

Producers 88, Nevada

OIL AND GAS LEASE

THIS AGREEMENT made this 28th day of August, 1984 between William O. Bradley

Leonard H. McIntosh & Henry P. McIntosh as trustees of the grandchildren of Constance H. Bishop doing business as C.B. Ranch Co. - c/o Leonard H. McIntosh 3710 Grant Dr., Reno Nevada 89505

Jerry Ryan, 1509 Denver Club Building, Denver, Colorado 80202

Witnesseth Lessor in consideration of ten or more Dollars

10.00 in hand paid of the royalties herein provided, and of the agreement of Lessee herein contained, hereby grants, leases and lets to Lessee for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil and gas, and the conducting thereof, laying pipe lines, building power stations, telephone lines and other structures thereon to produce, save, take care of, treat, transport and own said products, and housing its employees, the following described land in White Pine & Lincoln Counties, County, Nevada, to wit:

White Pine County, Nevada
Township 23 North, Range 56 East, MDB&M
Section 33: SW1/4; NW1/4SE1/4
Lincoln County, Nevada
Township 2 North, Range 58 East, MDB&M
Section 14: W1/2; W1/2NE1/4; SE1/4

FEE \$6.00 FILE #231749
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For the purpose of protection of the interest and the special use of the surface by Lessor, the Lessee agrees to have Lessor's consent and approval before any locations of drill-sites, roads, or any other use of the leased premises; however, it is understood that the approval will not be unreasonably withheld.

Lessee agrees to return any damaged land back as near as possible to its original condition within reasonable time after abandonment.

In addition to the land above described, Lessor hereby grants, leases and lets exclusively unto Lessee to the same extent as if specifically described herein all lands owned or claimed by Lessor which are adjacent, contiguous to or form a part of the lands above particularly described, including all oil, gas, and their constituents underlying lakes, rivers, streams, roads, easements and rights of-way which traverse or adjoin any of said lands. For rental payment purposes, the land included within the lease shall be deemed to contain

760.0 acres, whether it actually comprises more or less. 5 years from the date (called "primary term") and as long thereafter as oil or gas is produced from said land hereunder, or drilling or reworking operations are conducted thereon.

3. The royalties to be paid by Lessee are: (a) on oil, one-eighth of that produced and saved from said land, the same to be delivered at the wells, or to the credit of Lessor into the pipe line to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefor prevailing for the field where produced on the date of purchase. (b) on gas, including compressed gas or other hydrocarbon substance, produced from said land and sold or used off the premises or in the manufacture of gasoline or other products, the royalty shall be one-eighth of the net proceeds from the sale of such gas, and water from said land, except water from Lessor's wells, springs, or reservoirs, or all operations hereunder, and the royalty on oil and gas shall be computed after deducting any 50 used if a well capable of producing gas in paying quantities is completed on the above described land and is shut in, this lease shall continue in effect for a period of one year from the date such well is shut in. Lessee or any assignee may thereafter, in the manner provided herein for the payment or tender of royalty rentals, pay or tender to Lessor as royalty for one year from the date such well is shut in, an amount equal to the rental and, if such payment or tender is made, this lease shall continue in effect for another period of one year. In like manner and upon like payments or tenders annually made on or before each anniversary of shut-in date of such well this lease shall continue in effect for successive periods of twelve (12) months each.

4. If operations for drilling are not commenced on said land as hereinafter provided, on or before one year from this date, the lease shall then terminate as to both parties, unless on or before such anniversary date Lessee shall pay or tender to Lessor or to the credit of Lessor in 1st Interstate Bank of California, Arlington Branch, Reno, Nevada (which bank and its successors are Lessor's agent and shall continue as the depository for all rentals payable hereunder regardless of changes in ownership of said land or the rentals either by conveyance or by the death or incapacity of Lessor) the sum of Seven hundred sixty and no/100 Dollars

760.00 (herein called rental) which shall cover the privilege of deferring commencement of operations for drilling for a period of twelve (12) months, in like manner and upon like payments or tenders annually the commencement of operations for drilling may be further deferred for successive periods of twelve (12) months each during the primary term. The payment or tender of rental hereunder may be made in currency, draft or check, at the option of the Lessee; and the depositing of such currency, draft or check in any post office, properly addressed to the Lessor or said bank, on or before the rental paying date, shall be deemed payment as herein provided. If such bank (or any successor bank) should fail, liquidate or be succeeded by another bank, or for any reason fail or refuse to accept rental, Lessee shall not be held in default for failure to make such payment or tender until such time as the Lessor shall deliver to Lessee a proper returnable instrument, naming another bank as agent to receive such payments or tenders. The down cash payment or tender for this lease according to its terms and shall not be allocated as mere rental for a period. Lessee may at any time execute and deliver to Lessor or to the depository above named or place of record a release or releases covering any portion or portions of the above described premises and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered, and thereafter the rentals payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

If Lessee shall, on or before any rental date, make a bona fide attempt to pay or deposit rental to a Lessor entitled thereto under this lease according to Lessee's records or to a Lessor who, prior to such attempted payment or deposit, has given Lessee notice, in accordance with the terms of this lease hereinafter set forth, of his right to receive rental, and if such payment or deposit shall be erroneous in any regard (whether deposited in the wrong depository, paid to persons other than the parties hereto as shown by Lessee's records, in an incorrect amount, or otherwise), Lessee shall be unconditionally obligated to pay to such Lessor the rental properly payable for the rental period involved, but this lease shall be maintained in the same manner as if such erroneous rental payment or deposit had been properly made, provided that the erroneous rental payment or deposit be corrected within thirty (30) days after receipt by Lessee of written notice from such Lessor of such error accompanied by any documents and other evidence necessary to enable Lessee to make proper payment.

5. Should any well drilled on the above described land during the primary term before production is obtained be a dry hole, or should production be obtained during the primary term and thereafter cease, then and in either event, if operations for drilling an additional well are not commenced or operations for reworking a well are not pursued on said land on or before the first rental paying date next succeeding the cessation of production or drilling or reworking on said well or wells, then this lease shall terminate unless Lessee, on or before said date, shall resume the payment of rentals. Upon resumption of the payment of rentals, Section 4 governing the payment of rentals, shall continue in force just as though there had been no interruption in the rental payments. If during the last year of the primary term and prior to the discovery of oil or gas on said land Lessee should drill a dry hole thereon, or if after discovery of oil or gas before or during the last year of the primary term the production thereon should cease during the last year of said term from any cause, no rental payment or tender is necessary in order to keep the lease in force during the remainder of the primary term. If, during the primary term, Lessee is conducting operations for drilling a new well or reworking an old well, this lease nevertheless shall continue in force as long as such drilling or reworking operations continue, or if, after the expiration of the primary term, production on this lease shall cease, this lease nevertheless shall continue in force if drilling or reworking operations are commenced within sixty (60) days after such cessation of production; and if production is resumed in a well on this lease, this lease shall continue in force as long thereafter as oil or gas is produced and as long as additional drilling or reworking operations are had without cessation of such drilling or reworking operations for more than sixty (60) consecutive days.

6. Lessee, at its option, is hereby given the right and power to pool or combine the land covered by this lease, or any portion thereof, as to oil and gas, or either of them, with any other land, lease or leases when in Lessee's judgment it is necessary or advisable to do so in order to properly develop and operate said premises, such pooling to be into a well unit or units with not exceeding forty (40) acres, plus an acreage tolerance of ten per cent (10%) of forty (40) acres, for oil, and not exceeding six hundred and forty (640) acres, plus an acreage tolerance of ten per cent (10%) of six hundred and forty (640) acres, for gas, except that larger units may be combined to conform to any spacing or well unit pattern that may be prescribed by governmental authorities having jurisdiction. Lessee may pool or combine acreage covered by this lease, or any portion thereof, as to oil or gas in any one or more strata, and units so formed need not conform in size or area with the unit or units into which the lease is pooled or combined as to any other stratum or strata, and oil units need not conform as to area with gas units. The pooling in one or more instances shall not exhaust the rights of the Lessee hereunder to pool this lease or portions thereof into other units. Lessee shall execute in writing and place of record an instrument or instruments identifying and describing the pooled acreage. The entire acreage so pooled into a unit shall be treated for all purposes, except the payment of royalties, as if it were included in this lease, and drilling or reworking operations thereon or production of oil or gas therefrom, or of such completion were on land covered by this lease, and shall be considered for all purposes, except the payment of royalties, as if such operations were on or such completion were on land covered by this lease. Whether or not the well or wells be located on the premises covered by this lease (in lieu of the royalties elsewhere herein specified, Lessor shall receive from a unit so formed, only one royalty) the royalty stipulated herein as the amount of his acreage placed in the unit or his royalty interest therein bears to the total acreage so pooled in the particular unit involved. Should any unit as originally created hereunder contain less than the maximum number of acres hereinabove specified, then Lessee may at any time thereafter, whether before or after production is obtained on the unit, enlarge such unit by adding additional acreage thereto, but the enlarged unit shall in no event exceed the acreage content hereinabove specified. In the event an existing unit is so enlarged, Lessee shall execute and place of record a supplemental declaration of unitization identifying and describing the land added by the enlarging unit provided, that if such supplemental declaration of unitization is not filed until after production is obtained on the unit as originally created, then and in such event the supplemental declaration of unitization shall not become effective until the first day of the calendar month next following the filing thereof. In the absence of production Lessee may terminate any unitized area by filing of record notice of termination.

7. Lessee shall have the right at any time without Lessor's consent to surrender all or any portion of the leased premises and be relieved of all obligation as to the acreage surrendered. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to drill and remove all casing. When required by Lessor, Lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred (200) feet of any operations of Lessee on said land without Lessor's consent. The Lessee agrees to promptly pay to the owner thereof any damages to growing crops caused by or resulting from any operations of Lessee on said land.

8. The rights of either party hereunder may be assigned, in whole or in part, and the provisions hereof shall extend to the heirs, successors and assigns of the parties hereto, but no change of division or ownership of the land, rentals, or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee. No change in ownership of the land, or any interest therein, shall be binding on Lessee until Lessee shall be furnished with a certified copy of all recorded instruments, all court proceedings and other necessary evidence of any transfer, inheritance, or sale of said rights. In event of the assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportioned among the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leaseholders hereunder. In case Lessee assigns this lease, in whole or in part, Lessee shall be relieved of all obligations with respect to the assigned portion or portions arising subsequent to the date of assignment.

9. All express or implied covenants of the lease shall be subject to all Federal, State and County Laws, Executive Orders, Rules or Regulations, and this lease shall not be terminated, in whole or in part, nor Lessee held liable in damage, for failure to comply herewith, if compliance is prevented by, or if such failure is the result of, any such Law, Order, Rule or Regulation, or if prevented by an act of God, or of the public enemy, labor disputes, inability to obtain material, failure of transportation, or other cause beyond the control of Lessee.

10. Lessor hereby warrants and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land, either in whole or in part, and in event Lessee does so, it shall be subrogated to such lien with the right to enforce same and apply rental and royalties accruing hereunder toward satisfying same. Without impairment of Lessor's rights under the warranty in event of failure of title, it is agreed that if Lessor owns an interest in said land less than the entire fee simple estate, then the royalties and rentals to be paid Lessor shall be reduced proportionately.

11. Lessors hereby release and waive all rights of homestead.

12. In the event that 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 hereby 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 fifteen days after the 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 Section. 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(s) 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(s) shall promptly execute said lease and return same along with the enforced draft to Lessee's representative or through Lessor(s) bank of record for payment.

All or the provisions of this lease shall inure to the benefit of and be binding upon the parties hereto, their heirs, administrators, successors and assigns. This agreement shall be binding on each of the above named parties who sign the same, regardless of whether it is signed by any of the other parties.

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

Leonard H. McIntosh, trustee
Henry P. McIntosh, trustee

William O. Bradley

Sec. Sec. No. or Tax ID. No.

Form with fields for No. 81655, OIL AND GAS LEASE, FROM, TO, Date, Section, Township, Range, No. of Acres, Term, County, Nevada, STATE OF NEVADA, County of LINCOLN, This instrument was filed for record on the 6th day of DECEMBER, 1984, at 1:01 o'clock P.M. and duly recorded in book 63 page 271 of the records of this office. YURIKO SETZER, CO. Recorder of Deeds, Deputy.

STATE OF NEVADA, County of Washoe

Nevada Acknowledgment (Individual)

On this 31st day of August, A.D. 1984, personally appeared before me, a Notary Public, William O. Bradley, Leonard H. McIntosh, trustee, Henry P. McIntosh, trustee, known to me to be the person whose name is subscribed to the within instrument, and acknowledged to me that he executed the above instrument.

IRMA S. HOLLAND, Notary Public - State of Nevada, Appointment Received in Washoe County, MY APPOINTMENT EXPIRES APRIL 18, 1988

Notary Public for the State of Nevada, Residing at

STATE OF NEVADA, County of Washoe

Nevada Acknowledgment (Subscribed to by)

On this 10th day of September, A.D. 1984, personally appeared before me, a Notary Public, Leonard H. McIntosh, Trustee, known to me to be the person whose name is subscribed to the within instrument, and acknowledged to me that he executed the above instrument as trustee of the grandchildren of Constance H. Bishop

FRANCES LOPEZ, Notary Public - State of Nevada, Appointment Received in Washoe County, MY APPOINTMENT EXPIRES JAN 23, 1987

Notary Public for the State of NEVADA, Residing at Reno, Nevada

STATE OF NEVADA Florida, County of

Nevada Acknowledgment (Corporation)

On this day of A.D. 19, personally appeared before me, a Notary Public, Henry P. McIntosh, as trustee known to me as trustee, President of the grandchildren of Constance H. Bishop, and acknowledged that he executed the above instrument freely and voluntarily and for the uses and purposes therein mentioned.

Notary Public, State of Florida, My Commission Expires June 19, 1988

Notary Public for the State of Florida, Residing at

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