

OIL AND GAS LEASE

THIS AGREEMENT made and entered into this 9th day of DECEMBER, 1988 by and between TOMERA RANCHES, INC., STONERHOUSE DIVISION, a Thomas J. or Mary S. Tomera

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 & other good and valuable consideration 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 31 North

Range 52 East Eureka County State of Nevada To wit: Section 32: W1, WISE1, SE1E1

Township 30 North, Range 52 East, Section 5: SE1 Section 8: NE1

containing 760.00 acres, more or less, hereby releasing and waiving all rights under and by virtue of the Homestead Exemption Laws of this State f.w.c. (S)

(2) This lease shall remain in force for a term of ten (10) years from this date and as long thereafter as oil or gas is or can be produced from said lands by the lessee. If 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

(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 sum of SEVEN HUNDRED SIXTY and no/100 Dollars, to the First Interstate Bank, P.O. Box 471, Eureka, NV. 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

Seven Hundred Sixty and no/100 Dollars (\$ 760.00) which shall operate as rental and cover the privilege of delaying 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 delayed 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 six persons shall be entitled to participate in the rentals or royalties hereunder, lessee at its election may pay all rentals and royalties therefor 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 lease 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 three months 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 or can be produced.

(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 duty rentals in the manner and amount and for the periods of time as provided in Section 4 of this lease for delayment of the commencement of drilling operations during the said primary term.

(7) Lessee, free of cost, 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 stoves 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 or 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 any part 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. If lessee assigns this lease, in whole or as to specific parts, or as to an undivided interest therein, the obligation, if any, to pay rentals shall be apportioned as between the several lease owners ratably according to their respective interests therein, and default by one or more in the payments or tenders of rentals shall not affect the validity of the lease on the portion of said lands or mineral interest therein upon which pro rata rentals are duly paid or tendered. Upon any assignment by lessee, it shall thereafter be relieved of all future expressed or implied obligations as to the portion or part assigned.

(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 receiving tanks.

(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.

(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 or can be 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. Lessee shall not be liable in damages for breach of any implied covenant or obligation.

(13) Lessee may at any time surrender this lease as to all or any part of the lands or minerals 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 or convenient 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.

*Thomas J. Tomera*  
LESSOR

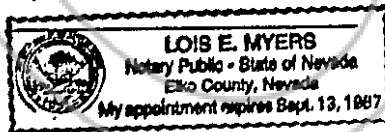
By *[Signature]*  
LESSEE

STATE OF NEVADA )  
 ) SS.  
COUNTY OF ELKO )

On this 9th day of December, 1986, personally appeared before me THOMAS J. TOMERA, who being duly sworn, did say that he is the President of JULIAN TOMERA RANCHES 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 THOMAS J. TOMERA acknowledged said instrument to be the free act and deed of said corporation.

Given Under My Hand and Seal this 9th day of December, 1986.

My Commission Expires:



*Lois E. Myers*  
Notary Public  
Residing in Elko, Nev

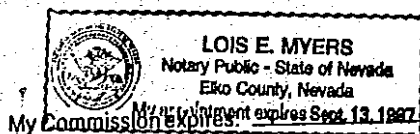
UTAH INDIVIDUAL

STATE OF NEVADA )  
 ) SS.  
COUNTY OF ELKO )

NEVADA INDIVIDUAL

On the 9th day of December, 1986, personally appeared before me LANE LASRICH

the signer(s) of the above instrument, who duly acknowledged to me that he executed the same



*Lois E. Myers*  
Notary Public  
Residing at: Elko, Nev 89801

ADDENDUM

Attached to and made a part of that certain oil and gas lease dated December \_\_\_\_, 1986 by and between JULIAN TOMERA RANCHES, INC., STONEHOUSE DIVISION, Lessors, and FORELAND CORPORATION, Lessee.

1. This lease is expressly limited to oil, gas, and hydrocarbons substances.
2. In the event FORELAND CORPORATION enters upon the lands of JULIAN TOMERA RANCHES, INC., STONEHOUSE DIVISION 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 JULIAN TOMERA RANCHES, INC., STONEHOUSE DIVISION fair market value of any crop damaged or destroyed by FORELAND CORPORATION.
3. FORELAND CORPORATION agrees to conduct their operations upon the leased premises in such a manner as to cause the least possible damage to property and livestock with particular care to damage resulting from fire. As in item 2, FORELAND CORPORATION shall restore any damaged land or property occurring from its operation as nearly as is reasonably possible.
4. FORELAND CORPORATION agrees to indemnify and hold harmless JULIAN TOMERA RANCHES, INC., STONEHOUSE DIVISION 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.
5. Notwithstanding any other provision contained in this lease to the contrary, JULIAN TOMERA RANCHES, INC., STONEHOUSE DIVISION does not warrant, either express or implied, the rights, title, estate or possessory interest granted FORELAND CORPORATION under this lease.
6. At the expiration of any other termination of this lease, FORELAND CORPORATION shall peaceably deliver possession of the premises to the JULIAN TOMERA RANCHES, INC., STONEHOUSE DIVISION and reconvey all leased property to the JULIAN TOMERA RANCHES, INC., STONEHOUSE DIVISION by properly executed quitclaim deed in form suitable for recording in the Elko County Recorder's Office.
7. FORELAND CORPORATION shall keep the JULIAN TOMERA RANCHES, INC., STONEHOUSE DIVISION's property free and clear of all rubbish, garbage, litter and abandoned items of property brought to or placed upon the JULIAN TOMERA RANCHES, INC., STONEHOUSE DIVISION's property by FORELAND CORPORATION or any of FORELAND CORPORATION's agents, employees, contractors, sub-contractors or assigns.
8. 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 JULIAN TOMERA RANCHES, INC., STONEHOUSE DIVISION arising out of use of the leased premises under this lease or the actions or activities of FORELAND CORPORATION on the leased premises.
9. FORELAND CORPORATION understands that water rights are of paramount interest to the JULIAN TOMERA RANCHES, INC., STONEHOUSE DIVISION. 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 JULIAN TOMERA RANCHES, INC., STONEHOUSE DIVISION'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 no in any way pollute any ground or surface waters usable or being used by the JULIAN TOMERA RANCHES, INC., STONEHOUSE DIVISION 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 JULIAN TOMERA RANCHES, INC., STONEHOUSE DIVISION, interfere with or damage the JULIAN TOMERA RANCHES, INC., STONEHOUSE DIVISION's ditches, wells, or irrigation systems and irrigation methods.

DATED December 9<sup>th</sup>, 1986

FORELAND CORPORATION

by: *Lane Lasrich*  
Lane Lasrich, as an agent

JULIAN TOMERA RANCHES, INC.,  
STONEHOUSE DIVISION

by: *Thomas J Tomera*  
President

ATTEST

by: *Patsy S Tomera*  
Secretary

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

OFFICIAL RECORDS  
FORELAND COUNTY, NEVADA  
H.H. REDALE, ATTY. RECORDER  
FILE # 108042  
FEE \$ 8.00

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