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ANYTHE A F WARREN

/E- 6336

MINING LEASE

of <u>fe6</u>, 1978, between <u>Slanley N. Lymen</u> (w. dower)

hereinafter called LESSORS, and MINERAL ENERGY, INC., a Utah corporation, hereinafter called LESSEE.

WITNESSETH:

ARTICLE I

LESSORS represent that they are the owners of the following described property, (hereinafter designated as MINING PROPERTIES) situated in San Juan County, State of Utah, to-wit:

See Exhibit "A"

containing //3/. 70 acres, more or less.

ARTICLE II

Grant of Lease. LESSORS, in consideration of the royalties berein reserved and the covenants herein to be performed by LESSEE, and the further consideration of Ten Dollars (\$10.00) paid by LESSEE to LESSORS, receipt of which is hereby acknowledged, hereby do lease, let and demise, unto LESSEE, its successors and assigns, all ores and minerals except oil, gas and coal, situated in, upon or under MINING PROPERTIES, together with the right to use so much of the surface of MINING PROPERTIES as is necessary or desirable to mine and remove such ores and minerals, together with the right to mine, remove

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and sell any and all ores or minerals except oil and gas, situated in, upon or under MINING PROPERTIES, and together with all rights of way, easements, water and water rights of every kind and nature which are useful, covenient or necessary for LESSEE in the exploration, development and mining of all or any of the lands covered by MINING PROPERTIES and this Mining Lease, and the milling, processing, concentrating or refining of ores and minerals mined or extracted from said MINING PROPERTIES.

ARTICLE III

Term of Lease. The term of this lease shall be Ten (10)
years and as long thereafter as LESSEE shall continuously
prosecute exploration mining or mining development work on
MINING PROPERTIES, unless sooner terminated in the manner
hereinafter provided. A suspension of operations after the end
of the primary ten-year period for a period of up to three
months shall not be a cause for forfeiture of this lease. If
operations after the primary ten year term are suspended for
more than three months, and LESSEE wishes to keep this lease
in force and effect, it shall increase the rental provided for
in Article VI B. hereof to Three Dollars (\$3.00) per acre for
the lease year in which suspension occurs.

ARTICLE IV

Possession and Control. LESSEE shall have and it is hereby given and granted, the right to enter into the whole and every part of MINERAL PROPERTIES, and to investigate, measure, sample, examine, test, develop, work, mine, operate, and use the same, and the water and water rights appurtenant thereto, and to mine, extract and remove from MINERAL PROPERTIES the ores and minerals, except oil, gas and coal, therein and appurtenant and belonging thereto, and to treat, mill, ship, sell or otherwise dispose of the same and receive

Page 3:

the full proceeds therefrom; and to erect, construct, maintain, use and operate thereon and therein buildings, structures, machinery and equipment. The time, nature, location and extent of such or any or all mining or mining operations and cosssation and resumption thereof shall be at the sole discretion of LESSEE.

ARTICLE V

Title. LESSORS agree that, promptly following the execution and delivery of this lease, they will deliver to LESSEE such abstracts of title covering MINING PROPERTIES as are in their possession and control. LESSEE shall, at its own expense, promptly cause such abstracts to be brought up to date, and shall have sixty (60) days after all said abstracts are brought up to date within which to examine the same and determine if the title of LESSONS is acceptable to LESSEE. Within said sixty (60) day period LESSEE shall advise LESSORS in writing as to whether LESSOR'S title is acceptable to LESSEE. Such notice shall designate those portions of MINING PROPERTIES, title to which is acceptable to LESSEE and those portions of MINING PROPERTIES, title to which is not acceptable to LESSEE. Concurrently with delivery of said notice, LESSEE shall deliver to LESSORS a release releasing all rights of LESSEE under this Mining Lease with relation to those portions of MINING PROPER-TIES, the title to which has been designated as not acceptable to LESSEE. Upon delivery of such release this Mining Lease shall be deemed terminated with relation to the portion of MINING PROPERTIES covered by said release.

ARTICLE VI

Rental.

A. Simultaneously with the delivery of the notice referred to in Article V. above, LESSEE shall pay LESSORS the sum of \$ 200 in clash per serie and first in Mineral Energy the above per series in series and ander SFC Regulations (Stock Dulas per short #300)

times the number of acres contained in the portion of MINING PROPERTIES, the title to which is acceptable to LESSEE. Such payment shall constitute rental for the first year of this Mining Lease.

B. As long as this lease is in force and effect LESSEE shall, on or before the first anniversary date of this Mining Lease, and on or before each subsequent anniversary date, pay to LESSORS a rental payment equal to One Dollar (\$1.00) multiplied by the number of acres of MINING PROPERTIES which are on said anniversary date subject to the terms of this agreement.

ARTICLE VII

Royalties.

- A. LESSEE agrees to pay LESSORS a royalty equal to 2/2 t of the "gross value" of all ore extracted and sold from MINING PROPERTIES based on the value of the ore at the portal of the mine as determined by the ore values used by the mills operating in the general areal less transportation costs.
- B. The amounts paid as rentals, as provided in Article VI hereof, shall be deemed advances against royalties payable during the lease year for which such rental payment is made. LESSEE shall be entitled during each lease year to retain all amounts payable as royalties hereunder until such time as LESSEE has retained an amount equal to the amount which has been paid LESSEE as rental hereunder for said lease year. For purposes hereof a lease year shall be deemed to be the twelve-month period commencing on the date of this lease and the twelve month period commencing on the same date each year thereafter.
- C. In the event LESSORS own loss than the entire undivided fee interest in the above described property, the

rentals and royalties due hereunder shall be proportionally reduced.

b. All ores shall be sold in the name of LESSEE, with duplicate settlement sheets furnished to LESSORS, and royalty settlements shall be made by LESSEE on or before the 25th day of each and every calendar month during the term of this lease for all ores milled by LESSEE and for all mill or ore buying returns received during the preceeding calendar month. Each settlement shall be accompanied by a duplicate liquidation or settlement sheet for each lot of ore milled or sold.

ARTICLE VIII

Manner of Work. LESSEE agrees to cause all work, development and mining to be done in a careful and minerlike manner and to conform in all respects with the mining laws and regulations of the State of Utah.

ARTICLE IX

Use of Adjacent Properties. LESSEE shall have the right to remove ores, waste, water and other materials from the demised premises and to carry on general mining operations pertaining to the demised premises by means of shafts and workings on other properties controlled by LESSEE and to remove ores, waste, water and other materials from such other properties and to carry on general mining operations pertaining to such other properties on the surface of or through shafts and workings on the demised premises, but until weighed and sampled, all ores extracted and removed from the demised premises shall be kept separate from ores extracted and removed from any other properties.

ARTICLE X

Records and Inspection. LESSEE'S maps and records of all mining operations upon MINING PROPERTIES pertinent to the

computation of royalties, shall be available for LESSOR'S inspection upon request, but not more often than once each month; and LESSORS may enter said property at all reasonable times for the purpose of inspecting the same, and LESSEE shall facilitate such inspection in every reasonable way, but LESSORS shall enter upon said MINING PROPERTIES at LESSORS' own risk and so as not to hinder unreasonably the operations of LESSEE; and LESSORS shall indemnify and hold harmless LESSEE from any damage, claim or demand by reason of injury to or the presence of LESSORS or LESSORS' agents, representatives, licensees, or guests or any of them on MINING PROPERTIES or approaches thereto.

LESSEE agrees that it will, at all reasonable times during the term of this agreement, make available for examination and copying by LESSORS, or their duly authorized representatives, any survey maps and assay reports relating to MINING PROPERTIES, and any diagrams of mine workings and shafts upon the MINING PROPERTIES which LESSEE has in its possession.

ARTICLE XI

State and Federal Laws. LESSEE shall comply with the Workman's Compensation Laws of Utah and with Social Security, Unemployment Insurance and all other state and federal laws relating to LESSEE'S operations and shall save LESSORS harmless from any claim for damages or liability by reason thereof.

ARTICLE KII

Protection from Liens and Damages. LESSEE shall keep
MINING PROPERTIES and the whole and every part thereof free
and clear of liens for labor done or work performed upon MINING
PROPERTIES or materials furnished to it for the development
or operation thereof under this lease while the same is in force
and effect, and will save and keep harmless LESSORS from all
costs, loss or damage which may arise by reason of injury to

to any persons employed by LESSEE in or upon MINING PROPERTIES or any part thereof, or, except as provided in Article X hereof, which may arise by reason of injury to any persons or damage to any property as the result of any work or operations of LESSEE or of its possession and occupancy of MINING PROPERTIES. A lien upon the property shall not constitute a default if LESSEE in good faith disputes the validity of the claim, in which event the existence of the lien shall constitute a default only from and after the validity of the lien has been adjudicated adverse to LESSEE.

ARTICLE XIII

Taxes.

- LESSEE shall pay before they are delinquent, all taxes levied or assessed against any and all personal proerty, machinery and equipment placed upon MIJING PROPERTIES by LESSEE during the term of this lease.
- LESSEE agrees to pay 97.5 t of all mine occupation taxes, net proceeds taxes, production or severance taxes, and all ad valorum taxes assessed against the valuation or increased valuation on MINING PROPERTIES, and all other taxes or assessments (other than Federal or Estate Income or franchise taxes) resulting from or attributable to the production and/or sale by LESSEE of ores or minerals from MINING PROPER-TIES, and the balance of the tax is to be paid by LESSORS. The parties hereto shall have the obligation to pay their respective share of the taxes herein provided irrespective of the time the same are levied or assessed. LESSORS shall pay all other real estate taxes. In order to establish a reserve fund for the payment of taxes it is hereby agreed that LESSEE shall deposit with First Security Bank of 2010 Blanding Brunch, a sum equal to 21 of the gross value

(as defined in Article VII hereof), of the ores mined and sold

of which 47.5 % chargeable to LESSORS, and deduct the same from the payments to LESSEE and LESSORS. The same shall be used by said bank, as escrow holder, for the payment of all taxes based upon the extraction or production of ore, upon the mutual agreement of the parties hereto so directing the bank. If it is determined that such fund is too much or too little, then the amount set up as a reserve fund shall be either decreased or increased as needed. Any funds remaining after payment of taxes shall be refunded to the parties hereto in proportion to their liability for the payment of taxes.

ARTICLE KIV

Forfeiture Clause. The failure of LESSEE to make or cause to be made any of the payments herein provided for or to keep or perform any agreement on it; part to be kept or performed according to the terms and provisions of this agreement, shall, at the election of LESSOR, work a forfeiture hereof; provided, however, that in the event of a default on the part of LESSEE, and the election of LESSORS to terminate this agreement on account thereof, LESSORS shall give to LESSEE a written notice of its intention to declare a forfeiture of this agreement and to terminate the same on account thereof, specifying the particular default or defaults relied upon by it and LESSEB shall have sixty (60) days after receipt of such notice in which to make good such default or defaults, in . which event, there shall be no forfeiture therefor. Waiver or failure to give notice of a particular default or defaults shall not be construed as condoning any subsequent default.

ARTICLE XV

Cancellation. LESSEE may surrender all or any part of MINING PROPERTIES by giving LESSORS thirty (30) days notice, in writing, of its intention to so surrender, and upon such

surrender LESSEE shall be relieved of all obligations under this lease in respect to such surrendered land, and to pay any rental thereon, except for the making of payments which have already accrued at the date of such surrender.

ARTICLE XVI

Removal of Equipment. LESSEE shall have and it is hereby given and granted three (3) months after a valid forfeiture. cancellation or other termination of this agreement to remove from said property, all warehouse stocks, merchandise, materials, tools, hoists, compressors, engines, motors, pumps, transformers, electrical accessories, metal or wooden tanks, pipes and connections, mine cars and any and all machinery, trade fixtures, and equpment erected or place in or upon said MINING PROPERTIES by it, provided that such right of removal shall not extend to machinery foundations, and underground tracks, and mine timbers in place unless LESSORS shall have given its previous written consent thereto. If LESSEE is hampered by snowdrifts, washouts, inclement weather, or other climatic conditions, from completing the removal of said equipment within the time specified, then LESSORS agree to extend the time by a reasonable period if requested by LESSEE.

ARTICLE XVII

Unavoidable Delays. If LESSEE is unable to perform any of the terms or covenants of this lease except the payment of royalties, rentals and taxes, by reason of damage or delay resulting from disaster, labor disturbances, shortage of labor, strikes, lockouts, force majeure or act of God, or from any regulations or restrictions of any governmental agency, or on account of any eventuality beyond the reasonable control of LESSEE, the LESSEE shall be excused from performance during the period of such prevention.

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ARTICLE XVIII

Notices. Any notices required or permitted to be given to LESSORS hereunder shall be considered as delivered forty-eight (48) hours after the same shall have been deposited in the United States mail, duly certified, with postage thereon prepaid. All notices given hereunder shall be addressed to the respective addresses given below:

If to LESSORS,

If to LESSEE,
Mineral Energy, Inc.
1325 South state 800 East
Orem, Utah 84056

Said addresses for receiving notices may be changed by either party upon two (2) days previous written notice to the other party.

ARTICLE XIX

Inurement. These presents shall inure to the benefit of and be binding upon the respective successors, heirs and assigns of the parties hereto.

ARTICLE XX

Construction. Titles to the respective articles hereof shall not be deemed a part of this lease but shall be regarded as having been used for convenience only.

IN WITNESS WHEREOF the parties hereto have executed this agreement as of the day and year first above written.

LESSEE

Mineral Energy, Inc.

Attest:

red Miller, President

DeMar Perkins, Secretary

LESSORS

Stanley & fy man

	E OF UTAR .)
Coun	nty of Utah
	On this 8th day of March , 197 8, personally
appe	sared before me Ted Miller and Boyd L. Park, who being
firs	st duly sworn, depose and say that they are the president
and	secretary, respectively, of Mineral Energy, Inc., a Utah
corp	poration, and that they executed the foregoing instrument
in b	sehalf of said corporation by authority of a resolution of
its	board of directors; and said Ted Miller and
"doly	Macknowledged to me that said corporation executed the
THE OF LEASE	Notary Public Muphy
AH	Residing at Orem, Utah
Му С	Commission Expires:
<u>M</u> a	arch 6. 1983
STAT	TE OF <u>Ufah</u>
Coun	ity of Sanguar)
	On this 37 d day of February, 1978, personally
appe	eared before me Stanley M. Lyman
the	signers of the foregoing instrument, each of whom duly
Poku	wile ged to me that they executed the same.
/ NOT	TARV. P. J.S.
X	Motary Public
13	Residing at Blanding 114
my d	Association European
	ay 21 1981
	E OF
	ty of
	On this day of, 197_, personally

SOUTH EASTERN UTAH TITLE COMPANY

SEUTCO

ASSTRACTS AND TITLE INDE 4 EMERY, MAANO & SAN JUAN COL

> MONTICELLO, UTAH MESS 88 NORTH MAIN P.O. BOX 608 TELEPHONE/801-587-2586

Maxine R. Frost Licensed Abstracter Manager, San Juan County

TITLE CERTIFICATE

STATE OF UTAH COUNTY OF SAN JUAN)

Order No. 11227

As requested, the South Eastern Utah Title Company, authorized abstracter of titles in and for the county of San Juan, state of Utah, has examined the official records of said county and state pertaining to the following described lands, to-wit:

Refer to Schedule A attached hereto.

From such search, the following information appears:

- 1. Patents are of record, and contain no oil, gas nor mineral reservations, except as noted.
- 2. RECORD TITLE OWNERS:

PARCEL 1:

Oil, gas, potash and sodium: United States of America Surface and other minerals: Stanley N. Lyman

PARCEL 2:

Oil and gas:

United States of America

Uranium, thorium, fissionable materials, reserved to United STates of America Act of 8/1/46 (60 Stat. 755); NOTE: Uranium restored, Act 8/13/54 (68 Stat. 708,30 U.S.C.

Surface and other minerals: Stanley N. Lyman

PARCEL 3:

Surface:

Stanley N. Lyman

Coal to United States of America on Sec 12: SEXSWk, SWkSEk; Section 13: NEXNWk, NWkNEk, NASSEKNWk, NASWANEK

Other Minerals:

Stanley N. Lyman 3/4 int.. Langdon Dearborn, et al 1/4 int.

Table 7

3. There are no unreleased mixandxgas, mineral leases describing said lands which have been placed of record during the past ten years, except:

MINING LEASE - dated January 10, 1968 and recorded January 29, 1968 in Book 431, at Page 228, executed by Stanley N. Lyman and Carol P. Lyman and Clisbee N. and Viola R. Lyman, Lessors, in favor of American Smelting and Refining Company, leases all ores and minerals except oil and gas for a primary term of 10 years, description:

T35S R23E

Sec 11 NE

Sec 14 NW

Sec 14 NW

Sec 14 NE

Sec 24 NE

Sec 24 NE

Sec 24 NE

Sec 28 SE

T36S R23E

Sec 28 W

Sec 27 SW

Sec 34 W

Sec 34 W

T36S R23E

Sec 21 SWk3Wk

Sec 28 WkNWk, Sk

Sec 27 SWk, SWkNWk, SWkSEk

Sec 34 Wk, WkNEk

T35S R23E

Sec 11 SESEE

Sec 12 SWESWE, SEESWE, SWESEE

Sec 11 EENWE, WENEE

Sec 28 EENWE, WENEE, SEENEE,

SWE, WESEE, NEESEE

Sec 21 WESWE

Sec 21 NEWE, NWENEE

*(See below for Amended Lease.)

QUITCLAIM DEED - dated December 3, 1968 and recorded December 5, 1968 in Book 460, Page 463, executed by American Smelting & Refining Co. in favor of Stanley N. Lyman, Carol P. Lyman, Clisbee N. Lyman & Viola R. Lyman, description: T35S R23E:

By Manue Abstracter

AMENDED LEASE - dated April 1, 1968 and recorded April 15, 1968 in Book 438, at Page 377, executed by Stanley N. Lyman and Carol P. Lyman, his wife, and Clisbee N. Lyman and Viola R. Lyman, his wife, Lessors, in favor of American Smelting and Refining Company, AMENDS above lease to change description covered of Sections 11 and 13, and omitting Section 27 W\selfags SW\selfags:

T35S R23E, Sec 11 NE\sw\t Sec 13 W\t\w\t, NE\t\sw\t, SW\t\SE\t\

T35S R23E, Sec 11 Bag at SE Cor Sec 11, N 1320 ft, W2528', SE'ly approx 1429 ft to a point 1980 ft W of SE Cor of Sec 11, E 1980 ft to pob.

ec 13 NEŁNWŁ, NWŁNEŁ, NŁSEŁNWŁ, NŁSWŁNEŁ

SCHEDULE A

PARCEL 1:

TOWNSHIP 36 SOUTH, RANGE 23 EAST, S.L.M.

• Section 27: SW\\N\\\\, SW\\, SW\\SE\\\\
• Section 34: W\\NE\\\

TOWNSHIP 35 SOUTH, RANGE 23 EAST, S.L.M.

•Section 13: W\nw\, SW\se\, W\sw\, NE\SW\

•Section 14: • Beginning at the SE Corner of said
Sec. 14, thence N 45 00 W 1866.77 feet,
East 1320 feet, South 1320 feet to
p.o. beg. 20 A.

• Section 24: Beginning at the N 1/4 Corner of said Sec. 24, thence S 45000' E 3733.54 feet, more or less, N 0020' E 2640 feet, N 89057' W 2640 feet to point of beg. 60 ...

PARCEL 3:

TOWNSHIP 36 SOUTH, RANGE 23 MAST, S.L.M.

- Section 34: W}

PARCEL 3:

TOWNSHIP 35 SOUTH, RANGE 23 EAST, S.L.M.

BEIRACIED

• Section 11: Beginning at the SE Corner said Sec. 11, thence North 1320 feet, West 2528 feet, thence Southeasterly approximately 1429 feet to a point 1980 feet West of the SE Cor said Sec. 11, thence East 1980 feet to the point of beginning.

68.94 A.

TRACTED

eSection 12: SksWk, SWkSEk

-Section 13: NEŁNWŁ, NWŁNEŁ, NŁSEŁNWŁ, NŁSWŁNEŁ

Entry No./E-6336 CII:

Recorded 13 781/38 IL Book 59 Pege 624

FEE PAID ARVILLA E. WARREN
Recorder, San Juan County, Utah
\$21.00 By Axualla C. Librarente

Return To:

Mineral Energy, Inc. 1325 South 800 East Suite 315 Orem, Utah 84057 Att'n: Ted Miller