

Prod. 88 Rev. - Pooling  
Standard Lease 01/80

OIL AND GAS LEASE

THIS AGREEMENT, made this 26th day of August, 1985, by and between Philip J. Rauch and Lou Ellen Rauch, husband and wife, 3398 Ben Hurr Road, Mariposa, California 95338, herein called "Lessor" (whether one or more), and LoneTree Energy, Inc., 12600 West Colfax Ave., Suite 4450, Lakewood, Colorado 80215, herein called "Lessee", WITNESSETH THAT:

1. The Lessor, for and in consideration of One Dollar (\$1.00) and other good and valuable consideration in hand paid, the receipt of which is hereby acknowledged, and of the covenants and agreements hereinafter contained, does hereby grant, demise, lease and let exclusively unto Lessee, its successors and assigns, the hereinafter described land, for the purpose and with the exclusive right of investigating, exploring, prospecting (by seismograph or other method or device), drilling, mining and excavating for and producing (by such method or methods as Lessee may deem advisable including repressuring and pressure maintenance of subsurface formations with fluids or gases), saving, taking, owning, storing, treating, transporting and marketing oil, gas (including helium, carbon dioxide and any substances produced in a gaseous state), casinghead gas, condensate, all other liquid and gaseous hydrocarbons, sulfur, and all substances produced therewith or incidental to the production thereof (all the foregoing specifically named and other substances being herein referred to as oil, gas, and other leased substances or simply as leased substances), together with rights of way and easements for roads, pipe lines, telephons and telegraph lines, power lines, radio and electronic communications facilities; and for erecting and using power houses and stations, tanks and reservoirs for storing oil and salt water and other substances produced from said land or land pooled therewith, gas-lift plants, pressure and repressuring and venting plants, and all other machinery, fixtures, equipment and structures deemed necessary or convenient thereon; together with any and all other rights and privileges necessary, incidental or convenient for or in connection with the purpose hereof and the exercise of Lessee's rights hereunder; said land being described as follows, situated in the County of Lincoln and White Pine, State of Nevada, to-wit:

TOWNSHIP 9 NORTH, RANGE 64 EAST, M.D.B. & M. (Lincoln County)  
Section 4: Lots 1(39.90), 2(39.90), SW1/4SW1/4  
Section 5: S1/4SE1/4, SE1/4SW1/4  
Section 8: NE1/4NW1/4, S1/4NW1/4, NE1/4, N1/4S1/4, SE1/4SW1/4  
Section 9: W1/4NW1/4, NW1/4SW1/4

TOWNSHIP 10 NORTH, RANGE 64 EAST, M.D.B. & M. (White Pine County)  
Section 22: SE1/4SE1/4  
Section 26: SW1/4NW1/4  
Section 27: NW1/4NE1/4, S1/4N1/4, SE1/4SW1/4  
Section 28: S1/4NE1/4  
Section 34: E1/4SE1/4

containing 1.319.88 acres, more or less; and for the purpose of calculating rental payments hereunder said land shall be deemed to contain exactly that number of acres, whether it actually contains more or less. Lessor intends to and hereby leases not only the above described land, but all lands owned or claimed by Lessor adjacent to said land up to the boundaries of the adjoining owners.

2. This lease shall be effective on and including the date hereof (herein called the "effective date"), and in addition thereto and subject to the other provisions hereof this lease shall be for a term of Ten (10) years from and after the effective date hereof (herein called the "primary term") and as long thereafter as oil, gas and other leased substances or any of them are produced from said land hereunder or land pooled therewith, or operations (as hereinafter defined) are continuously prosecuted as hereinafter provided on said land or land pooled therewith, or this lease is continued in force under any provision hereof or otherwise.

3. If operations for the drilling of a well are not commenced on said land or on land pooled therewith on or before one year from and after the effective date hereof, this lease shall terminate as to both parties, unless on or before one year from and after the effective date hereof the Lessee shall pay or tender to the Lessor a rental of ONE THOUSAND THREE HUNDRED NINETEEN AND 88/100 DOLLARS (\$1,319.88) which shall cover the privilege of deferring commencement of such operations for a period of twelve (12) months. In like manner and upon the payments or tenders, annually, the commencement of said operations may be further deferred for successive periods of the same number of months each, during the primary term. Payment or tender may be made to the Lessor or to the credit of Lessor in Wells Fargo Bank at 401 W. Yavapai, Mariposa, CA 95301, or any depository bank, or any successor thereof, is and shall continue to be agent for the Lessor, and Lessor's successors and assigns. If such bank (or any successor or bank) shall 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 until thirty (30) days after Lessor shall deliver to Lessee a recordable tender of rental may be made by check or draft of Lessee, mailed or delivered to said bank or Lessor, on or before the rental paying date. If Lessee shall, in good faith and with reasonable diligence, attempt to pay any rental, but shall fail to pay or incorrectly pays some portion thereof, this lease shall not terminate unless Lessee, within thirty (30) days after written notice from the Lessor of its error or failure, shall fail to rectify the same.

4. The royalties to be paid by Lessee are:

A. On oil, including condensate and other liquid hydrocarbons which are produced at the well in liquid form by ordinary production methods, one-eighth (1/8) of that produced and saved from said land, same to be delivered in kind to Lessor at the well in tanks or facilities provided by Lessor, or in kind to the credit of Lessor into the pipe line or other transportation facility connected to or otherwise utilized in transporting oil from the wells. Lessee may from time to time purchase any royalty oil and other liquid hydrocarbons in its possession, paying therefor the net market price thereof (as defined below), computed at the well. In either case the Lessor's interest shall bear its proportion of the cost of treating the oil to make it marketable and of transporting it from the wells to point of delivery to the purchaser.

B. On gas, including casinghead gas and other gaseous substances produced and saved from said land, the royalty shall be: (1) in case Lessee shall itself use gas in the extraction of gasolines, distillates or other products therefrom, one-eighth (1/8) of the net proceeds (as defined below) received by Lessee from the sale of the gasolines, distillates and other products extracted therefrom and which are saved and marketed; and one-eighth (1/8) of the net proceeds received by Lessee from the sale of residue gas remaining after such extraction; being in each case the net proceeds computed at the full gate of the plant after such extraction; (2) in case gas is sold at the well, one-eighth (1/8) of the net proceeds received by Lessee from the sale thereof computed at the well; and (3) in all other cases when gas is sold, one-eighth (1/8) of the net proceeds received by Lessee from the sale thereof computed at the well; and (4) in case Lessee shall not use but shall use gas for operations other than operations under this lease, one-eighth (1/8) of the net market price thereof, computed at the well. In either case the Lessor's interest shall bear its proportion of the cost of treating, gathering, processing (including compressing gas and extracting the products thereof), storing, and transporting the gas and products thereof from the well or plant, as the case may be, to the point of delivery to the purchaser or user.

(over)



10. The rights of either party hereunder may be assigned in whole or part and the provisions hereof shall extend to their heirs, executors, administrators, successors and assigns. No change or division in ownership of the land, rentals, or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee, or shall be binding upon Lessee for any purpose, until sixty (60) days after the person acquiring any interest or affected by such change or division has furnished Lessee, at its principal place of business, with the instrument or instruments, or certified copies thereof, constituting such change or division and showing his chain of title from the original Lessor. In the event of an assignment of this lease as to a segregated portion of said land, or as to an undivided interest therein, the rentals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each, or according to the undivided interest of each, and default in rental payment by any shall not affect the rights of other leasehold owners hereunder. An assignment of this lease, in whole or in part, shall, to the extent of such assignment, relieve and discharge Lessee of any obligations hereunder and, if Lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of the rentals due from such Lessee, or assignee, or fail to comply with any other provisions of this lease, such failure shall be the sole responsibility of the defaulting party and shall not affect this lease insofar as it covers a part of said lands upon which Lessee or any assignee thereof shall not be in default and shall make payment of said rentals. 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, but all lands so released shall remain subject to easements for rights of way necessary or convenient for Lessee's operations on the land retained by it.

11. In case of suit, adverse claim, dispute or question as to the ownership of the rentals or royalties (or some part thereof) payable under this lease, Lessee shall not be held in default in payment of such rentals or royalties (or the part thereof in doubt) until such suit, claim, dispute or question has been finally disposed of, and Lessee shall have sixty (60) days after being furnished with the original instrument or instruments disposing of such suit, claim, or dispute (or a certified copy or copies thereof), or after being furnished with proof and information sufficient, in Lessee's opinion, to determine the owners of such rentals and royalties and how to correctly pay the same, within which to make payment. Should the right or interest of Lessee hereunder be disputed by Lessor, or any other person, the time covered by the pendency of such dispute shall not be counted against Lessee either as affecting the term of this lease or for any other purpose, and Lessee may suspend all payments without interest until there is a final adjudication or other determination of such dispute.

12. When drilling, reworking, production or other operations are delayed or interrupted by force majeure, that is, by storm, flood or other acts of God, fire, war, rebellion, insurrection, riot, strikes, differences with workmen, or failure of carriers to transport or furnish facilities for transportation, or as a result of some law, order, rule, regulation, requisition or necessity of the government, Federal or State, or as a result of any cause whatsoever beyond the control of the Lessee, the time of such delay or interruption shall not be counted against Lessee, anything in this lease to the contrary notwithstanding, but this lease shall be extended for a period of time equal to that during which Lessee is so prevented from conducting such drilling, reworking or other operations, or producing oil, gas, or other leased substances from the premises.

13. It is expressly understood and agreed that there shall be no obligation on the part of Lessee to offset wells on separate tracts into which the land covered by this lease may be now or hereafter divided by sale, devise or otherwise, or to furnish separate measuring or receiving tanks therefor. Lessee may at any time or times pay or tender all rentals or other sums accruing hereunder to the joint credit of Lessor.

14. Notwithstanding the death of any Lessor, or his successors in interest, the payment or tender of rentals and other amounts hereunder in the manner provided above, shall be binding on the heirs, devisees, executors and administrators of such person. After receiving notice of the death of any Lessor or his successor in interest, the Lessee may continue making payments in the manner set forth above to the estate of the deceased party, or to the credit of such estate in the depository set forth above until sixty (60) days after the Lessee shall have been furnished with certified copies of the court proceedings showing the lawful qualification of an executor or administrator for said estate, or in the event there be no administration of said estate in court, until sixty (60) days after the Lessee shall have been furnished with evidence satisfactory to it showing the successors in title to the deceased party.

15. Lessor hereby warrants and agrees to defend the title to the lands herein described, and agrees that the Lessee at its option shall have the right to redeem for Lessor, by payment, any mortgage, taxes or other 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. In case of payment of any such mortgage, taxes or other liens by Lessee, in addition to the right of subrogation herein granted, Lessee shall also have the right to retain any rentals or royalties which become due Lessor hereunder and to repay itself therefrom, and the retention of such rentals or royalties by Lessee shall have the same effect as if paid to the Lessor in whose behalf payment of any mortgage, taxes or other liens was made.

16. This lease shall be binding upon all who execute it, whether or not named in the body hereof as Lessor, and without regard to whether this same instrument, or any copy thereof, shall be executed by any other Lessor named above. Each Lessor executes this lease individually and in his own right and also for and on behalf of all parties for whom he is authorized and empowered to lease said land.

17. For the above consideration, Lessee is granted the option to renew this lease under the same provisions for a second primary term of FIVE (5) years from the end of the primary term hereof, and as long thereafter as oil or gas is produced from said land or land pooled therewith. Lessee may exercise this option by paying or tendering to the Lessor or Lessor's credit in the above-named depository bank, the sum of \$2.00 dollars per net mineral acre covered by this lease before the expiration of the primary term hereof. No rental shall be due for the first year of said second primary term.

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

*[Signature]*  
 \_\_\_\_\_  
 \_\_\_\_\_

Lessor

S.S. No.

*[Signature]*  
 Philip J. Rauch S.S.# 546-28-8697

*[Signature]*  
 Lou Ellen Rauch S.S.#

ACKNOWLEDGMENT



The State of California }  
County of Mariposa }

BOOK 245 PAGE 554

Before me, the undersigned authority, on this day personally appeared Phillip J. Rauch and Lou Ellen Rauch, husband and wife known to me to be the person(s) whose name(s) subscribed to the foregoing instrument, and acknowledged to me that he/she/they executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office on this 03 day of October 95, A.D. 1995

My Commission Expires:

April 6, 1996

Jovan A. Trujillo  
Notary Public in and for Mariposa County, Mariposa

CORPORATE ACKNOWLEDGMENT

The State of \_\_\_\_\_ }  
County of \_\_\_\_\_ }

Before me, the undersigned authority, on this day personally appeared \_\_\_\_\_ President of \_\_\_\_\_

a corporation, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated and as the act and deed of said corporation.

Given under my hand and seal of office on this \_\_\_\_\_ day of \_\_\_\_\_, A.D. 19 \_\_\_\_\_

My Commission Expires: \_\_\_\_\_

Notary Public in and for \_\_\_\_\_ County, \_\_\_\_\_

No. 104553

Oil and Gas Lease

FROM

TO

Request By  
HSC Services Account

State of Nevada }  
County of Lincoln }

This instrument was filed for record on the 12th day of January, 19 1996, at 1:01 o'clock, P.M., and duly recorded in Book 117 Page 07 of the Official records of this office.

Xuriko Setzer  
County Clerk - Register of Deeds.  
Julie Baucher  
Deputy.

When received return to

LAND ADMINISTRATION  
1445 ROSS ST FIELD  
SUITE 1700  
DALLAS, TEXAS 75202-2785

ATTN: LEVERNE HEARN

293055

FEE \$10.00 FILE #293055  
FILED FOR RECORD  
AT THE COUNTY CLERK'S OFFICE

ACKNOWLEDGMENT

The State of \_\_\_\_\_ }  
County of \_\_\_\_\_ }

Before me, the undersigned authority, on this day personally appeared \_\_\_\_\_

known to me to be the person \_\_\_\_\_ whose name \_\_\_\_\_ subscribed to the foregoing instrument, and acknowledged to me that he \_\_\_\_\_ executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office on this \_\_\_\_\_ day of \_\_\_\_\_, A.D. 19 \_\_\_\_\_

My Commission Expires: \_\_\_\_\_

Notary Public in and for \_\_\_\_\_ County, \_\_\_\_\_

BOOK 117 PAGE 07

Hunt Oil Company  
'95 NOV 20 A9:28

RECORDED IN BOOK 245 PAGES 551-554  
JAN 20 1996  
WHITE PINE COUNTY RECORDER