

Producers 88 - TR
Montana, 1975

OIL AND GAS LEASE

Billings Blue Print
Billings, Montana

THIS AGREEMENT is made and entered into as of May 6, 1988 by and between DANIEL H. RUSSELL and ROBERTA A. RUSSELL, husband and wife, by THOMAS S. VAN HORNE, as P. O. Box 835 Sacramento, California 95804 Power of Attorney

and GARY-WILLIAMS OIL PRODUCER, INC. 115 Inverness Drive East, Englewood, Colorado 80112-5116

hereinafter called Lessor.

hereinafter called Lessee

Lessor for and in consideration of ten and more Dollars the receipt of which is hereby acknowledged and covenants and agreements herein contained, does grant, demise, lease and exclusively, unto Lessee, for the purpose and with exclusive right of exploring by geophysical and other methods, drilling and operating for and producing therefrom oil, liquid hydrocarbons, all gases and their respective constituent products, with rights of way and easements for laying pipe lines, power lines, building tanks, power stations, ponds, roadways and structures thereon for producing, saving, testing and caring for such products and any and all other rights and privileges necessary or incident thereto. All that certain land and lands thereon situated in the County of Eureka State of Nevada described as follows (herein called "said land")

Township 18 North, Range 50 East
Section 28: SW $\frac{1}{4}$ NE $\frac{1}{4}$, NW $\frac{1}{4}$ SE $\frac{1}{4}$
Section 30: NW $\frac{1}{4}$ NE $\frac{1}{4}$, NE $\frac{1}{4}$ NW $\frac{1}{4}$

Township 18 North, Range 51 East
Section 18: Lots 3, 4, E $\frac{1}{2}$ W $\frac{1}{2}$, W $\frac{1}{2}$ E $\frac{1}{2}$
Section 19: Lots 1, 2, 3, 4, E $\frac{1}{2}$ W $\frac{1}{2}$, NW $\frac{1}{4}$ NE $\frac{1}{4}$, NW $\frac{1}{4}$ SE $\frac{1}{4}$
Section 30: Lots 1, 2, 3, E $\frac{1}{2}$ NW $\frac{1}{4}$, NE $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$, NE $\frac{1}{4}$ SW $\frac{1}{4}$

five (5)

1,499.53 acres.

For the purpose of determining the amount of any money payment hereunder, said land shall be considered to comprise 1,499.53 acres.

2. Subject to the other provisions herein contained, this lease shall be for a term of five (5) years from this date (herein called "primary term") and as long thereafter as oil or gas is produced from said land or as long thereafter as Lessee is engaged in actual drilling or reworking operations on said land.

3. As royalties, Lessee covenants and agrees as follows: (a) To deliver to the credit of Lessor free of cost, on the day or to any pipeline to which Lessee may connect its wells, the equal one-eighth part of all oil produced and saved from said land, or all the Lessee's option may pay to the Lessor for such royalty the market price for oil of like grade and gravity, (existing in the same field or area on the day such oil is run into the pipeline or the storage tanks, (b) To pay to Lessor for gas of any source or nature or kind produced and sold from said land or used for the manufacture of gasoline or any other products, one-eighth of the proceeds from the sale of such gas at the mouth of the well. The Lessor may, have gas free of charge from any gas well on said land for use in the principal dwelling on said land by making his own connections with the well, the use of said gas to be at the Lessor's sole risk and expense.

4. If operations for the drilling of a well for oil or gas are not commenced on said land on or before one year from the date hereof, this lease shall terminate, unless the Lessee shall on or before that date pay in tender to the Lessor or the Lessor's credit in the Trust Account of MULL & MCCARTHY, APC 1001 Second St., Sacramento, CA 95814 or its successors, which Bank and its successors are 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 land or in the oil and gas or in the rentals to accrue hereunder the sum of One Thousand Four Hundred Ninety Nine and 53/100 Dollars.

5. If Lessor owns a less interest in said land than the entire and undivided fee simple estate therein, then the royalties and rentals herein provided for shall be paid Lessor only in the proportion which his interest bears to the whole and undivided fee.

6. If at any time prior to the discovery of oil or gas on said land and during the term of this lease, the Lessee shall drill a dry hole or holes on said land, this lease shall not terminate, provided operations for the drilling of a further well shall be commenced within 12 months from the expiration of the last rental period for which rental has been paid or provided the Lessee, on or before the expiration of said 12 months begins or resumes the payment of rentals in the manner and amount hereinabove provided, and in this event the preceding section hereof governing the payment of rentals and the manner and effect thereof shall continue in force.

7. If within the primary term of this lease, production on said land shall cease from any cause, this lease shall not terminate provided operations for the drilling of a well shall be commenced on said land on or before the next ensuing rental paying date, or provided Lessee begins or resumes the payment of rentals in the manner and amount hereinabove provided. If after the expiration of the primary term of this lease, production on said land shall cease from any cause, this lease shall not terminate provided Lessee resumes operations for drilling or reworking a well within sixty days from such cessation, and this lease shall remain in force during the prosecution of such operations and, if production results therefrom, then as long thereafter as production continues.

8. The Lessor shall have the right to use, free of cost, gas, oil and water found on said land for its operations thereon, except water from the wells, springs or reservoirs of the Lessor. When required by Lessor, the Lessee shall bury its pipelines below ground. Lessee shall pay for damage caused by its operations on said land. No well shall be drilled nearer than 200 feet to the house or barn now on said land without written consent of the Lessor. Lessee shall have the right at any time during or within 180 days after the expiration of this lease, to remove all machinery, fixtures, buildings and other structures placed by Lessee on said land, including the right to draw and remove all casing but the operation of this lease shall become the property of Lessor, unless Lessor or before such date shall, by written request, require Lessee to remove such material and restore said land as near as possible to its original condition.

9. Lessee is hereby granted the right and power to pool or combine said land or any portion thereof, with other land, lease or leases in the vicinity thereof at any time and from time to time, whether before or after production, when in Lessee's judgment it is necessary or advisable to do so for the prevention of waste and the conservation and greatest ultimate recovery of oil or gas. Such pooling shall be into a unit or units, and shall be subject to the maximum automatic production formula set forth in the order and regulation in the first order made in the act, or for obtaining the maximum automatic production formula set forth in the order and regulation in the first order made in the act, or for obtaining the maximum automatic production formula set forth in the order and regulation in the first order made in the act, or for obtaining the maximum automatic production formula set forth in the order and regulation in the first order made in the act.

10. 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 the heirs, devisees, executors, administrators, successors, and assigns, but no change of ownership in the land or in the rentals or royalties or any sum due under this lease shall be binding on the Lessee until 30 days after Lessee has been furnished with either the original recorded instrument of conveyance or a duly certified copy thereof and all advance payments or rentals made hereunder before, and all of said documents shall be binding on any direct or indirect assignee, grantee, devisee, administrator, executor or heir of Lessor.

11. Lessee may at any time surrender this lease in whole or in part by placing such release of record in the proper court. If said lease is surrendered as to only a portion of the acreage covered thereby, then all payments and liabilities thereafter accruing under the terms of said lease shall be the portion surrendered and determined and any interest thereon shall be apportioned as an acreage basis, but as to the portion of the acreage not surrendered the terms and provisions of this lease shall continue and remain in full force and effect for all purposes. It is hereby agreed that in the event this lease shall be assigned or the part or parts of said land and the holder or owner of any such part or parts shall be in default in the payment of the monies due from him or them, such default shall not operate to defeat or affect this lease insofar as it covers the part of said land upon which the Lessee or any assignee hereof shall make proper payment of any monies due hereunder.

12. Lessor hereby warrants and agrees to defend the title to the land herein described and agrees that the Lessee at its option may pay and discharge in whole or in part any lease mortgage or other liens existing, levied or assessed on or against said land and, in the event it exercises such option, it shall be subrogated to the rights of any holder or holder thereof and may reimburse itself by applying to the discharge of any such mortgage, tax or other lien any royalty or rentals accruing hereunder. Lessor further agrees that any interest or title to said land acquired by Lessor after the date hereof shall be subject to this lease to the same extent as if said interest or title had been held by Lessor at the date hereof. In such event the amount of rental payable hereunder shall be appropriately adjusted at the next ensuing rental date after Lessee has been furnished evidence of such title acquired title.

13. All express covenanted covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules or Regulations and this lease shall not be terminated, in whole or in part, nor Lessee held liable in damages, for failure to comply therewith if compliance is prevented by or if such failure is the result of any such Law, Order, Rule or Regulation.

14. This lease shall be binding upon all who execute it, whether they are named in the granting, lease and whether all parties named in the granting cause execute this lease. All provisions of this lease shall survive, the benefit of and be binding upon the heirs, executors, administrators, successors and assigns of Lessor and Lessee. Lessor hereby waives and releases all rights of dower and of husband or of husband in said land and the rights granted herein. This lease might be affected by any other lease or lease hereon.

15. See Addendum #1, incorporated herein by reference. Thomas S. Van Horne, as Power of Attorney for Daniel H. Russell and Roberta A. Russell, husband and wife

Social Security #

05711

STATE OF CALIFORNIA

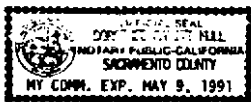
County of Sacramento

On this 6th day of May, 1988, before me, Dorothee Cavitt Null

a Notary Public, State of California, duly commissioned and sworn, personally appeared Thomas S. Van Horne, personally known to me (or 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 and

and acknowledged that Roberta A. Russell he subscribed the name(s) of Daniel H. Russell and Roberta A. Russell thereto as principal, and his own name as attorney in fact.

IN WITNESS WHEREOF I have hereunto set my hand and affixed my official seal in the California County of Sacramento on the date set forth above in this certificate.



Dorothee Cavitt Null
Notary Public, State of California.

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Cowdery's Form No. 24 - Acknowledgment to Notary Public-Attorney in Fact - (C.C. Sec. 1181, 1182) - (Rev. 1985)

My commission expires May 9, 1991

STATE OF COLORADO)
) ss.
COUNTY OF ARAPAHOE)

The foregoing instrument was acknowledged before me this 16th day of May, 1988, by PAT KEATING, as Attorney-in-Fact for GARY-WILLIAMS OIL PRODUCER, INC., a Delaware Corporation, on behalf of the corporation.

WITNESS my hand and official seal.

My Commission Expires:
Sept. 23, 1990

Mary Kay White
Mary Kay White, Notary Public

ACKNOWLEDGMENT FOR CORPORATION

STATE OF)
COUNTY OF) ss.

On this day of 19, before me personally appeared known to me to be the of the corporation that executed the within instrument, and acknowledged to me that such corporation executed the same.

Notary Public

My commission expires:

Residing at

RECORDING DATA

BOOK 178 PAGE 67

GARY-WILLIAMS OIL PRODUCER
115 Inverness Drive East
Englewood, Colorado 80112
ATTN: Kay White

ADDENDUM

Attached to and made a part of that certain oil and gas lease dated May 16, 1988, by and between DANIEL H. RUSSELL and ROBERTA A. RUSSELL, husband and wife, LESSORS, and GARY-WILLIAMS OIL PRODUCER, INC., LESSEE.

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

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

3. LESSEE 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 of LESSEE under this lease.

4. LESSEE shall promptly repair all damage to fences, gates and cattle guards on the leased premises and in the grazing areas utilized by the LESSORS arising out of use of the leased premises under this lease or the actions or activities of LESSEE on the leased premises.

5. LESSEE understands that water rights are of paramount interest to the LESSORS. Accordingly, LESSEE 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. LESSEE agrees to conduct its operations sufficiently distant from spring and wellheads so as to assure that the aquifers thereto will not be damaged. LESSEE agrees that it shall not in any way pollute any ground or surface waters usable or being used by the LESSORS or any other persons using the same water sources. LESSEE 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 LESSEE 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. LESSEE agrees that it shall not, without prior approval of the LESSORS, interfere with or damage the Lessor's ditches, wells, or irrigation systems and irrigation methods.

Dated: May 16th, 1988 Dated: 5/6/88, 1988
GARY-WILLIAMS OIL PRODUCER, INC. DANIEL H. RUSSELL
LESSEE ROBERTA A. RUSSELL
By: Pat Keating DANIEL H. RUSSELL
Title: Attorney-in-Fact ROBERTA A. RUSSELL
Pat Keating, Attorney-in-Fact DANIEL H. RUSSELL
TVH19/Addendum

COPY

RECORDED AT THE REQUEST OF
Geary Williams Co. Producer
BOOK 178 PAGE 066

88 MAY 31 AM 1:40

OFFICE OF THE CLERK
SOUTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO
FILE NO. 118731
FEE \$ 8.00

BOOK 178 PAGE 069