Prod. 66 Rev. - Pooling Standard Paid Up Legge 1/2/90

OIL AND GAS LEASE (PAID UP)

THIS AGREEMENT, made this 6th day of June 19	96	l.
by and between Nicholas M. Hughes and Jean A. Hughes, husband and wife	·	l
6094 Carlsbad Avenue, Las Vegas, Nevada 89115	1.	.\
	Α	
herein called "Lessor" (whether one or more), and Hunt, 011 Company of Nevada	\	
Fountain Place, 1445 Ross at Field, Dallas, Texas 75202-2785		
, herein called "Lessee", WITNESS	- 1	
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 ack and of the coverences and egreements hereinable contained, does hereby grant, demise, lesse and let exclusively unto Lesses, its successors and assigns, the described land, for the purpose and with the exclusive right of investigating, exploring, prospecting for setting gap to either metiod or device), drilling, operating for and producing (by such method or methods as Lessee may deem advisable including repressuring and pressure maintenance of subsurface with fluids or gases), saving, laking, owning, string, treating, treating and marketing oil, gas (including helium, carbon stonide and any substance produced therewith or incidental to the thereof (all the foregoing specifically named and other substances being herein referred to as oil, gas, and other lessed substances or simply as lessed a together with rights of way and essements for roads, pipe lines, telephone and telephone and telephone and telephone and telephone and telephone and stations, tanks and reservoirs for storing oil and salt water and other substances produced time sald lend or land privile plants, pressure and repressure and recycling plants, and all other machinery, instance, equipment and structures deemed necessary or convenit together with any and all other rights and privileges necessary, incident to or convenient for or in connection with the purposes hereol and the exercise-rights hereunder; said land being described as follows, situated in the County of	foreign and included in the control of the control	her md ms n s ken ken mi- mi- mi-

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 LODE 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 Micholas 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)

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

- 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 of from the wells. Lessee may from time to time purchase any program oil and other regular typical theoretic state and the rest. 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.
- 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 defivery 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) acceived by Lessee from the saile 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 saile of residue gas remaining 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 saile 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 saile thereof, computed at the well; (3) in all other cases when gas is sold, one-eighth (1/8) of the net market price thereof, computed at the well, in either case the Lessor's interest shall be grouportion 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 randured and saued including substances received with or incidental to the conduction of brightness and substances are substances.
- 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 Dottar (\$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 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 (naccossing (naccossing (naccossing (naccossing (naccossing (naccossing (naccossing naccossing nacc
- 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 undertered 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 Lessoe in good laith as a prudent operator, at arm's length (or as favorable to Lessor as if at arm's length), and is it is agreed that royally 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 royally 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.

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 lite 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 production hor 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 is hall be deemed that production in paying quantities is being so obtained, and on or before the anniversary of the leffective 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 royally owners or to the credit of royally owners in the depository bank specified below, as royally, 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 royally owners, or any

First Interstate one or more of them as to their respective interests, in the Bank at North Las Vegas, Nevada of any successor, which bank or any successor thereof shall continue as depository bank regardless of changes in ownership of royally. Such payment or tender may be made by check or druft of Lessee, mailed or delivered to said bank or royally owners, on or before said anniversary date. The owners of the royally as of the date of such payment shall be entitled thereto in proportion to their ownership of the royally. 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 seless this lease in whole or in part, or to otherwise maintains the 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 therewise all 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 therewish, 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, completing, re-completing, reworking, deepening, phyging 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 seased substances whether or not in paying quantities. All operations hereunder shall be deemed to be continuously prosecuted in our more than ninety (90) consecutive days etaps between the completion of all operations at one well or location.

 2. Lease is hearthy granted the right and rough at any from time to time without I essent's binder, to not combine or unitize this lease, the bases.
- operations, in search for or in an effort to obtain or re-establish production of oil, gas and other lessed substances, and includes the production of elements whether or not in paying quantities. All operations hereunder shall be deemed to be continuously prosecutiously gross under 1500 combine or unitize this has whether or not in paying quantity days eighane between the completion of all operations at one well or location and the commencement or recommencement of operations as it is same or another well or location.

 7. Lessee is hereby granted the right and power at any time and from the to time, without Lessor's joinder, to pool, combine or unitize this lesse, the lessehold destate and Lessor's oryally estate created hereby, as to all or any part of the lend covered hereby, and as to any one of more subsurface strata or formations that any other land, lesse or lessee, royally or mineral astate or estates, or portions thereof or subsurface stor or formations the remarking thereo, so as to create one or more pooled units or operating units for oil, gas and other lesses substances, or either or any of them. Each such unit created for each including consistence, and explained pass, and contain not more than eight (60%) acres plus a tolerance of the percent (10%) liberool. If any difficing, spacing, provation, conservation, production or other fawer, orders, rules and regulations of any Federals, State or other governmental suthority having or claiming justicition has heretooler or shall at any time hereafter prescribe or permitted to execute the result of the production of acres and prescribed or permitted tolerance; the Lesses being specifically authorized and employment of the interest of acres or prescribed or permitted tolerance; the Lesses being specifically authorized and employment of the interest of a size of a size of the control of any acres of acres or interest or attent the commencement of a well, or the completion of any other control of the production of any production of any production of any pr
- 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.
- See beauto Lesson only in time proportion which Lessor's inferest bears to the whole and undivided fee.

 9. Lessee shall have free use of oil, gas, other lessed 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 casing. When required by Lessor, Lessee will bury all poel lines below ordinary plow depth, and no well hall be driefled within two hondred (200) feet of any residence or barn flow 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 titly (150) 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.
- prudent operator would drill under the same or similar circumstances.

 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 turnished Lessee, at its principal place of business, with the instrument or instruments, or certified copies thereof, constituting such change or division and showing his channot title from the original Lessor. An assignment, the lasse, in whole or in part, shall, to the extent of such assignment, relieve and discharge Lessee of any obligations hereunder and, if Lessee or assignment of this lease insofar as it covers a part of said lands upon which Lessee or any assignment hereof shall not be in default. Lessee may at any time execute and deliver to Lesser or the depository above named or place of record a release 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 for rights of way necessary or conventient for Lessee's operations on the lard retained by it.

 11. In case of suit enterest claim, dispute or question as to the powership of the royalties for some natt thereoft navable under this lease. Inside the
- 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 some part thereof) and 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 limitly disposed of, and Lessee shall have sirtly (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, rebetion, insurrection, riot, strikes, differences with workmen, or failure of carriers to transport or furnish facilities for transportation, or as a result of some taw, 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 leass 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
- 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.

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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. After receiving notice of the death of any Lessor or his successor in interest, the Lessee,may continue making payments in the manner sell forth above to the estate of the deceased party, or to the credit of such estate in the depository sel 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 reliain any 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 tand.

17. For the above consideration, Lessée 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. Lessee may exercise this option by paying or tendering to the Lessor or Lessor's credit in the above-named depository benk, the sum of _0_ dollars per net mineral acre covered by this lease before the expiration of the primary term hereof.

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. Lessee shall have all rights herein granted to explore for and produce oil, gas and other minerals from wells bottomed under said land which Lessee may have directionally drilled or pooled with other lands in the area or vicinity of said land. If Lessee commences any well on land not covered by this lease, Lessee is hereby granted the right to drill any such well diagonally through the subsurface of this lease in order to bottom any such well in and under land not covered by this lease. The right herein granted shall remain in effect so long as this lease remains in effect and thereafter so long as any such well is produced or operations are being conducted thereon.

IN WITNESS WH	HEREOF, this instrum	nent is executed as of the	_ <u> </u>	Virlula (icholas M. Hugher	1 2	S.S. No.
The State of	Nevada Clark	A	CKNOWLEDGM	Jean A. Hughes	375.#	
known to me to be the executed the same for	person S the purposes and co	is day personally appeared whose name S. <u>are</u> sumsideration therein expressifice on this	ibscribed to the foreç sed.	going instrument, and a	A. Hughes, husband cknowledged to me that	they
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	The State of	ACKNOWLEDGMENT
	Before me, the undersigned authority, on this day personally	\ \
	known to me to be the person whose name executed the same for the purposes and consideration thereis	n expressed.
	. My Commission Expires:	day of A.D. 19
		Notary Public in and forComey,
•		PRPORATE ACKNOWLEDGMENT
	County of	
	Before me, the undersigned authority, on this day personally	
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	Given under my hand and seal of office on this My Commission Expires:	day of
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