

"PAID UP"

OIL AND GAS LEASE

118724

Producers 96 (Rev. 7-7)

THIS AGREEMENT made and entered into this 7th day of May 1985

by and between Daniel H. Russell and Roberta A. Russell, husband and wife, c/o Mull & McCarthy, 1001 Second St., Sacramento, CA 95814

of County, State of California, hereinafter called the lessor (whether one or more), whose Post Office address is XXXXXXXXX (Above) P.O. Box 888

and Foreland Corporation, 2668 Grant Ave., Ogden, Utah 84401, hereinafter called the lessee, WITNESSETH

(1) That said lessor for and in consideration of the sum of Ten Dollars and 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 lessor, 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 aduate in Township Range of

To wit: SEE DESCRIPTION ATTACHED HERETO AND MADE A PART HEREOF.

containing _____ acres, more or less, heretofore 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 or can be produced from said lands by the lessee. The consideration above stated was 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

Not applicable Bankat Not Applicable 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 Dollars \$ Not Applicable

Not Applicable 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 the 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 six persons shall be entitled to participate in the rentals or royalties hereunder, lessor at his election may pay all rentals and royalties hereafter 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 of our state, 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 notwithstanding 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 for aited and no rights 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 6 of this lease for deferment 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 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 accumulated 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 on an 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 payments are 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 thereon, and default by one or more in the payments or tenders or fulfillment as between the several lease owners ratably according to their respective interests thereon, and default by one or more in the payments or tenders or fulfillment shall not affect the validity of the lease on the portion of said lands or undivided interest therein upon which prorate rentals are due by 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 their 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, liens, 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, any and all leasee exercises such option, it shall be subrogated to the rights of any holder of a mortgage or other lien on or against the above described lands, and shall be deemed to have purchased the same at the price of such judgment, lien, mortgage or other lien, and royalty or rentals accruing hereunder. The lessee may also redeem the same by paying to the lender or to the holder of any such judgment, lien, mortgage or other lien, any royalty or rentals accruing hereunder. The lessee shall have the right to pay such tax and other duties 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 duties if the lessor's proportionate share thereof. 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 estate therein, the royalty and rentals and interest thereon shall be paid to the lessor only, the proportion which his interest bears to the whole and undivided mineral fee.

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(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 canceled 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 hereafter 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 daily 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.

(16) See addendum attached hereto and made a part hereof.

Daniel H. Russell
 Daniel H. Russell
Roberta A. Russell
 Roberta A. Russell

Roberta A. Russell
 Roberta A. Russell

FORELAND CORPORATION LESSOR
 or *Dale W. Christensen* Secretary LESSOR

ATTORNEY-IN-FACT ACKNOWLEDGMENT

State of California) ss
 County of Sacramento)

On this 3rd day of May, 1988, in the year 1988, before me, Dorothee Cavitt Mull, personally appeared Thomas S. Van Horne, personally known to me/
 proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to this instrument as the attorney in fact of Daniel H. Russell Roberta A. Russell, and acknowledged to me that he/she subscribed the name of Daniel H. Russell + Roberta A. Russell thereto as principal, and his own name as attorney-in-fact.

Dorothee Cavitt Mull
 notary Signature



COUNTY OF WEBER)

On this 18th day of May, 1988, personally appeared before me Dale W. Christensen who being duly sworn, did say that he is the Secretary/Treas. of Foreland Corporation and that said instrument was signed and sealed in behalf of said Foreland Corporation by authority of its Board of Directors, and said Dale W. Christensen acknowledged said instrument to be the free act and deed of said Foreland Corporation.

Given Under By Hand and Seal this 18th day of May, 1988.

My Commission Expires



Dale W. Christensen
 Notary Public
 Residing in Dayton Ut

ADDENDUM

Attached to and made a part of that certain oil and gas lease dated 5/8, 1988, by and between DANIEL H. RUSSELL and ROBERTA A. RUSSELL, husband and wife, Lessors, and FORELAND CORPORATION, Lessee.

1. This lease is expressly limited to oil, gas, and hydrocarbon substances.

2. 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. FORELAND CORPORATION shall restore any damages land or property occurring from its operation as nearly as is reasonably possible, or at the option of Lessor, shall compensate Lessor by payment of damages.

3. FORELAND CORPORATION agrees to indemnify and hold harmless Lessors, including payment of attorney's fees, 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.

4. 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 Lessor arising out of use of the leased premises under this lease or the actions or activities of FORELAND CORPORATION on the leased premises.

5. FORELAND CORPORATION understands that water rights are of paramount interest to the Lessor. 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 Lessor'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 to conduct its operations sufficiently distant from spring and wellheads so as to assure that the aquifers thereto will not be damaged. FORELAND CORPORATION agrees that it shall not in any way pollute any ground or surface waters usable or being used by the Lessor 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 Lessor, interfere with or damage the Lessor's ditches, wells, or irrigation systems and irrigation methods.

Dated: 5/18, 1988
FORELAND CORPORATION, Lessee

By: Dan W. Christensen
Title: Secretary

Dated: 5/8 1988
Daniel H. Russell
DANIEL H. RUSSELL
Roberta A. Russell
ROBERTA A. RUSSELL

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Roberta A. Russell has not signed this.

EXHIBIT "A"

TOWNSHIP 16 NORTH, RANGE 53 EAST, M.D.B. & M., Eureka County, Nevada

- Section 7: SENE
- Section 8: E2, N4NW, S2NW, N2SW, SESE
- Section 9: NENE, S2NE, N4NW, S2NW, S2
- Section 10: N2, N2S2, SWSE, S2SW
- Section 11: S2NE, NW, N2SW
- Section 12: N2

TOWNSHIP 16 NORTH, RANGE 54 EAST, M.D.B. & M., Eureka County, Nevada

- Section 6: S2SW
- Section 7: LOTS 1, 2 (W2NW)

TOWNSHIP 23 NORTH, RANGE 52 EAST, M.D.B. & M., Eureka County, Nevada

SECTION 36: SHNE, SENW

TOWNSHIP 24 NORTH, RANGE 52 EAST, M.D.B. & M., Eureka County, Nevada

- Section 12: E2NE
- Section 13: NE, SW, NWSE, S2SE
- Section 23: E2E2, W2SE
- Section 24: All
- Section 25: N2, N2S2
- Section 26: E2NE, W2NE, NWSE, E2SE

RECORDED AT THE REQUEST OF
Dane D'Arruch
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TOWNSHIP 24 NORTH, RANGE 53 EAST, M.D.B. & M., Eureka County, Nevada

- Section 17: SWSW
- Section 18: Lots 3, 4, E2SW, W2SE, SESE
- Section 19: Lots 1, 2, 3, 4, E2W2, W2E2
- Section 29: NW, W2SE, N2SW, W2NE, SESE
- Section 30: Lots 1, 2, E2NW, NE, N2SE
- Section 32: N2NE

OFFICIAL RECORDS
 EUREKA COUNTY, NEVADA
 M.M. REBAL CATH. RECORDER
 FILE NO. 118724
 FEE \$ 2.00

MAY 31 1987

TOWNSHIP 25 NORTH, RANGE 53 EAST, M.D.B. & M., Eureka County, Nevada

Section 5: SESE

Containing a total of 6,525.45 acres more or less.

DATED 5/18, 1988

FORELAND CORPORATION, Lessee

by: D. W. Christian
 Title: Secretary

DATED 5/13, 1988

D.H.R.
 Daniel H. Russell

R.A.
 Roberta A. Russell

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