

Lincoln County

Prod 88 Rev - Pooling  
Standard Find Up Lease 1/2/90

OIL AND GAS LEASE  
(PAID UP)

THIS AGREEMENT, made this 2nd day of May, 1996  
by and between Ruth Ellen Lloyd Connolly, a/k/a Ruth E. Connolly and William J. Connolly, wife and husband  
824 Arcadia Ave., Unit #1, Arcadia, California 91007.

herein called "Lessor" (whether one or more), and Hunt Oil Company of Nevada  
Fountain Place, 1445 Ross at Field, Dallas, Texas 75202-2785

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 operating 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 substance produced in a gaseous state), casinghead gas, condensate, all other liquid and gaseous hydrocarbons, sulphur, 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, telephone 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, gasoline plants, pressure and repressure and recycling plants, and all other machinery, fixtures, equipment and structures deemed necessary or convenient thereon, together with any and all other rights and privileges necessary, incident to or convenient for or in connection with the purposes hereof and the exercise of Lessee's rights hereunder, said land being described as follows, situated in the County of Lincoln, State of Nevada, to wit:

TOWNSHIP 1 NORTH, RANGE 66 EAST, M.D.M.

Section 15: 4.59 acres of land, more or less, being the patented mining claim known as the HAMBURG MINE, Mineral Survey Number 39, Patent Number 27219, Lincoln County, Nevada. (Highland Mining District)

containing 4.59 acres, more or less; and 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. 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 pipeline 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 gasoline, distillate or other products therefrom, one-eighth (1/8) of the net proceeds (as defined below) received by Lessee from the sale of the gasoline, distillate 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 tail gate of the plant after such extraction; (2) in case gas is sold at the wells, one-eighth (1/8) of the net proceeds received by Lessee from the sale thereof, computed at the well; (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 sell 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.

C. On all other leased substances produced and saved, including substances produced with or incidental to the production of hydrocarbons and vapors from said land and saved, the royalty shall be one-eighth (1/8) of the net proceeds received by Lessee from the sale thereof computed at the well, and when not sold but used by Lessee for operations other than operations under this lease, the royalty shall be one-eighth (1/8) of the net market price of such substances so used, computed at the well, except that on sulphur the royalty shall be One Dollar (\$1.00) per long ton.

D. No royalty shall be payable on oil, gas and other leased substances, or products thereof, or reinjection gas, produced from said land and used by Lessee for operations on said land, or disposed of for no consideration to Lessee either through unavoidable loss or leakage, or in order to produce or recover leased substances, or returned in a subsurface formation.

E. The term "net market price" as used in this lease means the price prevailing in the field where said land is located of substances of the same or substantially the same kind, quality, quantity and characteristics as leased substances or products thereof, as determined by comparable sales or as established by governmental authority, and if there are no comparable sales or governmental price controls, such price as determined by Lessee to be fair and reasonable, less the reasonable cost of treating, gathering, processing (including compressing gas and extracting the products thereof), storing, and transporting same from the well or plant, as the case may be, to the point of delivery to the purchaser or user. The term "net proceeds" as used in this lease means proceeds received by Lessee from sales of leased substances or products thereof, less costs mentioned above in this paragraph.

F. It is the intention of the parties hereto (except as to leased substances the Lessor may take in kind), subject to applicable governmental regulations and price controls, that the Lessee shall have and is granted the sole and unfettered right to sell the leased substances for such price and upon such terms and conditions and for such duration as the Lessor in its sole discretion deems advisable, provided that any such sale and contract of sale is made by Lessee in good faith as a prudent operator, at arm's length (or as favorable to Lessor as if at arm's length), and is fair and reasonable at the time and under the circumstances existing when entered into, and it is agreed that royalty paid hereunder on or based on net proceeds from any such sale or contract of sale, or on net market price as determined hereunder, will satisfy the provisions of this lease with respect to the payment of royalty hereunder.

4. This is a PAID UP LEASE, and, subject to other provisions hereof, this lease shall be and continue in force for the primary term hereof and as long thereafter as provided herein, whether or not Lessee commences, continues, ceases or resumes drilling, production, or other operations on said land or on land pooled therewith and without rental payments or further payments other than royalties herein provided.

(over)

Lincoln County

5. If Lessee obtains production of oil, gas or other leased substances on said land or on land with which the leased premises or any portion thereof has been pooled, and if, during the life of this lease either before or after the expiration of the primary term, all the wells are shut in before or after production therefrom because of the lack either of a market at the well or wells or of an available pipe line outlet or capacity in the field, or because in Lessee's good faith judgment it is not advisable to produce and sell such production for the time being, this lease shall not terminate but shall continue in effect during such shut-in period as though production were actually being obtained on the premises within the meaning of Paragraph 2 hereof, and for all purposes hereof it shall be deemed that production in paying quantities is being so obtained, and on or before the anniversary of the effective date hereof next ensuing after the expiration of ninety (90) days from the date all such production is shut in, and annually thereafter on or before such anniversary date so long as all such production is shut in and not commenced or re-commenced on or before any such succeeding anniversary date, Lessee shall pay or tender to the royalty owners or to the credit of royalty owners in the depository bank specified below, as royalty, the amount of One Dollar (\$1.00) per acre for the number of acres in the leased premises then subject to this lease. Such payment or tender may be made to the credit of the royalty owners, or any

one or more of them as to their respective interests, in the Bank of America Bank at Arcadia, California  
or any successor, which bank or any successor thereof shall continue as depository bank regardless of changes in ownership of royalty. Such payment or tender may be made by check or draft of Lessee, mailed or delivered to said bank or royalty owners, on or before said anniversary date. The owners of the royalty as of the date of such payment shall be entitled thereto in proportion to their ownership of the royalty. The provisions of this paragraph shall be recurring at all times during the life of this lease. Nothing in this paragraph contained shall abridge the right of Lessee to surrender or release this lease in whole or in part, or to otherwise maintain this lease in force and effect under its other provisions, and no shut-in royalty shall be due for or with respect to a shut-in period during which this lease is otherwise maintained in force and effect.

6. If, at the expiration of the primary term, oil, gas or other leased substances or any of them are not being produced on said land or on land pooled therewith but Lessee is then engaged in operations thereon, or if Lessee shall have ceased operations or production on said land or on land pooled therewith within ninety (90) days prior to expiration of the primary term, this lease shall remain in force so long thereafter as the same or other operations are prosecuted (on the same or different wells) with no cessation of more than ninety (90) consecutive days, and, whether or not they result in the production of oil, gas or other leased substances, as long thereafter as oil, gas or other leased substances are produced from or operations are prosecuted (on the same or different wells) on said land or on land pooled therewith, with no cessation of more than ninety (90) days. Whenever used in this lease the word "operations" means and includes operations for and the mining, drilling, testing, completing, re-completing, reworking, deepening, plugging back or repairing of a well or hole, repairing or replacing production equipment, or any other operations, in search for or in an effort to obtain or re-establish production of oil, gas and other leased substances, and includes the production of leased substances whether or not in paying quantities. All operations hereunder shall be deemed to be continuously prosecuted if not more than ninety (90) consecutive days elapse between the completion of all operations at one well or location and the commencement or recommencement of operations at the same or another well or location.

7. Lessee is hereby granted the right and power at any time and from time to time, without Lessor's consent, to pool, combine or unitize this lease, the leasehold estate and Lessor's royalty estate created hereby, as to all or any part of the land covered hereby, and as to any one or more subsurface strata or formations, with any other land, lease or leases, royalty or mineral estate or estates, or portions thereof or subsurface strata or formations thereunder, regardless of the ownership thereof, so as to create one or more pooled units or operating units for oil, gas and other leased substances, or either or any of them. Each such unit created for oil, including casinghead gas, shall contain not more than eighty (80) acres plus a tolerance of ten percent (10%) thereof, and each such unit created for gas, including condensate, shall contain not more than six hundred forty (640) acres plus a tolerance of ten percent (10%) thereof. If any drilling, spacing, protraction, conservation, production or other laws, orders, rules and regulations of any Federal, State or other governmental authority having or claiming jurisdiction has heretofore or shall at any time hereafter prescribe or permit the creation of units larger than those specified hereinabove, then any unit or units created hereunder may contain or may be redesignated so as in content, as the case may be, not more than the maximum number of acres so prescribed or permitted, plus any prescribed or permitted tolerance, the Lessee being specifically authorized and empowered but not obligated to create units of such size, shape and content as to obtain the maximum allowable of production from any well or wells. Pooled units may be formed hereunder and unit designations filed before or after the commencement or completion of a well and before or after production is obtained on that portion of this lease included in any such unit or on any other acreage included therein. In the event any such unit or units are so created by Lessee, Lessor agrees to accept and shall receive out of the production or the proceeds from the production from such unit or units, such portion of the royalty specified herein as the number of acres (mineral acres) out of this lease placed in any such unit or units bears to the total number of acres included in such unit or units. Operations for the commencement of a well, or the completion of a well to production of either oil, gas or other leased substances on any portion of a unit in which all or any part of the land described herein is embraced, or production of oil, gas or other leased substances therefrom shall have the same effect under the terms of this lease as if a well were commenced, completed or producing oil, gas or other leased substances on the land embraced by this lease. Lessee shall execute in writing and file for record in the records of the County in which the lands herein leased are located, a unit designation instrument identifying and describing the pooled acreage, or an instrument supplemental thereto redesignating same, as the case may be. Either prior to the securing of production from any unit created under the authority hereinabove granted, or after cessation of production therefrom, Lessee shall have the right to dissolve the unit so created, without Lessor's consent or further consent, by executing in writing and placing of record in the County or Counties in which the lands making up such unit may be located, an instrument identifying and dissolving such unit. If it is determined that any acreage, interest, mineral or stratum is not subject to the unit designation instrument and is not included in the pooled unit, the unit shall not be terminated thereby but shall continue in force as to the remaining acreage, interests, minerals and stratum, unless otherwise provided in leases and other instruments pertaining thereto and of record on the effective date of the unit, and neither Lessee nor any other interest owner shall be liable to any party for the change in acreage, content of the unit, nor be obligated to make any retroactive allocation or adjustment of royalties or sums paid on production. The provisions hereof shall be construed as a covenant running with the land and shall inure to the benefit of and be binding upon the parties hereto, their heirs, representatives, successors, and assigns. In addition to the foregoing, Lessee shall have the right to unitize, pool, or combine all or any part of said land as to one or more of the formations thereunder with other lands, in the same general areas by entering into a cooperative or unit plan of development or operation including any enhanced recovery unit, approved by any governmental authority and, from time to time, with 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 modified to conform to the terms, conditions, and provisions of such approved cooperative or unit plan of development or operation and particularly all drilling and development requirements of this lease. Expressly implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this lease shall not terminate or expire during the life of such plan or agreement. In the event that said land or any part thereof shall hereafter be operated under any such cooperative or unit plan of development or operation including any enhanced recovery unit, whereby the production therefrom is allocated to different portions of the 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 to Lessor, 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 be made 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 approved by Lessee and approved by any governmental agency by executing the same upon request of Lessee. Lessor's consent is not a prerequisite to the effective commitment of Lessor's interest.

8. If Lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties herein provided shall be paid to Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee.

9. Lessee shall have free use of oil, gas, other leased substances and water from said land, except water from Lessor's wells, for all operations hereunder, including repressuring, pressure maintenance and recycling, and the royalty shall be computed after deducting any so used. 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 draw 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 residence or barn now on said land, without Lessor's consent. In the event a well or wells producing oil, gas, casinghead gas or condensate in paying quantities should be brought in on adjacent lands not owned by the Lessor and within one hundred (100) feet of and draining the leased premises, Lessee agrees to drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances.

10. The rights of either party hereunder may be assigned in whole or in 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. 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 to comply with any 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. Lessee may at any time execute and deliver to Lessor or 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, but all lands so released shall remain subject to easements, or 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 royalties (or some part thereof) payable under this lease, Lessee shall not be held in default in payment of such 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 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, request 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 sums accruing hereunder to the joint credit of Lessor.

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

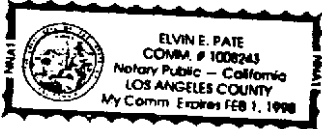
State of CALIFORNIA

County of LOS ANGELES

On MAY 18, 1996 before me, ELVIN E. PATE, Notary Public

personally appeared WILLIAM J. CONNOLLY & RUTH E. CONNOLLY

personally known to me OR - X proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



WITNESS my hand and official seal.

Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: OIL AND GAS LEASE

Document Date: MAY 2ND 1996 Number of Pages: 4

Signer(s) Other Than Named Above: NONE

Capacity(ies) Claimed by Signer(s)

Signer's Name: WILLIAM J. CONNOLLY

Signer's Name: RUTH E. CONNOLLY

- Individual
Corporate Officer
Title(s):
Partner - Limited General
Attorney-in-Fact
Trustee
Guardian or Conservator
Other:

- Individual
Corporate Officer
Title(s):
Partner - Limited General
Attorney-in-Fact
Trustee
Guardian or Conservator
Other:



Signer Is Representing:

HIMSELF

Signer Is Representing:

HERSELF

County of

Before me, the undersigned authority, on this day personally appeared Ruth Ellen Lloyd Connolly, a/k/a Ruth E. Connolly and William J. Connolly, wife and husband

known to me to be the person(s) whose name(s) are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office on this day of May, A.D. 19 96

My Commission Expires

Notary Public in and for County,

SEE ATTACHED NOTARY CERTIFICATE

Lincoln County

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,

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 \_\_\_\_\_

**Oil and Gas Lease (Paid Up)**

FROM \_\_\_\_\_

TO \_\_\_\_\_

State of \_\_\_\_\_  
County of \_\_\_\_\_

This instrument was filed for record on the \_\_\_\_\_ day of \_\_\_\_\_ 19 \_\_\_\_\_ at \_\_\_\_\_ o'clock \_\_\_\_\_ M. and duly recorded in Book \_\_\_\_\_ Page \_\_\_\_\_ of the \_\_\_\_\_ records of this office

By \_\_\_\_\_ County Clerk—Register of Deeds.  
Deputy: \_\_\_\_\_

YOUR RECORD NUMBER  
LAND ADMINISTRATION  
1445 ROSS ST. FIELD  
SUITE 1700  
DALLAS, TEXAS 75202-2785  
ATTN: LEVERNE HEARN

No. 205352

FILED AND RECORDED AT REQUEST OF  
HUNT OIL COMPANY OF NEVADA  
JUNE 21, 1996

01 MINUTES PAST 11 O'CLOCK  
P.M. IN BOOK 119 OF OFFICIAL  
RECORDS, PAGE 264 COUNTY, NEVADA

YURIKO SETZER

BY Yuriko Setzer DEPUTY