

OIL AND GAS LEASE

THIS AGREEMENT made and entered into this 16th day of March 1987 by and between SLAGOWSKI RANCHES, INC. of Eureka County, State of Nevada hereinafter called the lessor (whether one or more), whose Post Office address is Pine Valley Route, Carlin, Nevada 89822 and FORELAND CORPORATION, 2668 Grant Ave., Ogden, UT 84401 hereinafter called the lessee, WITNESSETH:

(1) That said lessor for and in consideration of the sum of TEN and no/100 Dollars in hand paid by the lessee, the receipt of which is hereby acknowledged, and of the covenants and agreements herein contained on the part of the lessee to be paid, kept and performed, by these presents does grant, demise, lease and let exclusively unto the lessee, its successors and assigns, for the purpose of mining and operating for and producing oil, gas and other hydrocarbons (including the exclusive right to make any kind or character of geological or geophysical surveys or tests) and of laying pipe lines, constructing tanks, erecting buildings and other structures, and all other rights and privileges necessary, incident, or convenient for the economical operation of said lands, alone or co-jointly with neighboring lands, the following described premises situate in Township 28 North Range 52 East MDM County of Eureka State of Nevada

To wit: Section 8: W 1/2, S 1 SE 1/4 Section 23: Lots 6, 7, 8, N 1 SW 1/4, SE 1 SW 1/4 Section 16: W 1/2, SW 1/4 SE 1/4 Section 24: Lots 7, 8; N 1 SW 1/4 Section 17: E 1/2, NW 1/4, NE 1 SW 1/4 Section 20: NE 1 NE 1/4 Section 21: NW 1/4, SE 1 NE 1/4, W 1 NE 1/4, N 1 SE 1/4 Section 22: N 1 SW 1/4, SE 1/4

containing 2,401.32 acres, more or less, hereby releasing and waiving all rights under and by virtue of the Homestead Exemption Laws of this State. (2) This lease shall remain in force for a term of five (5) years from this date and as long thereafter as oil or gas is produced from said lands by the lessee. The consideration above stated is paid to and accepted by lessor as a good and sufficient consideration for all rights and privileges herein granted to lessee, its successors or assigns.

(3) The lessee shall pay to the lessor, as royalty, the proceeds from one-eighth (1/8) of all the oil and gas and other hydrocarbons produced and sold from the leased premises at the prevailing market price therefor at the wells not exceeding amount received by lessee, or removed, except associated with testing, completion or waste.

(4) If operations for the drilling of a well are not commenced on said lands on or before one year from the date hereof this lease shall terminate unless the lessee shall, on or before one year from the date hereof, pay or tender to the lessor or for the lessor's credit in the First Interstate Bank of Nevada, N.A. Bank at 405 Idaho St., Elko, Nevada 89801 or its successors which bank or its successors shall be the lessor's agent and shall continue as the depository of any and all sums payable under this lease, regardless of changes of ownership in said lands or in the oil and gas, or in the rentals to accrue thereunder, the sum of Two Thousand Four Hundred One and 32/100 Dollars (\$ 2,401.32)

which shall operate as rental and cover the privilege of deferring the commencement of drilling operations for the further period of one year. In like manner and upon like payments or tenders, the commencement of drilling operations may be further deferred for like periods successively. All payments or tenders may be made by check of lessee, or any assignee thereof, mailed to the post office address of the lessor as hereinabove set forth or delivered on or before the rental paying period. Provided, however, the lessee shall be granted a thirty (30) day grace period within which to make such payments and this lease shall not be forfeited if such payments are made within said thirty (30) day grace period after the time for payment as provided in this paragraph. If at any time more than 15 persons shall be entitled to participate in the rentals or royalties hereunder, lessee at its election may pay all rentals and royalties thereafter accruing, to the credit of this lease in the depository bank last designated by lessor as herein provided, or lessee may withhold payment unless and until such persons shall designate, in a recordable instrument to be filed with the lessee, a common agent or trustee to receive all payments hereunder, and to execute and deliver rental receipts, division orders and/or transfer orders on behalf of said persons and their respective successors in interest.

(5) Subject to the provisions of Section 6 hereof, it is agreed that: (a) If during the primary term lessee shall, prior to obtaining production, drill a dry hole, or if after discovery production shall cease from any cause, this lease shall not terminate, provided (1) production shall be resumed or operations for the drilling of a well shall be commenced on or before the next ensuing rental paying date, or (2) lessee begins or resumes the payment of rentals in the manner and amount above provided on or before the rental paying date next ensuing after the expiration of 1 month from date of completion of dry hole or cessation of production; (b) If, at or after the expiration of the primary term, oil, gas or other hydrocarbon cannot be or is not being produced on said land, or lands unitized therewith, for any cause, but lessee is then engaged in drilling or reworking operations thereon, this lease shall remain in force so long as operations are prosecuted with no cessation of more than sixty consecutive days, and, if they result in the production of oil, gas or other hydrocarbon, so long thereafter as oil, gas or other hydrocarbon is produced. \* and +

(6) It is agreed that the times for beginning or for performing any work or operations under this lease shall be suspended or extended during such periods of time as such work or operations shall be delayed, interrupted or prevented by any cause of whatever kind or nature beyond the reasonable control of the lessee. If, after production has been obtained, operations under this lease are delayed, interrupted or prevented by lack of reasonable market, or by any cause of whatever kind or nature beyond the reasonable control of the lessee, this lease shall not terminate or be forfeited and no right of damages shall exist against lessee by reason thereof, provided operations are commenced or resumed within a reasonable time after removal of such cause. If at any time within three months prior to the expiration of the primary term of this lease, production has not been obtained and the commencement or continuance of operations for the drilling of a well on said lands is delayed or prevented by any of the causes mentioned in this paragraph, the said primary term and all other terms of this lease may be extended for successive periods of time while such cause or causes exist, by continuing the payment or tender of delay rentals in the manner and amount and for the periods of time as provided in Section 4 of this lease for deferment of the commencement of drilling operations during the said primary term. + after removal of such Cause without actual commercial production.

(7) Lessee, if at all, may use oil, gas, or water found on said lands for operating purposes, but not water from lessor's wells; lessor to have free gas for space and inside lights in the principal dwelling house on said lands, from any well thereon producing gas only, by making his own connections therewith, the use of such gas to be at the sole risk and expense of the lessor. Gas, including casinghead gas and residue gas, produced from any oil or gas well unavoidably lost, or which may be used by lessee in any process for recovering oil or other liquid hydrocarbons from the leased premises, or returned to the ground, whether through wells located on leased premises or elsewhere, shall not be deemed to have been sold or used off the premises within the meaning, express or implied, of this lease. When requested by the lessor, the lessee shall bury its pipe below plow depth and also pay for damages caused by its operations to growing crops on said land. No well shall be drilled nearer than two hundred (200) feet to the house or barn now on said premises, without the consent of the lessor. Lessee shall have the right at any time during or within a reasonable time after the expiration or cancellation of this lease to remove all machinery, fixtures, houses buildings and any and all other structures placed on said premises, including the right to draw and remove all casing.

(8) If the estate of either party hereto is assigned (and the privilege of assigning in whole or in part is expressly allowed), the covenants hereof shall extend to their heirs, executors, administrators, successors and assigns, but no change of ownership in the land or in the rentals or royalties shall be binding on the lessee until it has been notified thereof and has been furnished, forty-five (45) days before payment is due, with the original recorded transfer or assignment or a certified copy thereof. Neither this lease or any rights hereunder shall be assigned or otherwise be transferred, in whole or in part, by Foreland Corporation without the prior written consent of Slagowski Ranches which consent will not be unreasonably withheld.

(9) The rights of either party hereunder may be assigned, in whole or in part, and the provisions hereof shall extend to the heirs, successors and assigns of the parties hereto, but 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. There shall be no obligation on the part of the lessee to offset wells on separate tracts into which the land covered by this lease is now or may hereafter be divided by sale, devise, or otherwise, or to furnish separate measuring or reclosing tanks. Subject to Paragraph 8 above.

(10) Lessor hereby warrants and agrees to defend the title to the lands herein described and agrees that the lessee, at its option, may pay and discharge any judgments, taxes, mortgages, or other liens on or against the above described lands, and may also redeem said lands for and on behalf of the lessor or lessee, and in the event lessee exercises such option, it shall be subrogated to the rights of any holder or holders thereof and may reimburse itself by applying to the discharge of any such judgment, tax, mortgage or other lien, any royalty or rentals accruing hereunder. The lessee may become purchaser at any and all tax or foreclosure sales of the above lands. Lessor agrees to pay one-eighth (1/8) of all taxes of whatsoever kind or character now or hereafter levied by any duly constituted taxing authority upon the oil, gas, and other hydrocarbons produced from the premises hereinabove described, but the lessee shall have the right to pay such tax and to deduct the lessor's proportionate share thereof from any royalty payments accruing hereunder. In case the lessor owns a less interest in the above described premises than the entire and undivided fee simple mineral estate therein, then the royalties and rentals in this lease provided for shall be paid to the lessor only in the proportion which his interest bears to the whole and undivided mineral fee.

(but only with lessor's express prior written consent and upon such terms as lessor may require notwithstanding any other provisions herein to the contrary)

- (11) If lessee at any time should include all or any part of the lands covered by this lease in a unit or cooperative operating agreement, lessee shall have the right to include lessor's royalty interest in said agreement and thereupon said agreement shall exclusively control the drilling, operating, and producing of such lands, anything to the contrary in this lease notwithstanding. The commencement and conduct of drilling operations on any part of the lands included in such agreement shall be deemed to comply with and satisfy all provisions of this lease relative to commencement and conduct of drilling operations. If oil, gas or other hydrocarbon is found in paying quantities on any of the tracts of land included in such agreement, whether or not on lands included in this lease, the royalty payments, provided by Section 3 hereof, shall be paid only upon the portion of such production which is allocated under said agreement to lands covered by this lease; and this lease shall remain in force as long as oil, gas or other hydrocarbon is produced from such tracts, or any of them. Any agreement made by lessee under this paragraph shall be in writing, and lessee shall furnish lessor with a copy of the signed agreement.
- (12) This lease shall not be terminated, forfeited or cancelled for failure by lessee to perform in whole or in part any of its implied covenants, conditions, or stipulations until it shall have been first finally and judicially determined that such failure or default exists, and thereupon lessee shall be given a reasonable time thereafter to correct any default so determined, or at lessee's election it may surrender the lease with option of reserving under the terms of this lease each producing well and ten (10) acres surrounding it as selected by lessee, together with the right of ingress and egress thereto.
- (13) Lessee may at any time surrender this lease as to all or any part of the lands covered hereby, by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the proper county, and if surrendered only as to a part of said lands, any delay rentals or acreage payments which may thereafter be payable hereunder shall be reduced proportionately. All lands leased shall remain subject to easements for rights of way necessary for lessee's operations on land retained by it.
- (14) This lease and all its terms, conditions, and stipulations, shall extend to and be binding upon all heirs, devisees, representatives, successors or assigns of said lessor or lessee.
- (15) This lease may be executed in any number of counterparts with the same force and effect as if all parties had signed the same document; and this lease shall be effective as to each lessor on execution hereof as to his or her interest and shall be binding on those signing notwithstanding some of the lessors above named may not join in the execution hereof.
- (16) For additional clauses see Addendum A attached hereto and made a part hereof and which provisions shall supercede provisions contained in the foregoing lease form to the extent they are inconsistent or conflict therewith.

SLAGOWSKI RANCHES, INC. ....  
*Floyd Slagowski*  
 Floyd Slagowski, President

*Billie Sue Slagowski*  
 Billie Sue Slagowski, Secretary

LESSOR

FORELAND CORPORATION  
 By *Lane Lasrich*  
 Lane Lasrich, agent and Attorney-in-Fact

LESSEE

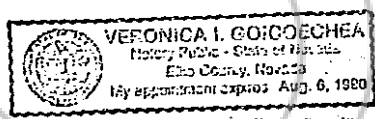
STATE OF Nevada )  
 ) SS.  
 COUNTY OF Elko )

On this 16<sup>th</sup> day of March, 19 87, personally appeared before me Floyd Slagowski & Billie Sue Slagowski who being duly sworn, did say that they are the officers of Slagowski Ranches, Inc. and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said Officers acknowledged said instrument to be the free act and deed of said corporation.

Given Under My Hand and Seal this \_\_\_\_\_ day of \_\_\_\_\_, 19 \_\_\_\_\_

My Commission Expires: \_\_\_\_\_

*Veronica I. Goicoechea*  
 Notary Public  
 Residing in Elko, Nevada



**OIL AND GAS LEASE**

FROM \_\_\_\_\_ TO \_\_\_\_\_

STATE OF \_\_\_\_\_ COUNTY OF \_\_\_\_\_

RECORDERS CERTIFICATE

This instrument was filed for record at \_\_\_\_\_ o'clock \_\_\_\_\_ M. on the \_\_\_\_\_ day of \_\_\_\_\_ A.D. 19 \_\_\_\_\_ and \_\_\_\_\_ duly recorded in Book \_\_\_\_\_ at Page \_\_\_\_\_ (Name of Officer) \_\_\_\_\_ No. \_\_\_\_\_ Fees \$ \_\_\_\_\_ Return to \_\_\_\_\_ P.O. Address \_\_\_\_\_

ADDENDUM A

Attached to and made a part of that certain oil and gas lease dated ~~December 16~~, <sup>March 16</sup>, 198~~6~~<sup>2</sup> by and between SLAGOWSKI RANCHES, INC., Lessors., and FORELAND CORPORATION, Lessee.

Footnotes to regular lease terms items 5 and 6.

\* by performance with due diligence of activities of a material nature

+ but in no case shall this lease be extended for more than 180 days passed its primary term without actual commercial production subject to conditions of force majeure.

Supplemental Lease Terms

A-1 This lease is expressly limited to oil, gas, and hydrocarbons substances recoverable in solution with oil or gas and recoverable only through a well bore. This lease expressly does not include coal, shale, lignite, minerals, geothermal steam, hot water, hot brines, thermal energy, gases (except oil, gas, and said hydrocarbon substances) or minerals in solution in water or steam or recoverable in connection therewith through a well bore, and SLAGOWSKI RANCHES, INC. expressly reserves the right to sell, lease, mine, drill or otherwise transfer, dispose of, recover and market all minerals, coal, shale, lignite, geothermal steam, hot water, hot brines, thermal energy, gases (other than oil, gas, and hydrocarbon substances included in this lease) and minerals or solutions. These rights and estates reserved shall include the use of the surface as necessary to investigate, explore, market, process or produce on the land and sell the substances herein reserved.

A-2 The parties hereby agree that the rights reserved by the SLAGOWSKI RANCHES, INC. in paragraph A-1 will not interfere with any operations while a well is being drilled, or with any producing wells or associated facilities on the lease which are necessary to maintain prudent operations.

A-3 In the event FORELAND CORPORATION enters upon the lands of SLAGOWSKI RANCHES, INC. and drills a well which is not productive and which well is plugged and abandoned by FORELAND CORPORATION, FORELAND CORPORATION shall restore the lands occupied by it and the forage that was on the lands as nearly as is reasonably possible to their condition prior to entry by FORELAND CORPORATION. In addition, FORELAND CORPORATION shall pay SLAGOWSKI RANCHES, INC. fair market value of any crop damaged or destroyed by FORELAND CORPORATION.

A-4 Notwithstanding any provision of the printed lease to the contrary, the location of all drill sites, structures, buildings, camps, equipment, fences, facilities, transmission lines, power lines, pipelines, utility lines ditches, drains, culverts, gates, ponds, roads, poles, pipes, and other improvements used, constructed or placed on the leased premises shall be approved by SLAGOWSKI RANCHES, INC. prior to commencing such construction, placement or use. SLAGOWSKI RANCHES, INC. agrees not to unreasonably withhold such approval. SLAGOWSKI RANCHES, INC. may however have complete control over the surface disturbance of the "Meadow Land". These lands are defined in Exhibit 1. Lands equal approximately 800 acres. SLAGOWSKI RANCHES, INC. may allow limited access as to time of year or may disallow access completely. Written consent must be obtained by FORELAND CORPORATION prior to any use whether temporary or permanent.

A-5 Upon termination of this lease in any manner or if a well is abandoned, FORELAND

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CORPORATION agrees: to relevel the surface of the land involved; to fill all abandoned sump holes, and excavations made by FORELAND CORPORATION: to remove derricks, tanks, tank supports and other structures and property of FORELAND CORPORATION hereon: to remove all cement blocks; foundations and footings which have been placed on the leased premises and any and all other supports placed by FORELAND CORPORATION, or permitted by SLAGOWSKI RANCHES, INC. to be placed on said leased premises: to replant any lands disturbed by FORELAND CORPORATION to the forage or crops which were growing thereon before FORELAND CORPORATION's use; to repair and restore all ditches, fences and other improvements on the lands in any way disturbed by FORELAND CORPORATION.

A-6 FORELAND CORPORATION agrees to indemnify and hold harmless SLAGOWSKI RANCHES, INC. from and against any and all claims, suits, damages, costs, losses, liability and expenses arising or growing out of injuries to or death of persons or loss of or damage to property or loss or pollution of water or water zones in any manner directly or indirectly resulting from or caused by operations under this lease on the leased premises, or facilities, pipe lines, utility lines, power lines, transmission lines, hot water, steam, gas derricks, tanks or appurtenances thereof, or other items used or placed on the lands by FORELAND CORPORATION or resulting from FORELAND CORPORATION's use, occupancy of or activities on the lands.

A-7 Notwithstanding any other provision contained in this lease to the contrary, SLAGOWSKI RANCHES, INC. does not warrant, either express or implied, the rights, title, estate or possessory interest granted FORELAND CORPORATION under this lease. It is understood that the rights and privileges granted to FORELAND CORPORATION hereunder are subject to the extent of SLAGOWSKI RANCHES, INC.'s ownership and any and all existing mortgages, deeds of trust, liens, rights of way, easements, oil, gas, mineral and other reservations contained in patents, deeds or other instruments and all other documents of record in the Eureka County Recorder's Office, Eureka, Nevada, as of the date of this lease.

A-8 If any lien, encumbrance or security interest is filed against any of the real or personal property of the SLAGOWSKI RANCHES, INC., caused or incurred by FORELAND CORPORATION, FORELAND CORPORATION shall, within thirty (30) days after such filing, remove the same from the SLAGOWSKI RANCHES, INC.'s property. FORELAND CORPORATION shall give the SLAGOWSKI RANCHES, INC. seven (7) days advance written notice of all construction, repairs (other than repairs of an emergency nature), drilling and other activities FORELAND CORPORATION intends to do or cause to be done which could result in a mechanic's or materialmen's lien being filed against the SLAGOWSKI RANCHES, INC.'s property so that SLAGOWSKI RANCHES, INC. can timely file a written Notice of Non-Responsibility pursuant to N.R.S. 108.234.

A-9 At the expiration of any other termination of this lease, FORELAND CORPORATION shall peaceably deliver possession of the premises to the SLAGOWSKI RANCHES, INC. and reconvey all leased property to the SLAGOWSKI RANCHES, INC. by properly executed quitclaim deed in form suitable for recording in the Eureka County Recorder's Office.

A-10 FORELAND CORPORATION shall keep the SLAGOWSKI RANCHES, INC.'s property free and clear of all rubbish, garbage, litter and abandoned items of property brought to or placed upon the SLAGOWSKI RANCHES, INC.'s property by FORELAND CORPORATION or any of FORELAND CORPORATION's agents, employees, contractors, sub-contractors or assigns.

A-11 Any storage on the SLAGOWSKI RANCHES, INC.'s property of vehicles, materials and other property of FORELAND CORPORATION shall be done only upon such locations as are approved in advance by SLAGOWSKI RANCHES, INC. SLAGOWSKI RANCHES, INC. shall not

unreasonably withhold such approval except as provided in item A-4 as to the "Meadow Lands".

A-12 FORELAND CORPORATION shall promptly repair all damage to fences, gates and cattle guards on the leased premises and in the grazing areas utilized by the SLAGOWSKI RANCHES, INC. arising out of use of the leased premises under this lease or the actions or activities of FORELAND CORPORATION on the leased premises.

A-13 The parties understand and agree that the leased premises are used primarily by the SLAGOWSKI RANCHES, INC. for ranching and raising of livestock, which is more important to them than the activities of FORELAND CORPORATION under this lease. Accordingly, SLAGOWSKI RANCHES, INC. reserves the right to the use of the surface of all leased lands or all ranching and livestock producing purposes and expressly reserves and excepts from this lease all water rights of SLAGOWSKI RANCHES, INC. and waters being used by SLAGOWSKI RANCHES, INC. and all rights, privileges, preferences, licenses and permits to graze livestock upon the public lands and National Forests. FORELAND CORPORATION agrees to conduct its operations upon the leased premises in such manner as to cause the least possible amount of interference with and damage to the ranching and livestock operations of the SLAGOWSKI RANCHES, INC. It is agreed that if the acts, omissions, or operations of FORELAND CORPORATION, or any person or entity acting by, through or under it, result in the pollution of any of the domestic, irrigation or livestock waters used by the SLAGOWSKI RANCHES, INC., or damage any areas of the SLAGOWSKI RANCHES, INC.'s meadows or other farming or crop producing areas or other lands of the SLAGOWSKI RANCHES, INC. other than those SLAGOWSKI RANCHES, INC. has expressly given prior approval to FORELAND CORPORATION for use in drilling operation, or result in the loss, injury or death of more than \_\_\_\_\_ percent of the SLAGOWSKI RANCHES, INC.'s livestock in any one calendar year, the SLAGOWSKI RANCHES, INC. shall have the right to terminate this lease if the condition is not cured within thirty (30) days after the notice is provided in Paragraph A-16.

A-14 FORELAND CORPORATION understands that water rights are of paramount interest to the SLAGOWSKI RANCHES, INC. Accordingly, FORELAND CORPORATION agrees that it shall not attempt to use, apply for or appropriate any waters or water rights which would conflict with the SLAGOWSKI RANCHES, INC.'s water rights or in any way diminish their present water rights or reduce any ground water that may not or hereafter be available to them for development and appropriation for domestic, irrigation or stockwater use. FORELAND CORPORATION agrees that it shall not in any way pollute any ground or surface waters usable or being used by the SLAGOWSKI RANCHES, INC. or any other persons using the same water sources. FORELAND CORPORATION further agrees that no oil, gas, minerals, brine, fluid or surplus water be reinjected into a fresh water zone and if reinjected it shall be reinjected into the zone from which it came following which FORELAND CORPORATION shall cement off or otherwise seal off the zones to prevent their entry into ground or surface water sources which are usable for domestic, agricultural or stockwatering purposes. FORELAND CORPORATION agrees that it shall not, without prior approval of the SLAGOWSKI RANCHES, INC., interfere with or damage the SLAGOWSKI RANCHES, INC.'s ditches, wells, or irrigation systems and irrigation methods.

A-15 FORELAND CORPORATION agrees that it shall, if requested by the SLAGOWSKI RANCHES, INC., fence off any of FORELAND CORPORATION's facilities, storage areas, drill sites, sumps, ditches, camps, housing areas, or other structures or developments on the leased lands with a livestock fence built to Bureau of Land Management standards in the area with such gates and cattle guards as SLAGOWSKI RANCHES, INC. shall specify. The SLAGOWSKI RANCHES, INC. shall designate the area which shall be no more than reasonably necessary to protect SLAGOWSKI RANCHES, INC.'s livestock from FORELAND CORPORATION's

activities and the fence lines shall be as designated by the SLAGOWSKI RANCHES, INC. Construction of these facilities shall be completed by FORELAND CORPORATION within thirty (30) days after SLAGOWSKI RANCHES, INC.'s request, subject to weather and availability of labor and materials.

A-16 Upon the violation by FORELAND CORPORATION of any other terms, covenants or conditions of this lease, and the failure of FORELAND CORPORATION to remedy the default within thirty (30) days after written notice from SLAGOWSKI RANCHES, INC. to FORELAND CORPORATION specifying the default, then, at the option of the SLAGOWSKI RANCHES, INC., this lease shall forthwith cease and terminate and all rights of FORELAND CORPORATION in and to said land shall be at an end as to all said lands, except that FORELAND CORPORATION shall have the right to retain and hold under this lease the area surrounding each well producing or being drilled and any such well contained therein and all the working interest production therefrom with respect to which it is not in default, subject to payment of all royalties, rentals and other sums herein provided. The waiver by SLAGOWSKI RANCHES, INC. of any breach of any covenant or condition hereof shall not be a waiver of any other or subsequent breach hereof, nor of any other covenant or condition hereof.

A-17 It is further expressly agreed and understood that in the event FORELAND CORPORATION pools or unitized less than all of the leased lands, this lease shall be deemed severed and shall be considered separate and distinct leases on the pooled or unitized acreage and on the remainder, and all provisions of this lease shall apply to both leases. Production of oil or gas on pooled or unitized lands which include less than all of the leased lands shall not operate to place this lease in the secondary term as to any lands outside the pooled or unitized acreage, and any part of the leased land not so pooled or unitized shall remain subject to the terms and conditions of this lease and shall not be affected by the pooling or unitization of any other portion of the leased lands. In addition, in the event FORELAND CORPORATION pools or unitized less than all of the leased lands and production of oil or gas is commercial on such pooled or unitized lands, FORELAND CORPORATION shall either (a) forthwith release the remaining lands outside the unit to the SLAGOWSKI RANCHES, INC. and cancel this lease as to said lands except as to covenants and terms herein which by their nature survive termination or (b) covenant in writing, to commence bona fide drilling operations on the said remaining lands within 180 days of the commencement of said production of the pooled or unitized lands.

A-18 FORELAND CORPORATION shall keep an accurate log and casing record showing the progress of drilling, character of formations encountered or drilled through, and casing in each well in which drilling shall have been done on the leased premises, and furnish SLAGOWSKI RANCHES, INC. a copy thereof upon the completion of or the abandonment of each well, and a true copy of all surface location and sub-surface directional surveys made, if any, of each well drilled under the Lease. FORELAND CORPORATION will pay all costs in reproducing said logs and records. Said logs and records, etc. will be provided at the time of publicly required release as governed by the Nevada Oil, Gas, and Mining Division. FORELAND CORPORATION will furnish all reasonable facilities for making such observations, and measurements as the SLAGOWSKI RANCHES, INC. may desire, and SLAGOWSKI RANCHES, INC.'s duly appointed agents and representatives shall have free and full access to all of the wells and works and to all property in and upon said leased premises, but SLAGOWSKI RANCHES, INC. must obtain written approval prior to any inspection. Inspection will be withheld only if it may conflict with confidential operations and/or data.

A-19 Upon violation by the FORELAND CORPORATION of any of the terms, covenants or

conditions of this Lease, and the failure of FORELAND CORPORATION to remedy the default within thirty (30) days after written notice from SLAGOWSKI RANCHES., INC. to FORELAND CORPORATION specifying the default, then, at the option of the SLAGOWSKI RANCHES., INC., this Lease shall forthwith cease and terminate, and all rights of the lessee in and to said land shall be at an end as to all said lands. The waiver by SLAGOWSKI RANCHES., INC. of any breach of any covenant or condition hereof shall not be a waiver of any other or subsequent breach hereof, nor of any other covenant or condition hereof.

A-20 The FORELAND CORPORATION agrees to keep full and accurate record of the operations upon and production and sales of all oil, gas and other substances from the leased premises, independently of and separate from any other premises operated by the FORELAND CORPORATION: to notify SLAGOWSKI RANCHES., INC. promptly of discovery of any of said substances in or on the leased premises and to furnish quarterly to SLAGOWSKI RANCHES., INC. a true statement of all production, deliveries and deductions in a form satisfactory to the SLAGOWSKI RANCHES., INC.. All records of the operations and productions and sales of said substances from the leased premises shall, at all reasonable times, be open to inspection of SLAGOWSKI RANCHES., INC.'s agents and representatives.

DATED ~~February~~ <sup>MARCH</sup> 16, 1987

FORELAND CORPORATION

by: *Lane Laerich*  
Lane Laerich, as agent

SLAGOWSKI RANCHES, INC.

by: *Floyd Slagowski*  
Floyd Slagowski, President

ATTEST:

by: *Billie Sue Slagowski*  
Billie Sue Slagowski, Secretary

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EXHIBIT #1

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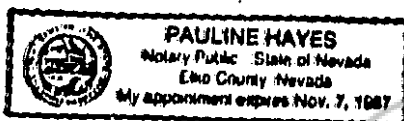
NEVADA INDIVIDUAL

STATE OF NEVADA )  
                          ) ss.  
COUNTY OF ELKO )

On the 6th day of May, 1987, personally appeared before me Lane Lasrich, as Attorney-in-Fact and/or as an Agent of Foreland Corporation, the signer of the above instrument, who duly acknowledged to me that he executed the same.

*Pauline Hayes*  
Notary Public  
Residing at: ELKO, NEVADA

My Commission Expires: 11/7/87



RECORDED AT REQUEST OF  
*Lane Lasrich*  
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87 MAY 7 AIO: 44

OFFICIAL RECORDS  
EUREKA COUNTY, NEVADA  
M.N. HEALY, RECORDER  
FILE NO. 108039  
FEE \$ 13.00

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