

Lincoln County

Prod. 88 Rev. - Pooling
Standard Paid Up Lease 1/2/80

**OIL AND GAS LEASE
(PAID UP)**

THIS AGREEMENT, made this 6th day of June 19 96
by and between Nicholas M. Hughes and Jean A. Hughes, husband and wife
6094 Carlsbad Avenue, Las Vegas, Nevada 89115
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.

Sections 15, 16, 21 and 22: 75.703 acres or land, more or less, being the patented mining claims known as the LITTLE MENDAH MINE; LITTLE MENDAH #3 MINE; LITTLE MENDAH #4 MINE; LITTLE MENDAH #5 MINE; and CEDAR LODGE MINE, Mineral Survey Number 3970, Patent Number 292847, and being the same property described in a Deed from Ruby Lister, County Treasurer of Lincoln County, Nevada, as Trustee, to Nicholas M. Hughes and Jean A. Hughes, as Joint Tenants with right of survivorship, dated September 22, 1981, and recorded in Book 46 at Page 500 of the Official Records of Lincoln County, Nevada. (Highland Mining District)

containing 75.503 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 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 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 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 sulphur 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 residue 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 to 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 unfeettered right to sell the leased substances for such price and upon such terms and conditions and for such duration as the Lessee 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

14. Notwithstanding the death of any Lessor, or his successors in interest, payments made by Lessee in the manner provided above shall be binding on the heirs, devisees, executors and administrators of such person.

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.

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.

17. For the above consideration, Lessee is granted the option to renew this lease under the same provisions for a second primary term of -0- 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.

18. Notwithstanding any provisions in this lease to the contrary, Lessee shall not conduct operations on the surface of the lands leased hereunder without the express written consent of the Lessor. Lessee or their assigns may recover oil, gas and other minerals by directional drilling, pooling, unitization or other means herein provided for.

Nick & Jean A.

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

Lessor

S.S. No.

Nicholas M. Hughes

Nicholas M. Hughes S.S.# [redacted]

Jean A. Hughes

Jean A. Hughes S.S.# [redacted]

ACKNOWLEDGMENT

The State of Nevada

County of Clark

Before me, the undersigned authority, on this day personally appeared Nicholas M. Hughes and Jean A. Hughes, husband and wife

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

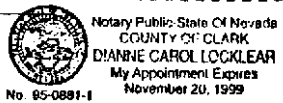
Given under my hand and seal of office on this 6th day of June A.D. 19 96

My Commission Expires:

NOVEMBER 30, 1999

Dianne Carol Locklear

Notary Public in and for Clark County, Nevada



BOOK 120 PAGE 114

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—Registrar of Deeds
Deputy.

When returned return to
LAND ADMINISTRATION
1445 ROSS ST FIELD
SUITE 1700
DALLAS, TEXAS 75202-2785
ATTN: LEVERNE HEARN

105596

No. _____
LED AND RECORDED AT REQUEST OF
HUNT OIL COMPANY
AUGUST 7, 1996

AT 15 MINUTES PAST 4 O'CLOCK
P.M. OF OFFICIAL
BOOK PAGE 112 LINCOLN

COUNTY, NEVADA
YURIKO SETZER, RECORDER
Leanne Boucher Deputy
BOOK 120 PAGE 115