

91279

LEASE AND AGREEMENT

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THIS LEASE AND AGREEMENT is made and entered into as of this 18th day of SEPTEMBER, 1971, by and between OSCAR A. DeNAULT and LOUISE G. DeNAULT

hereinafter referred to as "Lessor", and

GULF OIL CORPORATION, a Pennsylvania corporation, hereinafter referred to as "Lessee".

WITNESSETH:

Lessor is the owner of the following described land, hereinafter called "said land", situate in the County of Klamath, in the State of OREGON

In Township Forty South, Range Nine East of the Willamette Meridian (T40S/R9E W.M.)

Section Twenty Nine (29): W1/4, NE1/4, S1/4 and in
Section Twenty Nine (29): W1/4, & SW1/4 Less that deeded to U.S.A. 8/31/44 Vol. 172 Page 351
Section Thirty Two (32): W1/4

Including also in the leased land all rights of Lessor, presently owned or hereafter acquired, in and under roads, ditches, and

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rights of way traversing or adjacent to said land and containing _____ acres more or less, for use as hereinafter provided for the development, production and sale or utilization of geothermal steam, naturally heated water, and thermal energy, gases and all other minerals, either in solution or in solid form (except oil, gas and other hydrocarbon substances); each for use, either as such, or, when suitable therefor, for processing for the recovery of by-products therefrom or for conversion to electric power; all of which are hereinafter, in this lease, referred to and designated as "lease substances". Lessee shall have under this Lease and Agreement all rights and power necessary or convenient to carry on the business of developing and utilizing steam and steam power and, if Lessee deems it warranted, of extracting minerals therefrom.

TERMS OF AGREEMENT

of which is hereby acknowledged, and in consideration of the covenants and agreements hereinafter contained by the Lessee to be kept and performed, Lessor does hereby grant, lease, let and demise to Lessee, its grantees, successors and assigns, subject to the terms and conditions hereinafter set forth, the land hereinabove described, with the sole and exclusive right to Lessee to explore for (by such methods as it may desire), drill for, produce, extract, mine, remove and sell said lease substances from, and utilize, process, convert and otherwise treat the same upon said land, and to extract any extractable minerals, during the term hereof, with the right of entry thereon and use and occupancy thereof at all times for said purposes and the furtherance thereof, including the right to construct, use and maintain thereon and to remove therefrom structures, equipment for the extraction and processing of extract-

ions, utility lines, power and transmission lines irrespective of whether said extractable minerals or steam power is produced on these lands or on other lands pooled herewith or on lands located in the vicinity hereof. The possession by Lessee of said land shall be sole and exclusive and shall include the right to use and occupy said land, or to lease or otherwise deal with the same, without interference with Lessee's rights for any and all uses other than and not interfering with the uses and rights permitted to Lessor hereunder.

The terms and conditions of this lease are as follows, to wit:

1. This lease shall be for a term of twenty (20) years from and after the date hereof (called "primary term"), and so long thereafter as there is commercial production of any lease substances derived or produced from the property leased hereunder or from land pooled herewith and for so long as Lessee is prevented from producing same, or the obligations of Lessee hereunder are suspended, for the causes hereinafter set forth, or so long as Lessee in good faith shall conduct mining, drilling, retreating, dewatering or remedial operations on said land or on land pooled therewith. It is further provided that if at any time after the expiration of the primary term hereof the production of all lease substances derived or produced from the leased land, or land pooled herewith, ceases for any cause, this lease shall nevertheless remain in full force and effect for an additional period of one (1) year and thereafter if, and so long as, Lessee commences and continues diligently and in good faith operations or procedures to cause a resumption of such production, until such production shall be resumed.

2. Lessee agrees to commence drilling operations on said land on or before the expiration of the primary term hereof and to prosecute the same with reasonable diligence until Lessee has completed one or more wells on the leased land separately or collectively producing, or being capable of producing, any lease substances in commercial quantities; or Lessee may at any time without commencing drilling operations terminate this lease and abandon said land as hereinafter provided. If on the expiration of the primary term hereof Lessee is engaged in drilling a well pursuant to the provisions hereof the primary term herein provided shall be extended for the period required by Lessee to complete drilling of said well and for an additional period of six months to test said well to determine whether or not such well separately is or such well together with one or more other wells are capable of producing any lease substances in commercially paying quantities, and provided further that if such well separately is not or such well together with one or more wells are not capable of producing any lease substances in commercially paying quantities, if Lessee within one (1) month after expiration of said six months testing period commences the drilling of another well on the leased land and continues such drilling diligently and in good faith the primary term herein provided for shall be further extended for the period required by Lessee to complete drilling of said well and to test same for the reasons, or otherwise, as provided herein, and shall be applicable as to each subsequent well which Lessee may elect to drill, until completion on the leased land of one or more wells fulfilling the requirements of this subdivision.

3. If operations for drilling on the leased premises, or on lands with which the leased premises are pooled, are not commenced on or before one year from the date of this lease, this lease shall terminate as to both parties unless on or before the year

from the date of this lease Lessee shall pay or tender to the Lessor a rental of \$ 501.00

(FIVE HUNDRED ONE & NO/100ths DOLLARS)

which shall cover the privilege of deferring the commencement of such drilling operations for a period of twelve months from the expiration of said one-year period. In like manner, and upon like payments or tenders annually, the commencement of such operations may be deferred for successive periods of twelve months during the primary term. The payment or tender of rental may be made by check or draft of Lessee mailed or delivered as provided in paragraph 9; or in any other manner than one or more or before the rental paying date. Mailing of rental on or before the rental paying date shall be deemed a timely tender thereof and

shall constitute payment of rental for the total acreage held pursuant to this lease at the time of payment.

4. Upon commencement of the drilling of a well, the obligations of Lessee to pay rental hereunder shall terminate. In the event the first well drilled on the leased land does not indicate or establish to the satisfaction of Lessee sufficient power potential or extractable minerals in commercially paying quantities, Lessee shall either commence the drilling of a second well on the leased land within six (6) months after completion or abandonment of said well (during which said six months period Lessee shall not be required to pay any rental hereunder), or shall thereafter, commencing upon the expiration of said six months period, pay to Lessor the aforesaid rental, in advance, pro-rated on a monthly basis, if necessary, for each month or major fraction thereof then elapsed, until Lessee commences the drilling of a second well on the leased land or until Lessee shall have drilled and completed a well or wells on the leased land which shall produce or be capable of producing any lease substances in commercially paying quantities.

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d. Upon the failure of Lessee to make or arrange for commercial sale of any said lease substances or upon the lack of a market for same, Lessee may suspend operations hereunder, provided, however, that if at the expiration of any calendar year Lessor shall not have received as royalty from the proceeds of the sale of lease substances an amount equal to or in excess of 50¢ per acre for the total acreage then held pursuant to this lease, Lessee shall on or before the 20th of January next succeeding, pay to Lessor an amount (hereinafter called "in-lieu royalty") equal to the difference between the total amount of all such royalties paid to Lessor during such calendar year from the proceeds of the sale of lease substances and the amount of 50¢ per acre for such total acreage so held. Any in-lieu royalty so tendered to Lessor shall be recoverable by Lessee from future production from any or all of the above said lease substances and Lessee is hereby authorized and directed to deduct the same from royalties hereinafter due and payable. Regardless of the provisions of this paragraph 5 to the contrary, if within ten (10) years from the date of the completion of a bona fide commercial sale or sales of any of said lease substances produced from a well or wells on the leased land, then Lessor, at its option, may consider such circumstances a default on the part of Lessee hereunder, it being agreed that if Lessee power or sale of extractable minerals and providing also for the installation or availability of facilities for such purpose, or purposes, but which such agreement or agreements shall provide that any installation of such facilities shall not be required to be commenced until after an additional period of testing the power potential or commercial character or quantity of extractable minerals of the well or wells on the leased land, or until an additional amount of steam or extractable minerals as fixed in such agreement or agreements shall be produced from the leased land, such agreement shall be deemed to be a compliance with the provision hereof.

6. At such time or from time to time as Lessee shall have drilled and completed any well or wells on the leased land which shall indicate a sufficient power potential or the existence of extractable minerals in commercially paying quantities, Lessee or its assigns shall have the right at any time thereafter to construct and install facilities for the commercial sale or use of steam or steam power produced, generation of electric power, or the extraction of minerals on the leased land or lands in the vicinity thereof, and at such time and from time to time to purchase from the Lessor at the fair market value the land so required and used for such purposes.

7. Lessee shall have the right to drill such well or wells, on the leased land as Lessee may deem desirable for the purposes hereof; including wells for injection or re-injection purposes, and for disposal purposes, provided, however, that notwithstanding any provisions of this lease to the contrary, Lessee shall utilize for such purpose or purposes only so much of the leased land as shall be reasonably necessary for Lessee's operations and activities thereon and shall interfere as little as is reasonably possible with the use and occupancy of the leased land by Lessor. No well drilled hereunder shall be drilled within 150 feet of Lessor's house or surrounding buildings without the written consent of Lessor.

8. Lessee shall pay to Lessor royalty out of the proceeds, as hereinafter defined, received by Lessee from the sale of lease substances produced from the said lands or allocated to the said lands, pursuant to the provisions of paragraph 20 of this lease, as follows:

- (a) If Lessee sells any lease substances as such, a royalty of 10% of the proceeds (being the amount remaining after deducting therefrom any sales, excise or other taxes of any nature, excluding income taxes, imposed on the sale, production or right to produce any lease substances so sold or produced or which are or are required to be included in, or added to the sales price thereof or paid by the seller and any costs to Lessee of any transportation or transmission to the point of sale of any said lease substances so sold, if sold off the land) from the sale by Lessee of said substances.
- (b) If Lessee treats or processes or causes to be treated or processed, any lease substances for the extraction or manufacture therefrom of minerals, and sells any of said extracted minerals, a royalty of 2% of the proceeds (being the amount remaining after deducting therefrom any sales, excise or other taxes of any nature, excluding income taxes, imposed on the sale, production, or right to produce any said extracted minerals so sold which are or are required to be included in or added to the sales price thereof or paid by seller and any costs to Lessee of any transportation to the point of sale of any said extracted minerals so sold, if sold off said land) from the sale by Lessee of said extracted minerals.

9. Lessee shall not be required to account to Lessor for or to pay any royalty on any lease substances produced by Lessee on the leased land which are not utilized, saved or sold, or which are used by Lessee in its operations on or with respect to the leased land for or in connection with the development and production of steam or extractable minerals, or in the operation of the facilities utilized in the generation of electric power, or which are unavoidably lost, provided that if any of such lease substances are sold by Lessee, Lessor shall be entitled to Lessor's royalty thereon.

Lessee shall have the right to use and utilize such water or water rights in, on, produced from or appurtenant to or crossing the leased land as Lessee may reasonably require in connection with its operations on the leased land in furtherance of the objectives of this lease and of Lessee's business and operations, without payment therefor to Lessor, provided that such use of a leased right is lawful and provided, further, that such use by Lessee of any water or water rights, as aforesaid, existing as of the date hereof shall not interfere with Lessor's requirements for Lessor's own use thereof for domestic or agricultural purposes on the leased land nor interfere with Lessor's contractual commitments existing as of the date hereof for the use thereof on lands other than the leased land. Any failure of Lessor to exercise water, including under a specific contractual obligation, shall not constitute a breach of this lease.

LESSOR shall not be responsible for the actions of LESSEE or any of its agents, employees, contractors, or subcontractors, or for any damage to or loss of property of any third party, including but not limited to, the property of any third party, arising out of the use of the property by LESSEE or any of its agents, employees, contractors, or subcontractors, or for any damage to or loss of property of any third party, including but not limited to, the property of any third party, arising out of the use of the property by LESSEE or any of its agents, employees, contractors, or subcontractors, or for any damage to or loss of property of any third party, including but not limited to, the property of any third party, arising out of the use of the property by LESSEE or any of its agents, employees, contractors, or subcontractors.

10. If it should hereafter appear that Lessor, at the time of making this lease, owned a lesser estate or interest in the leased land than the fee simple estate therein and thereto, or less than the entire interest in the lease substances in and under the leased land, then the rentals and royalties accruing hereunder shall be paid to Lessor only in the proportion which Lessor's said lesser interest shall be found to bear to the entire fee simple estate in the said land or to the entire interest in the said lease substances.

11. There is hereby expressly reserved to Lessor and to Lessee the right and privilege to convey, transfer or assign, in whole or in part, or to deal with in any manner, subject to the provisions hereof, their remaining rights and interests in and to all of the Tract and Accretions.

that such in any manner, subject to the provisions hereof, their respective rights and interests in and to the above described land, but in the event Lessor shall sell or transfer any part or parts of the leased land or any interest in the above described land, then Lessor's obligations hereunder shall not thereby be terminated, and the instrument hereon shall remain in full force and effect, and the same shall be binding upon Lessee until the expiration of thirty (30) days after Lessee is furnished a certified or adequate evidentiary copy of the instrument or instruments affecting such change.

12. The obligations of Lessee hereunder shall be suspended (but without impairment of Lessor's rights under paragraph 5) and the term of this lease shall be extended, as the case may be, while Lessee is prevented from complying therewith, in whole or in part, by strikes, lockouts, riots, actions of the elements, accidents, delays in transportation, inability to secure labor or materials in the open market, laws, rules or regulations of any federal, state, municipal or other governmental agency, authority or representative, inability to secure, or absence of, a market for commercial sale of any of those substances developed on or from the minerals owned or controlled by Lessee, or any other cause beyond the reasonable control of Lessee, whether or not such cause is specifically enumerated.

13. Lessee shall pay all taxes levied on Lessee's structures and improvements placed on the leased land by Lessee and shall pay any and all taxes which may be levied or assessed against any personal property owned by Lessee or which may be produced by Lessee in connection with Lessee's operations on the leased land. Lessor shall pay all taxes levied or assessed against the leased land and as such without reference to the production of lease substances therefrom and shall pay all taxes levied and assessed against any and all rights in or to or with respect to the leased land not covered by this Lease and Agreement and shall pay all taxes levied and assessed against all structures and improvements owned by Lessor or placed on the leased land by or pursuant to permission of Lessee.

14. All the labor to be performed and material to be furnished in the operations of Lessee hereunder shall be at the cost and expense of Lessee, and Lessee shall not be chargeable with, or liable for, any part thereof, and Lessee shall protect said land against claims of every character arising from its operations thereon. Lessee shall protect Lessee against damages of every kind and character which may be sustained to any of the parties hereby or to any other persons by reason of the operations or workings of the Lessee hereunder. Lessee shall retain control upon said leased land, but Lessee shall not be liable hereunder in the event of the negligence or intentional wrongdoings of such party or parties, person or persons.

[illegible]

18. Lessee shall have the right at any time and from time to time to remove from the leased land any and all machinery, equipment, structures, installations and property of every kind and character placed upon and leased land by Lessee, provided that removal shall be completed within a reasonable time after termination of this lease in the event such removal shall occur after termination of this lease.

... shall execute warrants and agree to defend title to the leased land and agree that Lessee, at its option, may pay and discharge any taxes, mortgages, trust debts or other liens or encumbrances existing, levied or assessed on or against the leased land, to which Lessee is in default, and in the event Lessee exercises such option, Lessee shall be subrogated to the rights of any holder hereof thereof, and shall have the right to subrogate itself to the position of any holder hereof thereof.

18. (e) The term "power potential" as used in this lease with respect to any water combination of wells producing steam, means power or thermal energy, and does not mean the number of kilowatts of electric power or the heat content of steam.

1. The Commission has received information that the Government of the United States has been providing financial assistance to the Government of the Republic of the Philippines for the purpose of maintaining the military and police forces of the Philippines. The Commission is concerned that such assistance may be used to maintain the military and police forces of the Philippines in a manner that is inconsistent with the principles of democracy and human rights. The Commission is therefore requesting the Government of the United States to provide information regarding the use of such assistance.

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any of the heat energy produced from such fuel or waste by means of the invention, or any part thereof, or the application thereof or the use thereof in connection with any power generating facility or equipment designed for the thereof which leaves carbon

ALL INFORMATION CONTAINED HEREIN IS UNCLASSIFIED EXCEPT WHERE SHOWN OTHERWISE

[illegible]

STATE OF OREGON

County of Klamath

SS.

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On the 20th day of JANUARY, 1972 AD. Personally appeared WAYNE L. SAYER, personally known to me to be the same person who was a subscribing witness to the foregoing instrument, and that he knew OSCAR A. DeNAULT and LOUISE G. DeNAULT, the person described in and who executed the foregoing conveyance and he acknowledged said instrument to be their voluntary act.



Before Me:

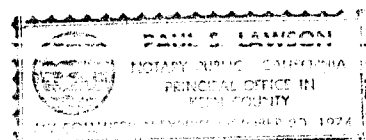
Wm. D. Milne
Notary Public for Oregon
Commission Expires: 7/31/73

STATE OF CALIFORNIA)

COUNTY OF KERN)

On FEB 14 1972, before me, the undersigned, a Notary Public in and for said State, personally appeared B. W. Miller, known to me to be the person whose name is subscribed to the within instrument, as the Attorney in Fact of GULF OIL CORPORATION, and acknowledged to me that he subscribed the name of GULF OIL CORPORATION thereto as principal and his own name as Attorney in Fact.

WITNESS my hand and official seal.



STATE OF
COUNTY OF

On this _____ day of _____, 19 ____ A. D., before me,

a Notary Public in and for said County and State, personally appeared _____

known to me to be the person described in and whose name is subscribed to the within instrument as the Attorney in Fact of GULF OIL CORPORATION and acknowledged to me that he subscribed the name of GULF OIL CORPORATION thereto as principal and his own name as Attorney in Fact.

WITNESS my hand and official seal the day and year above written.

Notary Public in and for said County and State

STATE OF

COUNTY OF

On _____, before me, the undersigned, a Notary Public in and for said State, personally appeared _____

known to me to be the _____ President, and _____

known to me to be the Secretary of the corporation that executed the within instrument, known to me to be the persons who executed the within instrument on behalf of the corporation therein named, and acknowledged to me that said corporation executed the within instrument pursuant to its by-laws or a resolution of its board of directors.

WITNESS my hand and official seal

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In consideration of the execution by Lessor of that certain Lease and Agreement dated SEPTEMBER 18th 1971, Lessee does hereby agree as follows:

Notwithstanding any provision to the contrary in the above-mentioned Lease and Agreement, Lessee shall pay to Lessor only under the circumstances set forth below the following sums as damages to any growing crops as of the date of damage to said crops:

A. in the event Lessee enters upon the lands of Lessor and drills a well which is not productive and which well is plugged and abandoned by Lessee, Lessee shall restore the lands occupied by it as nearly as is reasonably possible to their condition prior to entry by Lessee. In addition Lessee shall pay Lessor the sum of \$200 per acre for each acre actually used and occupied by Lessee in its operations under said Lease and Agreement excluding, however, any existing roads or lands on which no crops are being cultivated.

B. in the event Lessee enters upon the lands of Lessor and drills and completes a well thereon which well is shut-in, Lessee shall pay Lessor the actual cash value of any crop destroyed by Lessee in drilling, completing and shutting in said well. In addition, Lessee shall pay as damages the sum of \$50 per well per year for each well completed and shut in on Lessor's property. The first such payment shall be made on or before the expiration of one year from the date each well is shut in and a like payment on or before the anniversary date of shutting in each well each year thereafter until the well is being produced, at which time all obligation to make such payments shall terminate. The payment as to each well shall authorize Lessee's use, without further payment of any kind, of an area of 100 feet by 200 feet around each well and the use of all roads necessary to Lessee's operations.

IN WITNESS WHEREOF, this agreement is executed this 18th day of SEPTEMBER, 1971.

Return: Self Oil
attn: Louis B. Bell
1780 A. Bell
Denver, Colorado
Car A. DeNAULT
LOUISE G. DeNAULT

STATE OF OREGON,
 County of Klamath

Filed for record at request of

TRANSAMERICA TITLE INS. CO.

on this 24th day of JULY A.D. 1971

at 3:56

Recorded in Vol. H 71 Page 2020

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Wm D. MILNE, County Clerk

Wm D. Milne

Recd. 10-19

GULF OIL CORPORATION

B. L. H. H.

RECORDED IN 1971

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