a minimum of six (6) months' prior notice must be given in writing to Lessors.

Lessee shall, at its own cost and expense on or within ninety (90) days after expiration or sooner termination of the term hereof or of any extended term hereof, remove all property belonging to it and all alterations, additions, or improvements, and fixtures which by the terms hereof it is permitted to remove, repair all damage to the leased premises caused by such removal, and restore the leased premises to the condition they were in prior to the installation of the property so removed.

Lessee agrees to and shall, on expiration or sooner termination of the term hereof or of any extended term hereof, promptly surrender and deliver the leased premises to Lessors in good condition, ordinary wear and tear excepted.

XIV.

If Lessee shall allow the rent to be in arrears more than sixty (60) days after written notice of such delinquency, or shall remain in default under any other condition of this lease for a period of sixty (60) days after written notice from Lessors, or should any other person than Lessee secure possession of the premises, or any part thereof, by reason of any receivership, bankruptcy proceedings, or other operation of law in any manner whatsoever, Lessors may, with notice in writing to Lessee, terminate this lease; and Lessors may re-enter and take possession of said premises and remove all persons and property therefrom.

It is expressly agreed that in the event of default by Lessee hereunder, Lessors shall have a lien upon all goods, chattels, or personal property of any description belonging to Lessee which are placed in, or become a part of, the leased premises, as security for rent due, which lien shall not be in lieu of or in any way affect the statutory Lessors' lien given by law, but shall be cumulative thereto.

All rights and remedies of Lessors under this lease shall be cumulative, and none shall exclude any other right or remedy at law. Such rights and remedies may be exercised and enforced concurrently and whenever and as often as occasion therefor arises.

Default by Lessors. If Lessors default in material money in the performance of any term, covenant, or condition required to be performed thereby under this lease and such default shall not have been cured or remedied within sixty (60) days after Lessee shall have provided Lessors with notice in writing of such alleged default, Lessee may elect either one of the following:

(1) After the termination of the sixty (60) days referred to in the first paragraph of this section, Lessee may remedy such default by any necessary action, and in connection with such remedy may pay expenses and employ counsel; all reasonable sums expended or obligations incurred by Lessee in connection therewith shall be paid by Lessors to Lessee on demand, and on failure of such reimbursement Lessee may, in addition to any other right or remedy that Lessee may have, deduct the costs and expenses thereof from rent subsequently becoming due hereunder;
or

(2) Elect to terminate this agreement on giving at least thirty (30) days' notice to Lessors of such intention, thereby terminating this agreement on the date designated in such notice, unless Lessors shall have cured such default prior to expiration of the thirty-day (30-day) period.

XV.

Lessee shall permit Lessors and their agents to enter into and upon the leased premises at all reasonable times for the purpose of inspecting the same.

XVI.

Neither Lessors nor Lessee shall be required to perform any term, condition, or covenant in this lease so long as such performance is delayed or prevented by force majeure; which shall mean acts of God, strikes, lock-outs, material or labor restrictions by any governmental authority, civil riot, floods, and any other cause not reasonably within the control of the Lessors or Lessee and which, by the exercise of due diligence, Lessors or Lessee is unable, wholly or in part, to prevent or overcome.

XVII.

All notices provided to be given under this lease shall be given by certified mail or registered mail, addressed to the proper party, at the following address:

LESSORS: Pioche Mines Consolidated, Inc.
Ely Valley Mines, Inc.
900 Empire Life Building
Dallas, Texas 75201

LESSEE: B F Minerals Corporation
P. O. Box 125
Pioche, Nevada 89043

or at such other addresses as specified from time to time by either Lessors or Lessee.

This lease shall be construed under and in accordance with the laws of the State of Nevada, and all obligations of the parties created hereunder are performable in Lincoln County, Nevada.

No amendment, modification, or alteration of the terms hereof shall be binding unless the same be in writing, dated subsequent to the date hereof and duly executed by the parties hereto.

This lease shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, executors, administrators, legal representatives, successors and assigns.

IN WITNESS WHEREOF, the undersigned Lessors and Lessee hereto execute this lease agreement as of the day and year first above written.

ATTEST:

Francis G Shaw
(Secretary)

ATTEST:

Francis G Shaw
(Secretary)

ATTEST:

Beverly R. Folta
(Secretary)

ATTEST:

Ann L. Lurder
(Secretary)

LESSORS:

PIOCHE MINES CONSOLIDATED, INC.

By J. A. Crichton
J. A. Crichton, President

ELY VALLEY MINES, INC.

By J. A. Crichton
J. A. Crichton, President

LESSEE:

B F MINERALS CORPORATION

By William D. Folta
William D. Folta, President

ARABIAN SHIELD DEVELOPMENT COMPANY

By J. A. Crichton
J. A. Crichton, President

STATE OF TEXAS)
) ss.
COUNTY OF DALLAS)

On May 30, 1975, personally appeared before me, a Notary Public, J. A. CRICHTON, President of PIOCHE MINES CONSOLIDATED, INC., who acknowledged that he executed the above instrument.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 30th day of May, 1975.

Bertha Boltz
Notary Public in and for Dallas County,
Texas.
My commission expires 6-2-75.

STATE OF TEXAS)
) ss.
COUNTY OF DALLAS)

On May 30, 1975, personally appeared before me, a Notary Public, J. A. CRICHTON, President of ELY VALLEY MINES, INC., who acknowledged that he executed the above instrument.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 30th day of May, 1975.

Bertha Boltz
Notary Public in and for Dallas County,
Texas.
My commission expires 6-2-75.

STATE OF TEXAS)
) ss.
COUNTY OF DALLAS)

On May 30, 1975, personally appeared before me, a Notary Public, WILLIAM D. FOLTA, President of B F MINERALS CORPORATION, who acknowledged that he executed the above instrument.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 30th day of May, 1975.

Bertha Boltz
Notary Public in and for Dallas County,
Texas.
My commission expires 6-2-75.

STATE OF TEXAS)
) ss.
COUNTY OF DALLAS)

On May 31, 1975, personally appeared before me, a Notary Public, J. A. CRICHTON, President of ARABIAN SHIELD DEVELOPMENT COMPANY, who acknowledged that he executed the above instrument.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 31th day of May, 1975.

Bertha Boltz
Notary Public in and for Dallas County,
Texas.
My commission expires 6-2-75.

56837

FILED AND RECORDED AT REQUEST OF
RAYMOND FREE
JUNE 13, 1975

AT 30 MINUTES PAST 2 O'CLOCK
LINCOLN COUNTY, NEVADA, RECORDS

James H. ...
COUNTY RECORDER