

OIL AND GAS LEASE

Billings and Grant
Billings, Montana

May 6

19 88

by and between

THIS AGREEMENT is made and entered into as of
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**

hereinafter called Lessor.

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

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 let 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, roads and structures thereon for producing, saving, heating and drying for such products and any and all other rights and privileges necessary or incident thereto, all that certain land and lands thereon thereto situated in the County of **Eureka** State of **Nevada** described as follows (herein called "said land")

SEE ATTACHED EXHIBIT "A"

five (5)

544.66 acres.

For the purpose of determining the amount of any royalty payment hereunder, said land shall be considered to contain **five (5) 544.66** acres.
2. Subject to the other provisions herein contained, this lease shall be for a term of **99** years from the date hereof (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 pay or to the credit of Lessor free of cost, on the lease or into any pipeline to which Lessee may connect its wells, the equal one-eighth part of all oil produced and saved from said land, or in the Lessee's option may pay to the Lessor for such royalty the market price for oil of like grade and gravity prevailing in the same field or area on the day such oil is run into the pipeline or the storage tank; (b) To pay in legal for gas of whatsoever 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. A well capable of producing gas or gas and gas-condensate in paying quantities located on said land, or on acreage pooled or unitized therewith, is at any time shut-in and no oil or gas-condensate therefrom is sold or used off the premises or for the manufacture of gasoline or other products, nevertheless such shut-in well shall be deemed to be a well on said land producing gas in paying quantities and this lease shall continue in force during all of the time or times while such well is so shut-in, whether before or after the expiration of the primary term hereof. Lessee shall use reasonable diligence to market gas or gas and gas-condensate capable of being produced from such shut-in well but shall be under no obligation to market such products under terms, conditions or circumstances which, in Lessee's judgment exercised in good faith, are unsatisfactory. Lessee shall be obligated to pay or tender to Lessor and all other royalty owners as their interests in royalty in the well shall appear on the well shut-in for the primary term of this lease following the shutting-in of such well, and annually thereafter, as to such well as to shut-in, as royalty, an amount equal to the annual delay rental herein provided for under the terms of this lease, or, if this lease does not provide for any delay rental, then the sum of \$100 per acre. Lessor's portion of such payment may be made or tendered to Lessor or to Lessor's credit by check or draft mailed or delivered to the depository bank designated herein. Portions of such payment payable to others may be made or tendered by check or draft, mailed or delivered, to such owners' credit in Lessor's depository bank. Royalty ownership as of the last day of each such annual period as shown by Lessor's records shall determine the amounts and the party or parties entitled to receive such payment. "Shutting-in" of a well shall be the date on which production (as in such well as previously defined) has flow test shall disclose that the well is capable of production in paying quantities. When such casing shall have been run and the gas flow tested, no well shall be considered "shut-in".
5. 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 or tender to the Lessor or the Lessor's credit in the **Trust Account of MULL & MCCARTHY APC** at **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 or gas or in the rentals to accrue hereunder, the sum of **One Thousand Five Hundred Forty Four and 66/100** Dollars, which shall operate as a rental and cover the privilege of determining the commencement of operations for drilling for a period of one year. In like manner and upon like payments or tenders, the commencement of operations for drilling may further be deferred for like periods successively. All payments or tenders may be made by check or draft to Lessee or any assignee thereof, mailed or delivered on or before the rental date, either direct to Lessor by assigns or to said depository bank, and it is understood and agreed that the consideration first recited herein covers not only the privilege granted to the date when said first rental is payable as aforesaid, but also the Lessee's option of extending that period as aforesaid and any and all other rights contained. Notwithstanding the death of the Lessor, his successors in interest, the payment or tender of rentals in the manner provided herein shall be binding on the heirs, devisees, executors, and administrators of such person.
6. 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.
7. 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 shall, on or before the expiration of said 12 months, begin or resume 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.
8. 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 production of such operations and, if production results therefrom, then as long thereafter as production continues.
9. The Lessee 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 and reservoirs of the Lessor. When required by Lessee, the Lessee shall pay its cost for the use of water found on said land for its operations on said land. No well shall be drilled nearer than 200 feet to the house or barn now on said land or to any other building 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 thereafter such equipment shall become the property of Lessor, unless Lessor on or before such date shall, by written request, require Lessee to remove such material and restore said land as nearly as possible to its original condition.
10. 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 not exceeding in area the acreage prescribed or required in any Federal or State law, order, rule or regulation for the drilling or operation of one well, or for obtaining the maximum allowable production from one well. Such pooling shall be accomplished or terminated by filing of record in the proper county a declaration of pooling or decedation of pooling, or termination of pooling, a copy of which may be mailed or tendered to Lessor. The production of pooled or un-pooled substances and development and operation on any portion of a unit or units so pooled, including the commencement, drilling, completion and operation of a well thereon, shall be considered and construed, and shall have the same effect, except for the payment of royalty, as production, development and operation on said land under the terms of this lease. The royalties herein provided shall accrue and be paid to Lessor or pooled substances produced from any unit in the proportion, but only in the proportion, that Lessor's acreage interest in the land covered hereby and placed in the unit bears to the total acreage placed in such unit.
11. If the estate of either party heretofore assigned, and the privilege of assigning in whole or in part is expressly allowed, the covenants herein shall extend to the heirs, devisees, executors administrators, successors and assigns, but the 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 receipt of said documents shall be binding on any direct or indirect assignee, grantee, devisee, administrator, executor, or heir of Lessor.
12. Lessee may at any time surrender this lease in whole or in part by placing such release of record in the proper county. If said lease is surrendered as to only a portion of the acreage covered thereby, then all payments and royalties hereunder accruing under the terms of said lease as to the portion surrendered shall cease and determine and any rentals thereafter due may be apportioned on an acreage basis, but as to the portion of the acreage so released 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 as to a part or as to parts of said land and the holder or owner of any such part or parts shall make default in the payment of the monies due thereon, or in their 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.
13. 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 taxes, mortgage or other liens existing, levied or assessed 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 after-acquired title.
14. All express or implied 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, voidable 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.
15. This lease shall be binding upon all who execute it, whether they are named in the granting clause and whether all parties named in the granting clause execute this lease. All provisions of this lease shall inure to the benefit of and be binding upon the heirs, executors, administrators, successors and assigns of Lessor and Lessee. Lessee hereby waives and releases all rights of power and homestead, and all claims insofar as they may conflict with the provisions hereof, and agrees to defend the same.

15. See Addendum #1, incorporated hereby.

Witness my hand and seal of my office this 5th day of May 1988 at Sacramento, California.

Thomas S. Van Horne
Thomas S. Van Horne, as Power of Attorney
for Daniel H. Russell and Roberta A. Russell, husband and wife

Daniel H. Russell and Roberta A. Russell
Daniel H. Russell and Roberta A. Russell, husband and wife

Thomas S. Van Horne
Thomas S. Van Horne, as Power of Attorney
for Daniel H. Russell and Roberta A. Russell, husband and wife

Thomas S. Van Horne
Thomas S. Van Horne, as Power of Attorney
for Daniel H. Russell and Roberta A. Russell, husband and wife

Thomas S. Van Horne
Thomas S. Van Horne, as Power of Attorney
for Daniel H. Russell and Roberta A. Russell, husband and wife

Thomas S. Van Horne
Thomas S. Van Horne, as Power of Attorney
for Daniel H. Russell and Roberta A. Russell, husband and wife

Thomas S. Van Horne
Thomas S. Van Horne, as Power of Attorney
for Daniel H. Russell and Roberta A. Russell, husband and wife

Thomas S. Van Horne
Thomas S. Van Horne, as Power of Attorney
for Daniel H. Russell and Roberta A. Russell, husband and wife

Thomas S. Van Horne
Thomas S. Van Horne, as Power of Attorney
for Daniel H. Russell and Roberta A. Russell, husband and wife

Thomas S. Van Horne
Thomas S. Van Horne, as Power of Attorney
for Daniel H. Russell and Roberta A. Russell, husband and wife

Thomas S. Van Horne
Thomas S. Van Horne, as Power of Attorney
for Daniel H. Russell and Roberta A. Russell, husband and wife

Thomas S. Van Horne
Thomas S. Van Horne, as Power of Attorney
for Daniel H. Russell and Roberta A. Russell, husband and wife

Thomas S. Van Horne
Thomas S. Van Horne, as Power of Attorney
for Daniel H. Russell and Roberta A. Russell, husband and wife

Thomas S. Van Horne
Thomas S. Van Horne, as Power of Attorney
for Daniel H. Russell and Roberta A. Russell, husband and wife

Thomas S. Van Horne
Thomas S. Van Horne, as Power of Attorney
for Daniel H. Russell and Roberta A. Russell, husband and wife

Thomas S. Van Horne
Thomas S. Van Horne, as Power of Attorney
for Daniel H. Russell and Roberta A. Russell, husband and wife

Thomas S. Van Horne
Thomas S. Van Horne, as Power of Attorney
for Daniel H. Russell and Roberta A. Russell, husband and wife

Social Security #

EXHIBIT "A"

Attached hereto and made a part hereof that certain Oil and Gas Lease dated May 6, 1988, by and between DANIEL H. RUSSELL and ROBERTA A. RUSSELL, husband and wife, by THOMAS S. VAN HORNE, as Power of Attorney, as Lessor, and GARY-WILLIAMS OIL PRODUCER, INC., as Lessee.

Township 17 North, Range 50 East

Sections 7 & 8: Described more particularly as follows: Beginning at Corner No. 1 from which the quarter corner to Sections 8 and 9 in Township 17 North of Range 50 East of the Mount Diablo Meridian, bears North 82°35' East 57.53 chains distant; thence South 73°52' West 17.72 chains to Corner No. 2; thence North 76°18' West 27.40 chains to Corner No. 3; thence South 66°29' West 3.30 chains to Corner No. 4; thence North 76°43' West 30.88 chains to Corner No. 5; thence North 56°09' East 5.40 chains to Corner No. 6; thence South 79°52' East 55.00 chains to Corner No. 7; thence North 76°59' East 15.21 chains to Corner No. 8; thence South 37°41' East 5.41 chains to Corner No. 1, the place of beginning; containing 35.65 acres, according to the official plat of the Survey of said land, returned to the General Land Office by the Surveyor-General.

Section 19: Lot 4, SE $\frac{1}{4}$ SW $\frac{1}{4}$

Section 29: NW $\frac{1}{4}$ NW $\frac{1}{4}$, W $\frac{1}{2}$ NE $\frac{1}{4}$

Section 30: NE $\frac{1}{4}$ NW $\frac{1}{4}$, N $\frac{1}{2}$ NE $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$

Section 31: W $\frac{1}{2}$ NE $\frac{1}{4}$, NE $\frac{1}{4}$ NE $\frac{1}{4}$

Township 19 North, Range 50 East

Section 16: W $\frac{1}{2}$ NE $\frac{1}{4}$, E $\frac{1}{2}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$ NW $\frac{1}{4}$, NW $\frac{1}{4}$ SW $\frac{1}{4}$

Section 17: SE $\frac{1}{4}$ NE $\frac{1}{4}$, NE $\frac{1}{4}$ SE $\frac{1}{4}$

Township 20 North, Range 49 East

Section 8: W $\frac{1}{2}$ SE $\frac{1}{4}$

Section 9: SW $\frac{1}{4}$

Section 16: NE $\frac{1}{4}$ NW $\frac{1}{4}$, NW $\frac{1}{4}$ NE $\frac{1}{4}$

Township 21 North, Range 48 East

Section 35: NE $\frac{1}{4}$ SW $\frac{1}{4}$, NW $\frac{1}{4}$ SE $\frac{1}{4}$

Township 22 North, Range 48 East

Section 36: Lots 1, 2, 3, NW $\frac{1}{4}$ SE $\frac{1}{4}$

ADDENDUM

Attached to and made a part of that certain oil and gas lease dated 5/6, 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 16, 1988
GARY-WILLIAMS OIL PRODUCER, INC.
LESSEE

By: [Signature]
Title: Pat Keating, Attorney-in-Fact

TVH19/Addendum

Dated: 5/6, 1988

Daniel H. Russell
Roberta A. Russell

DANIEL H. RUSSELL

ROBERTA A. RUSSELL

BY DANIEL H. RUSSELL

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

COOPY

RECORDED AT THE REQUEST OF
Gary Williams Oil Producer
BOOK 178 PAGE 070

88 MAY 31 AM 1:42

EX-100-118732
FILE NO. 118732
FEE \$ 9.00

BOOK 178 PAGE 074