

Wayne Ellerbe
PO Box 72
Eureka, NV 89316

98563

LEASE AGREEMENT

This Lease Agreement is made effective as of the 28
day of Feb, 1985 (the "effective date") by and between
Euclid Lumber Co. ("Landowner"), RT 11, B 261, BAKERSFIELD,
CALIF. 93308, and Penrod Drilling Company ("Penrod").

I. LEASE TERM AND CONSIDERATION

Landowner hereby leases to Penrod that certain 3-acre tract of land, with improvements, located in Eureka County, Nevada more fully described in Exhibit "A" (the "Property") for the term of 1 month, 0 days from and after the effective date (the "Primary Term"), to be used by Penrod for the storage of Penrod drilling rig # 20 and related drilling equipment on the Property, in consideration of the payment by Penrod to Landowner of a rental in the amount of \$ 300⁰⁰ per month (the "monthly rental"), payable as follows:

(1) Upon execution of this Agreement, Penrod shall pay Landowner \$ 300⁰⁰ rental for the primary term; and

(2) Thereafter and during any option period exercised by Penrod on a timely basis, Penrod shall make monthly rental payments of \$ 300⁰⁰ per month.

Penrod shall have no obligation to Landowner to pay any taxes or other fees or expenses, including insurance, which may, from time to time, be incurred or levied upon the property. Penrod shall, however, pay for any utility charges (exclusive of deposits) which may, from time to time, be incurred as a result of Penrod's use of the improvements located on the Property.

II. EXTENSION OPTION

This Agreement shall terminate upon the expiration of the primary term. Penrod shall have twenty three (23) one-month options to extend this Agreement, upon the same terms, conditions and rental, upon payment of the monthly rental to

Landowner on or before the expiration of the primary term or of any option period.

III. INDEMNIFICATIONS AND LANDOWNER'S WARRANTIES

Landowner agrees to hold Penrod harmless and indemnify Penrod from and against all claims, demands and causes of action of every kind and character for: (i) damage to or for the recovery of restoration costs of the property or any improvements located on the property; or, (ii) injury to or death or illness of Landowner, his family or others residing in or near the Property, his employees, agents, invitees, visitors, contractors or subcontractors and their employees, or livestock. Penrod agrees to hold Landowner harmless and indemnify Landowner from and against all claims, demands and causes of action of any kind or character for injury to or death or illness of Penrod's employees, servants, agents, contractors or subcontractors and their employees. The foregoing defense, hold harmless and indemnity obligation and/or liability assumed by Landowner and Penrod shall be without limit and without regard to the cause or causes of any incident giving rise to any such obligation and/or liability including the sole, joint or concurrent negligence or fault of any party, and/or by ruin or defective premises, equipment, facilities, appurtenances or location of any party under any code, law or other type of strict liability, whether or not such ruin or defect pre-exists this Lease Agreement and/or is latent, patent or otherwise.

Landowner covenants and warrants to Penrod that he is seized of the property in fee simple and has full right to make this lease and that Penrod shall have quiet and peaceable possession of the property for the primary term and any option period timely exercised by Penrod. Specifically, Landowner warrants that Penrod, its agents, servants or employees shall have unlimited rights of ingress and egress to and from

the Property during the primary term and any option period timely exercised by Penrod.

IV. LANDOWNER'S REMEDIES

It is expressly understood and agreed by Landowner that in the event Penrod fails to pay the rental which is due under this Lease Agreement or if a dispute arises between Landowner and Penrod under the terms of this Lease Agreement, then Landowner's sole remedy shall be an action for monetary damages in court of competent jurisdiction, Landowner expressly waiving all other actions or remedies, at law or in equity.

AGREED:

LANDOWNER

Garco Forest Co
by Robert E. Brown

PENROD DRILLING COMPANY

By: Jack M. Morgan
Authorized Agent

THE STATE OF NEVADA §
COUNTY OF EUREKA §

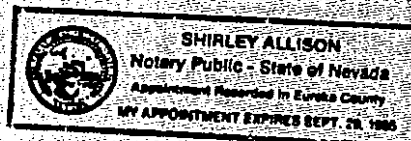
BEFORE ME, the undersigned authority, on this day personally appeared FILBERT ETCHYERRE to me known to be the identical person who executed the within and foregoing instrument, and acknowledged to me that he executed the same as his free and voluntary act and deed for the purposes therein set forth.

SWORN AND SUBSCRIBED TO BEFORE ME this 7TH day of MARCH, 1985.

Shirley Allison
Notary Public in and for
the State of NEVADA

My Commission Expires:

9-29-85



THE STATE OF NEVADA
COUNTY OF EUREKA

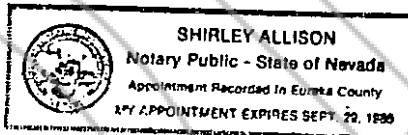
BEFORE ME, the undersigned authority, on this day personally appeared JACK MUSGROVE, as the authorized agent of Penrod Drilling Company, a partnership, known to me to be the identical person who executed the within and foregoing instrument, and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of such partnership for the purposes therein set forth.

SWORN AND SUBSCRIBED TO BEFORE ME this 27th day of FEBRUARY, 1985.

Shirley Allison
Notary Public in and for
the State of

My Commission Expires:

9-29-85



WBC-25-J

EXHIBIT "A"

To Lease Agreement dated the 28 Day of February, 1985 by and
between Eureka Limestone Co. RT 11, B 261 BAKERSFIELD, CALIF. 93308
and Penrod Drilling Company ("Penrod").

LAND DESCRIPTION:

Township 25 North, Range 51 East, N10B+M

Sec 35: N1/2 N1/4

RECORDED AT REQUEST OF
John W. Ellerbee
BOOK 134 PAGE 352

85 MAR 8 P 1:23

OFFICIAL RECORDS
EUREKA COUNTY, NEVADA
M.N. REBALEATI, RECORDER
FILE NO. 98563
FEE \$9.00