

Upon recording, please return to:  
Holme Roberts & Owen  
Laurie K. Prestwich  
50 South Main, Suite 900  
Salt Lake City, UT 84144

114897

**GRANT OF LIEN, SECURITY AGREEMENT, FINANCING  
STATEMENT, MORTGAGE AND FIXTURE FILING**

between

**FORELAND CORPORATION, Non-Operator**

and

**ALFORD OIL CORPORATION, Operator**

**Dated as of March 13, 1987**

**A CARBON, PHOTOGRAPHIC, OR OTHER REPRODUCTION OF THIS  
FINANCING STATEMENT IS SUFFICIENT AS A FINANCING STATEMENT.**

**THIS INSTRUMENT CONTAINS AFTER-ACQUIRED PROPERTY PROVISIONS  
AND COVERS PROCEEDS AND PRODUCTS OF COLLATERAL.**

**THIS INSTRUMENT SECURES PAYMENT OF FUTURE ADVANCES.**

**THIS INSTRUMENT COVERS MINERALS AND OTHER SUBSTANCES OF VALUE  
WHICH MAY BE EXTRACTED FROM THE EARTH. THE MINERALS OR OTHER  
SUBSTANCES OF VALUE WHICH MAY BE EXTRACTED FROM THE EARTH, OR  
ACCOUNTS WILL BE FINANCED AT THE WELLHEADS OF THE WELLS  
LOCATED ON THE LANDS DESCRIBED ON EXHIBIT A HERETO.**

**THIS FINANCING STATEMENT IS TO BE FILED FOR RECORD, AMONG  
OTHER PLACES, IN THE REAL ESTATE RECORDS.**

**THE DEBTOR HAS AN INTEREST OF RECORD IN THE REAL ESTATE  
CONCERNED, WHICH IS DESCRIBED ON EXHIBIT A HERETO.**

**BOOK 169 PAGE 541**

**GRANT OF LIEN, SECURITY AGREEMENT, FINANCING  
STATEMENT, MORTGAGE AND FIXTURE FILING**

THIS INSTRUMENT, dated as of March 13, 1987, is by and between FORELAND CORPORATION, 2668 Grant Avenue, Ogden, Utah 84401 (herein collectively called "Non-Operator"), and ALFORD OIL CORPORATION, 15919 Stuebner-Airline, Spring, Texas 77379 (herein called "Operator").

The parties hereto have entered into that certain Operating Agreement dated March 13, 1987 (the "Operating Agreement") covering the exploration, development and operation of the lands identified in Exhibit "A" attached hereto and made a part hereof. To secure the respective obligations of the parties under the Operating Agreement, the Non-Operator has granted to Operator a lien and security interest in and to its respective interest in the lands described in Exhibit "A," the oil and gas produced therefrom, and other interest owned by such Non-Operator, and Operator has granted a similar lien and security interest to the Non-Operator.

The parties hereto desire to execute an instrument in recordable form granting a lien and security interest in certain real and personal property to secure their respective obligations under the Operating Agreement.

As used herein, the terms "Debtor" and "Secured Party" shall mean each of the Non-Operator and Operator, respectively, to effect the grant of a lien and security interest from the Non-Operator to Operator. The terms "Debtor" and "Secured Party" shall also mean Operator and the Non-Operator, respectively, to effect the grant of a lien and security interest from the Operator to the Non-Operator.

THEREFORE, IN CONSIDERATION of the matters hereinafter set forth, Debtor hereby grants, bargains, sells, assigns, transfers, pledges, conveys, mortgages and grants a security interest in the following described property to Secured Party, with power of sale, as mortgagee and secured party:

1. All of Debtor's undivided interests described in Exhibit "A" attached hereto and made a part hereof (herein called the "Interests") in and to all of the mineral estates, leasehold estates, licenses, subleases, sublicenses,

farmouts, unit agreements, unit operating agreements, joint operating agreements and other similar interests described in Exhibit "A," insofar as said Interests cover or relate to all of the land described in Exhibit "A" or cover or relate to land covered by any unit agreement or other similar agreement to which the Interests are now or hereafter subject, whether now owned or hereafter acquired;

2. All of the oil, gas, casinghead gas and other solid, liquid or gaseous hydrocarbons and other associated or related substances (herein called "Hydrocarbons") in, on, under or attributed to any of the Interests;

3. All of the items incorporated as part of or attributed or affixed to any of the real property included in the Interests in such a manner that such items are no longer personal property under applicable State law;

4. All wells, platforms, derricks, casing, tubing, tanks, tank batteries, separators, rods, pumps, flow lines, water lines, gas lines, machinery, pipelines, power lines and other goods and equipment, and all of the personal property and fixtures, as defined under applicable State law, now or hereafter located in, on, under, affixed or attributed to or obtained or used in connection with any of the Interests, and used or purchased for the production, treatment, storage, transportation, manufacture or sale of Hydrocarbons;

5. All of the accounts, contract rights and general intangibles now or hereafter arising in connection with the Interests (including, without limitation, the production, treatment, storage, transportation, manufacture or sale of Hydrocarbons related to any of the Interests);

6. All of the severed and extracted Hydrocarbons produced from or attributed to any of the Interests;

7. All of the rights, privileges, benefits, hereditaments and appurtenances in any way belonging, incidental or appertaining to any of the property described under 1 through 6 above; and

8. All of the proceeds and products of the property described under 1 through 7 above, including without limitation condemnation awards and the proceeds of any and all title insurance policies and other insurance policies covering all or any part of said property and, to the extent they may constitute proceeds, instruments, accounts, securities, general intangibles and contract rights. All of the property described under 1 through 8 above is herein collectively called the "Collateral."

TO HAVE AND TO HOLD the Collateral, together with all of the rights, privileges, benefits, hereditaments and appurtenances in anywise belonging, incidental or appertaining thereto, to Secured Party forever, subject to all of the covenants, agreements, terms and conditions herein set forth, AS SECURITY for the benefit of Secured Party.

This instrument is executed, acknowledged and delivered by Debtor to secure and enforce the obligations "herein called the "Obligations") of Debtor arising pursuant to the Operating Agreement, which provides that Debtor shall pay its proportionate share of expenses thereunder. The portion of the Operating Agreement setting forth the Obligations is attached hereto and forms a part hereof of Exhibit "B."

Debtor shall be in default under this instrument if Debtor shall fail to perform its Obligations (herein called an "Event of Default").

Upon the occurrence of an Event of Default, or at any time thereafter, Secured Party shall have all of the rights and remedies of a mortgagee and secured party granted by applicable law, and may without notice, demand or declaration of default, which are hereby waived by Debtor, proceed by an action or actions in equity or at law for the seizure and sale of the Collateral or any part thereof, for the foreclosure or sale of the Collateral or any part thereof under the judgment or decree of any court of competent jurisdiction, for the appointment of a receiver pending any foreclosure hereunder or the sale of the Collateral or any party thereof or for the enforcement of any other appropriate equitable or legal remedy.

All costs and expenses, including reasonable attorneys' fees and legal expenses, incurred by Secured Party in protecting and enforcing its right hereunder, shall be a demand obligation of Debtor to Secured Party and shall bear interest at the rate of twelve percent (12%) per year.

The proceeds of any sale of the Collateral or any part thereof shall be applied as follows:

1. First, to the payment of all costs and expenses incident to the enforcement of this instrument, including, but not limited to, a reasonable compensation to the agents, attorneys and counsel of Secured Party;
2. Second, to the payment of the obligations of Debtor hereunder and under the Operating Agreement; and

3. Third, the remainder, if any, shall be paid to Debtor; provided, however, Debtor shall remain liable to Secured Party for any deficiency remaining after any such sale.

This instrument shall bind and inure to the benefit of the respective heirs, devisees, personal representatives, successors and assigns of Debtor and of Secured Party.

Some of the above described goods and personal property are or are to be affixed to the land described in Exhibit "A".

This instrument is to be filed for record in the real estate records of Elko and Eureka Counties, Nevada. The above described minerals, including oil and gas, and accounts will be financed at the wellhead of the well or wells located on the land described in Exhibit "A." Operator and Non-Operator are the record owners of the real estate concerned.

The liens and security interests granted herein and created hereby are in addition to and not in lieu of the liens and security interests granted in and created by the Operating Agreement, all of which are expressly included herein by referenced.

Executed as of the date first above written.

OPERATOR:

ALFORD OIL CORPORATION

By: [Signature]

Title: Vice President

NON-OPERATOR:

FORELAND CORPORATION

By: [Signature]

Title: [Signature]



STATE OF TEXAS )  
 : ss.  
COUNTY OF HARRIS )

On December 1, 1987, personally appeared  
before me, a notary public, PHILIP K. SWYDEN,  
who acknowledged that he executed the above instrument.

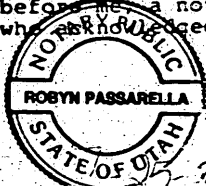
Aileen M. Vaughan  
Notary Public

10-6-1991  
My Commission Expires

Houston, Texas  
Residing in

STATE OF Utah )  
 : ss.  
COUNTY OF Salt Lake )

On November 23, 1987, personally appeared  
before me, a notary public, Robyn Passarella,  
who acknowledged that he executed the above instrument.



11-28-88  
My Commission Expires

Robyn Passarella  
Notary Public  
Salt Lake City, Utah  
Residing in

AV8/wbpd

EXHIBIT "A"

(Attached to and forming a part of that Grant of Lien, Security Agreement, Financing Statement, Mortgage and Fixture Filing dated as of March 13, 1987 between Foreland Corporation as Non-Operator and Alford Oil Corporation as Operator)

Leases and Lands

(Eureka and Elko Counties, Nevada)

PART A: TEST WELL OUTSIDE ACREAGE

Foreland Property.

1. Offer to Lease and Lease for Oil and Gas N-44077, dated effective October 1, 1986, recorded in Book \_\_\_\_\_ at page \_\_\_\_\_, from the United States of America, Lessor, to Donald E. Krohn, Lessee, insofar as said lease covers the following described lands:

Township 27 North, Range 52 East, MDM

Section 3: Lots 5 through 12, inclusive, SE/4;

Containing 488.72 acres, more or less.

Subject to:

- (a) Landowner's royalty of 12.5 percent; and
- (b) Overriding royalty of 5 percent in favor of Donald E. Krohn.

2. Offer to Lease and Lease for Oil and Gas N-43780, dated effective August 1, 1986, recorded in Book \_\_\_\_\_ at page \_\_\_\_\_, from the United States of America, Lessor, to W. A. Besser, Lessee, insofar as said lease covers the following described lands:

Township 28 North, Range 52 East, MDM

Section 1: S/2;  
Section 11: Lot 7, 8, N/2SW/4;  
Section 12: E/2;  
Section 25: Lots 1 through 4, inclusive, S/2N/2, S/2;  
Section 26: Lots 1 through 4, inclusive, S/2N/2, S/2.

Containing 2101.45 acres, more or less.

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Subject to:

- (a) Landowner's royalty of 12.5 percent;
- (b) Overriding royalty of 5 percent in favor of W. A. Besser; and
- (c) Drilling commitment within two years of Besser Assignment.

3. Offer to Lease and Lease for Oil and Gas N-43112, dated effective May 1, 1986, recorded (as an attachment to an assignment) in Book 161 at page 296, Eureka County, Nevada, from the United States of America, Lessor, to A. E. Milner, Lessee, insofar as said lease covers the following described lands:

Township 28 North, Range 52 East, MDM

Section 2: Lots 1 through 10, inclusive, SW/4NE/4, SE/4NW/4, W/2SE/4, E/2SW/4;  
Section 10: N/2NE/4, SW/4NE/4, E/2SE/4, SW/4SE/4;  
Section 11: Lot 6, 9, 10, NW/4SE/4;  
Section 12: W/2;  
Section 34: E/2;  
Section 35: All;  
Section 36: W/2.

Containing 2650.75 acres, more or less.

Subject to:

- (a) Landowner's royalty of 12.5 percent;
- (b) Overriding royalty of 5 percent in favor of A. E. Milner;
- (c) Drilling commitment within two years of Milner assignment.

4. Offer to Lease and Lease for Oil and Gas N-42869, dated effective March 1, 1986, recorded (as an attachment to an assignment) in Book 161 at page 302, Eureka County, Nevada, from the United States of America, Lessor, to Paul F. Sawyer, Lessee, insofar as said lease covers the following described lands:

Township 29 North, Range 52 East, MDM

Section 16: E/2;  
Section 28: All;  
Section 34: W/2.

Containing 1280 acres, more or less.



Subject to:

- (a) Landowners' royalty of 12.5 percent; and
- (b) Overriding royalty of 6 percent in favor of Paul F. Sawyer.

5. Offer to Lease and Lease for Oil and Gas N-43114, dated effective May 1, 1986, recorded (as an attachment to an assignment) in Book 161 at page 315, Eureka County, Nevada, from the United States of America, Lessor, to HNG Oil Company, Lessee, insofar as said lease covers the following described lands:

Township 30 North, Range 52 East, MDM

Section 4: Lots 1 through 4, inclusive, S/2N/2, S/2;  
Section 10: All;  
Section 16: E/2, NE/4NW/4;  
Section 22: All;  
Section 28: N/2, N/2SE/4, NE/4SW/4;  
Section 32: W/2NW/4, SE/4NW/4, SW/4, NE/4NE/4.

Containing 3042.46 acres, more or less.

Subject to:

- (a) Landowner's royalty of 12.5 percent; and
- (b) Overriding royalty of 5 percent in favor of Enron Oil & Gas Company (formerly HNG Oil Company).

6. Offer to Lease and Lease for Oil and Gas N-43782, dated effective August 1, 1986, recorded in Book at page , from the United States of America, Lessor, to W. G. Lasrich, Lessee, insofar as said lease covers the following described lands:

Township 30 North, Range 52 East, MDM

Section 2: Lots 1 through 4, inclusive, S/2N/2, S/2;  
Section 12: All;  
Section 14: All;  
Section 24: All;  
Section 26: All;  
Section 34: All.

Containing 3841.36 acres, more or less.

Subject to:

- (a) Landowner's royalty of 12.5 percent; and
- (b) Overriding royalty of 5 percent in favor of W. G. Lasrich.

7. Offer to Lease and Lease for Oil and Gas N-43115, dated effective May 1, 1986, recorded (as an attachment to an assignment) in Book 161 in page 309, Eureka County, Nevada, from the United States of America, Lessor, to Lane Lasrich, Lessee, insofar as said lease covers the following described lands:

Township 31 North, Range 52 East, MDM

Section 18: Lots 1 through 4, inclusive, E/2W/2, SW/4NE/4, W/2SE/4, SE/4SE/4;  
Section 20: NW/4NE/4, E/2E/2;  
Section 28: All;  
Section 30: Lots 1 through 4, inclusive, E/2W/2, E/2;  
Section 34: All.

Containing 2599.76 acres, more or less.

Subject to:

- (a) Landowner's royalty of 12.5 percent; and
- (b) Overriding royalty of 5 percent in favor of Lane Lasrich.

8. Oil and Gas Lease dated February 10, 1986, recorded in Book 156 at page 287, Eureka County, Nevada, from Ballard Merrick, a/k/a Raymond Ballard Merrick, and Elsie Merrick, husband and wife, Lessors, to Foreland Corporation, Lessee; and

Oil and Gas Lease dated February 10, 1986, recorded in Book 156 at page 290, Eureka County, Nevada, from Jerry Merrick (aka Jerry Allen Merrick) and Anita G. Merrick, husband and wife, Lessors, to Foreland Corporation, Lessee;

insofar as said leases cover the following described lands:

Township 28 North, Range 52 East, MDM

Section 9: S/2SW/4, SE/4SE/4, SW/4SE/4;  
Section 10: SE/4NW/4, SE/4NE/4, NE/4SW/4, SW/4SW/4, NW/4SE/4.

Containing 360 acres, more or less.

Subject to:

(a) Landowners' royalty of 12.5 percent.

9. Oil and Gas Lease dated December 9, 1986, recorded in Book 156 at page 93, Eureka County, Nevada from Julian Tomera Ranches, Inc., Stonehouse Division, Lessor, to Foreland Corporation, Lessee, insofar as said lease covers the following described lands:

Township 30 North, Range 52 East, MDM

Section 5: SE/4;  
Section 8: NE/4.

Township 31 North, Range 52 East, MDM

Section 32: W/2, W/2SE/4, SE/4SE/4.

Containing 760 acres, more or less.

Subject to:

(a) Landowner's royalty of 12.5 percent.

10. Oil and Gas Lease dated December 17, 1986, recorded in Book 155 at page 51, Eureka County, Nevada from Charles L. Bispo and Lois A. Bispo, Lessors, to Foreland Corporation, Lessee, insofar as said lease covers the following described lands:

Township 31 North, Range 52 East, MDM

Section 32: NE/4, NE/4SE/4.

Containing 200 acres, more or less.

Subject to:

(a) Landowner's royalty of 12.5 percent.

11. Oil and Gas Lease dated January 12, 1987, recorded in Book 155 at page 48, Eureka County, Nevada, and in Book \_\_\_\_\_ at page \_\_\_\_\_, Elko County, Nevada, from Franklin B. Cook, Lessor, to Foreland Corporation, Lessee;

Oil and Gas Lease dated January 14, 1987, recorded in Book 156 at page 382, Eureka County, Nevada, and in Book 559 at page 317, Elko County, Nevada, from Charles F. Cook, Jr., Lessor, to Foreland Corporation, Lessee; and

Oil and Gas Lease dated January 22, 1987, recorded in Book 156 at page 385, Eureka County, Nevada, and in Book 559 at page 320, Elko County, Nevada, from Chestine Cook and Don E. Cook, as co-conservators for Daniel W. Cook, Lessors, to Foreland Corporation, Lessee;

insofar as said leases cover the following described lands:

Township 31 North, Range 52 East, MDM

Section 33: All.

Containing 640 acres, more or less.

Subject to:

(a) Landowners' royalty of 12.5 percent.

Anadarko Property.

Federal Oil and Gas Lease N-43781, dated effective August 1, 1986, recorded in Book 147 at page 364, Eureka County, Nevada, from the United States of America, Lessor, to \_\_\_\_\_, Lessee, insofar as said lease covers the following described lands:

Township 29 North, Range 52 East, MDM

Section 26: W/2.

Section 34: E/2;

containing 640 acres, more or less.

Subject to:

(a) Acreage Contribution Agreement dated August 7, 1987, by and between Anadarko Petroleum Corporation and Foreland Corporation; and

(b) Landowner's royalty.

Sun Property.

Oil and Gas Lease No. 724488 dated December 1, 1982, recorded in Book 422 at page 130, Elko County, Nevada, and in Book 111 at page 68, Eureka County, Nevada, from Southern Pacific Land Company, Lessor, to Reading & Bates Petroleum Co. and Sun Exploration and Production Company, Lessees;

Oil and Gas Lease No. 724489 dated December 1, 1982, recorded in Book 422 at page 137, Elko County, Nevada, and in

Book 111 at page 82, Eureka County, Nevada, from Southern Pacific Land Company, Lessor, to Reading & Bates Petroleum Co. and Sun Exploration and Production Company, Lessees;

Oil and Gas Lease No. 724490 dated December 1, 1982, recorded in Book 435 at page 626, Elko County, Nevada, and in Book 115 at page 188, Eureka County, Nevada, from Southern Pacific Land Company, Lessor, to Reading & Bates Petroleum Co. and Sun Exploration and Production Company, Lessees; and

Oil and Gas Lease No. 724491 dated December 1, 1982, recorded in Book 422 at page 145, Elko County, Nevada, and in Book 111 at page 83, Eureka County, Nevada, from Southern Pacific Land Company, Lessor, to Reading & Bates Petroleum Co. and Sun Exploration and Production Company, Lessees;

insofar as said leases cover the following described lands;

(Farmout Lands)

Township 29 North, Range 52 East, MDM

Lease 724489    Section 3:    All;  
                  Section 9:    NE/4;  
                  Section 11:    W/2;  
                  Section 15:    Lots 1-4, W/2E/2, W/2.

Township 30 North, Range 52 East, MDM

Lease 724489    Section 33:    NE/4;  
                  Section 35:    All;  
  
Lease 724490    Section 3:    Lots 1, 2, S/2NE/4;  
                  Section 5:    Lots 1, 2, S/2NE/4;  
                  Section 9:    NE/4;  
                  Section 11:    All;  
  
Lease 724491    Section 15:    NE/4;  
                  Section 21:    NE/4;  
                  Section 23:    All;  
                  Section 25:    All;  
                  Section 27:    NE/4.

Containing 5305.27 acres, more or less.

(Option Farmout Lands)

Township 29 North, Range 52 East, MDM

Lease 724489    Section 19:    NE/4;  
                  Section 21:    NE/4;



Lease 724488    Section 23:    W/2;  
                  Section 27:    All;  
                  Section 29:    NE/4;  
                  Section 31:    NE/4;  
                  Section 33:    NE/4;  
                  Section 35:    All.

Township 28 North, Range 52 East, MDM, Eureka County, Nevada

Lease 724488    Section 1:    N/2;  
                  Section 3:    NE/4;  
                  Section 5:    NE/4;  
                  Section 7:    NE/4;  
                  Section 9:    NE/4;  
                  Section 11:    NE/4.

Containing 3,520 acres, more or less.

Subject to:

(a) Farmout and Option Farmout Agreement dated \_\_\_\_\_, among Sun Operating Limited Partnership, acting through Sun Exploration and Production Company, Reading & Bates Petroleum Co. and Foreland Corporation; and

(b) Landowner's royalty.

PART B: OPTION WELL OUTSIDE PROPERTY

Slagowski Property.

Oil and Gas Lease dated March 16, 1987, recorded in Book 156 at page 278, Eureka County, Nevada, from Slagowski Ranches, Inc., Lessor, to Foreland Corporation, Lessee, insofar as said lease covers the following described lands:

Township 28 North, Range 52 East, MDM

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

Containing 2401.32 acres, more or less.

Subject to:

(a) Landowners' royalty of 12.5 percent.

**Foreland Property**

1. Offer to Lease and Lease for Oil and Gas N-43112, dated effective May 1, 1986, recorded (as an attachment to an assignment) in Book 161 at page 296, Eureka County, Nevada, from the United States of America, Lessor, to A. E. Milner, Lessee, insofar as said lease covers the following described lands:

**Township 28 North, Range 52 East, MDM**

Section 13: W/2, W/2NE/4, SE/4;

Section 14: Lots 1 through 10, inclusive, SW/4NE/4, NW/4SE/4, N/2SW/4.

Containing 1195.80 acres, more or less.

**Subject to:**

- (a) Landowners' royalty of 12.5 percent;
- (b) Overriding royalty of 5 percent in favor of A. E. Milner; and
- (c) Drilling commitment within two years of Milner assignment.

2. Offer to Lease and Lease for Oil and Gas N-43780, dated effective August 1, 1986, recorded in Book \_\_\_\_\_ at page \_\_\_\_\_, from the United States of America, Lessor, to W. A. Besser, Lessee, insofar as said lease covers the following described lands:

**Township 28 North, Range 52 East, MDM**

Section 23: Lots 1 through 5, inclusive, SW/4NE/4, S/2NW/4;

Section 24: Lots 1 through 6, inclusive, and 9, 10, S/2NW/4, SW/4NE/4, NW/4SE/4.

Containing 724.29 acres, more or less.

**Subject to:**

- (a) Landowners' royalty of 12.5 percent;
- (b) Overriding royalty of 5 percent in favor of W. A. Besser; and
- (c) Drilling commitment within two years of Besser assignment.

3. Oil and Gas Lease dated February 10, 1986, recorded in Book 156 at page 287, Eureka County, Nevada, from Ballard Merrick, a/k/a Raymond Ballard Merrick and L. C. Elsie Merrick, husband and wife, Lessors, to Foreland Corporation, Lessee; and

Oil and Gas Lease dated February 10, 1986, recorded in Book 156 at page 290, Eureka County, Nevada, from Jerry Merrick (aka Jerry Allen Merrick) and Anita G. Merrick, husband and wife, Lessors, to Foreland Corporation, Lessee;

insofar as said leases cover the following described lands:

Township 28 North, Range 52 East, MDM

Section 14: S/2NW/4;

Section 15: N/2NW/4, SE/4NW/4, S/2NE/4.

Containing 280 acres, more or less.

Subject to:

(a) Landowners' royalty of 12.5 percent.

Amoco Property.

Offer to Lease and Lease for Oil and Gas N-42868, dated effective March 1, 1986, recorded in Book 156 at page 452, Eureka County, Nevada, from the United States of America, Lessor, to Hobe, Inc., Lessee, insofar as said lease covers the following described lands:

Township 28 North, Range 52 East, MDM

Section 15: N/2NE/4, SW/4NW/4, S/2;

Section 22: N/2, S/2SW/4;

Section 27: All;

Section 34: W/2.

Containing 1800 acres, more or less.

Subject to:

(a) Farmout Agreement dated \_\_\_\_\_, by and between Amoco Production Company and Foreland Corporation; and

(b) Landowner's royalty.

BM2/wbpd

EXHIBIT "B"

(Attached to and forming a part of that Grant of Lien, Security Agreement, Financing Statement, Mortgage and Fixture Filing dated as of March 13, 1987 between Foreland Corporation as Non-Operator and Alford Oil Corporation as Operator)

The lien and security interest granted Operator and Non-Operator shall secure every monetary obligation or liability created under the terms of the operating agreement, including but not limited to:

- (a) Every party's obligation to pay its share of expense;
- (b) Every party's obligation to pay interest, fees and costs;
- (c) The obligations of Operator to make payments to third parties on behalf of itself and non-operators;
- (d) The obligations of Operator to deliver to non-operators and third parties oil and gas and proceeds from the sale of oil and gas;
- (e) After removal or resignation of an Operator, the obligations of the former Operator to make payments to non-operators and third parties during the period of its operatorship;
- (f) The recovery of sums due Consenting Parties as a result of operations by less than all parties;
- (g) All other obligations of the Operator to pay, repay or account for monies held by it which are the property of, or due to, non-operators or third parties or which are held by Operator for the benefit of non-operators or third parties; and
- (h) All other debts, liabilities, obligations, damages, interest, fees, and costs existing or arising between or among the parties to the operating agreement to the extent that those items relate to the operating agreement, to the Contract Area, to lands pooled or unitized with the contract Area, or to oil or gas produced therefrom.

RECORDED AT THE REQUEST OF  
Holmes, Roberts & Owen  
BOOK 169 PAGE 54

87 DEC -7- 1943

OFFICIAL RECORDS  
EUREKA COUNTY, NEVADA  
H.M. REBALANCE RECORD  
FILE NO. 11887  
FEE \$ 2.00

RECORDED AT BOOK 169 PAGE 558