

12911-1

OIL AND GAS LEASE

AGREEMENT, made and entered into this 17th day of July, 1989, by and between TOMERA BROTHERS, a Nevada General Partnership, consisting of the Estate of BATTISTA TOMERA, JR., aka BATTISTA TOMERA, aka BUTCH TOMERA, deceased, by and through his duly appointed Co-Executors, MATTHEWS AND WINES, P.C., and McMULLEN MCPHEE & Co. (hereinafter the "ESTATE") and GEORGE TOMERA aka TOM TOMERA, an Adult Ward, by and through his duly appointed Guardians, THOMAS J. TOMERA and PATSY SUE TOMERA, (hereinafter "GEORGE TOMERA") party of the first part, hereinafter called lessor, (whether one or more) and LOMA ENERGY CORP. a Montana Corporation, P.O. Box 21395, Billings, Montana 59104, party of the second part, (hereinafter called "lessee").

W I T N E S S E T H

Lessee hereby agrees that Lessee, or its successors or assigns, shall record at its cost and expense, a Deed quitting all claim to the premises within thirty (30) days after termination or non-renewal of the Lease. In the event Lessee, its successors or assigns fails or refuses to do so, Lessor shall be entitled to obtain and record such documents as shall be necessary to remove the cloud from title; Lessor shall charge back to Lessee, or its successors or assigns, all costs and expenses, including attorney fees incurred, and Lessee, and its successors or assigns shall pay all costs and expenses immediately upon demand.

OIL AND GAS LEASE

WITNESS THIRTY: That the lessor for and in consideration of _____ Dollars in kind paid, receipt of which is hereby acknowledged, of the royalties herein provided, and of the agreements of lease herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil, gas, compressed air and other hydrocarbons and including all other products produced therefrom, laying pipe lines, building tanks, power stations, telephone lines and other structures thereon to produce, save, take care of, treat, transport, and own said products and housing its employees, the following described land in Eureka County, State of Nevada, to-wit:

SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF

Notwithstanding anything to the contrary contained herein, Lessee shall obtain written approval from Lessor for permanent housing for employees; such approval shall not be unreasonably withheld, including all mineral interests, names underlying lakes, streams, roads, easements and right-of-way which traverse or appurtenant lands owned or claimed by lessor, or which may hereafter be established to be owned by lessor, and also in addition to the above described land and rights, any and all strips or parcels of land, other than those constituting regular governmental subdivisions, adjoining or contiguous to the above-described land and owned or claimed by lessor, all of the foregoing land being hereinafter referred to as said land or leased premises. For the purpose of calculating the rental payments for which provision hereinabove is made, said land shall be treated as comprising 2,142.30 acres whether it actually comprises more or less.

TO HAVE AND TO HOLD the same (subject to the other provisions herein contained) for a term of 20 years from this date (called primary term) and as long thereafter as oil, gas, compressed gas or other hydrocarbons or either or any of them, are produced therefrom, or as much longer thereafter as the lease in good faith shall conduct drilling operations or reworking operations thereon and should production result from such operations, this lease shall remain in full force and effect as long as oil, gas, compressed gas or other hydrocarbons shall be produced therefrom.

In consideration of the premises it is hereby mutually agreed as follows:

1. The lessor shall deliver to the credit of the lessor, free of cost, in the pipe line to which lessor may connect its wells the equal one-eighth (1/8) part of all oil produced and saved from the leased premises, or lessor may from time to time at its option purchase any royalty oil in its possession, paying the market value thereof prevailing for oil of like grade and gravity in the field where produced on the date of purchase.

2. The lessor shall pay lessor, as royalty, on gas, including compressed gas or other gaseous substances, produced from the leased premises and sold or used off the premises or used in the manufacture of gasoline or other products, the market value at the well of one-eighth of the gas sold or used, provided that on gas sold the royalty shall be one-eighth of the amount realized from such sale. The amount realized from the sale of gas shall be the price established by the gas sales contract entered into in good faith by lessor and a gas purchaser for such terms and under such conditions as are customary in the industry. "Price" shall mean the net amount received by lessor after giving effect to applicable regulatory orders and after application of any applicable price adjustments specified in such contract or regulatory orders. In the event lessor compresses, treats, purifies, or dehydrates such gas (whether on or off the leased premises) or transports gas off the leased premises, lessor in computing royalty hereunder may deduct from such price a reasonable charge for each of such functions performed, if a well capable of producing gas or gas and gas-condensate or distillate in paying quantities located on the leased premises (or on acreage pooled with all or a portion of the leased premises into a unit for the drilling or operation of such well) is at any time shut-in and no gas or gas-condensate or distillate therefrom is sold or used off the premises for the manufacture of gasoline or other products, nevertheless such shut-in well shall be treated as a well for the lease and no production gas or gas in paying quantities and the lease shall continue in force during all times while such well is so shut-in, whether before or after the expiration of the primary term. Lessor shall have the right to require the lessor to deduct from the royalty payable to lessor the amount of gas or gas-condensate or distillate produced from such shut-in well but that shall be under no obligation to market such products under terms and conditions in circumstances which, in lessor's judgment exercised in good faith, are unsatisfactory. Lessee shall be obligated to pay to lessor a rental fee within 45 days after the expiration of each period of one year in length (annual period) during which such well is so shut-in, as a regular, an amount equal to annual delay rental herein provided applicable to the interest of lessor in acreage embraced in this lease as of the end of such annual period, provided that if gas or gas-condensate or distillate from such well is sold or used as aforesaid before the end of such annual period, or at the end of such annual period, the lease is being maintained in force and effect otherwise than by reason of such shut-in well, lessor shall not be obligated to pay to lessor or tender, for that particular annual period, and sum of money. Such payment shall be deemed a royalty under all provisions of this lease. Such payment may be made or tendered by lessor or to lessor's credit in the designated depository bank in the manner prescribed for the payment of delay rentals. Royalty ownership as of the last day of each such annual period as shown by lessor's records shall govern the determination of the party or parties entitled to receive such payment.

3. At operations for the drilling of a well for oil or gas or for commencing or saving gas or oil or gas or for the removal of oil or gas from the leased premises, the lessor shall terminate as to both parties unless the lease shall, on or before one year from this date, pay or tender to the lessor or to the lessor's credit in **PAY DIRECT TO LESSOR**

C.O. Stonehouse Ranch Bank at **Carlin**, Account #**8982**, or its successor or successors, which bank and its successors are lessor's agents and which shall continue as the depositary regardless of changes in the ownership of the land or in the oil or gas or the rentals to be paid hereunder, the sum of **Two Thousand One hundred Forty Two and 36/100** Dollars which shall operate as a rental and cover the privilege of deferring the commencement of operations for the drilling of a well for a period of one year. In like manner and upon payments or tenders, the commencement of operations for the drilling of a well may be further deferred for periods successively during the primary term of this lease. And it is understood and agreed that the consideration first recited herein, the down payment, covers not only the privileges granted to the date when said rental is payable at aforesaid, but also the lessor's option of extending that period at aforesaid, and any and all other rights conferred. All payments or tenders may be made by check, or draft, or letter, or any assignee thereof, mailed or delivered on or before the rental paying date. Lessee may at any time execute and deliver to lessor or place of record a release or releases covering any portion or portions of the above described premises and thereby surrender that lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered and thereafter the rentals payable hereunder shall be reduced in the proportion that the acreage covered herein is reduced by said release or releases.

4. If prior to discovery of oil or gas on said premises lessor should drill a dry hole or holes thereon, or if after discovery of oil or gas all wells thereon should become incapable of producing for any cause, this lease shall not terminate if lessor commences operations for additional drilling or for reworking within sixty (60) days thereafter or if it be within the primary term commencement of or resumes the payment or tender of rentals on or before the rental paying date next ensuing after the expiration of such (60) days from date of completion of dry hole or cessation of production. If at the expiration of the primary term there is no well upon the leased premises capable of producing oil, gas, compressed gas or other hydrocarbons, but lessor has commenced operations for drilling or reworking wherein, the lessor shall remain in force so long as operations are prosecuted with a cessation of more than sixty (60) days, whether such operations be on the same well or on a different well or additional wells on said land, and they result in the production of oil, gas, compressed gas or other hydrocarbons, so long thereafter as oil, gas, compressed gas or other hydrocarbons or either or any of them are produced from the leased premises.

5. When lessor owns a less interest in the above described land than the interest and undivided interest in the surface and minerals, the oil and gas and undivided interest in the surface water, or Surface Water, shall be apportioned between lessor and lessor's interest in the land, except water from lessor's wells, for all operations hereunder, and the interest of oil, gas and compressed gas and water ~~REGARDLESS OF OWNERSHIP IN THE LAND~~ shall be computed after deducting any such interest.

6. Lessee shall have the freedom of oil, gas, compressed gas and water ~~REGARDLESS OF OWNERSHIP IN THE LAND~~ except water from lessor's wells, for all operations hereunder, and the interest of oil, gas and compressed gas and water shall be computed after deducting any such interest.

When requested by lessor, lessor shall bury his pipe lines below plane depth.

No well shall be drilled nearer than 200 feet to the house or barn roof on said premises, without the written consent of the lessor.

Lessor shall pay for damages caused by its operations ~~REGARDLESS OF OWNERSHIP IN THE LAND~~.

Lessor shall have the right at any time (but not the obligation) to remove all improvements, machinery, and fixtures placed or erected by lessee on said premises, and having the right to pull and remove same.

7. The rights of either party hereunder may be assigned in whole or in part, and the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns of the parties hereto, notwithstanding any actual or constructive knowledge of or notice to lessor, no change or division in the ownership of the land, royalties, or rentals, however accomplished, shall be binding upon the lessor (except in lessor's option of any partition case), unless sixty (60) days after lessor shall have been furnished with the original or copy certified by the judicial officer of the state where the land is situated of the title thereto, lessor, or a photostatic facsimile to lessor, and such change or transfer shall not affect any payments made prior to said date whether or not due. In case of death of any person entitled to receive royalties or rentals, the evidence of change in ownership shall consist of letters of administration or final decree of distribution of the estate of the decedent issued by a court of competent jurisdiction of the decedent's state including its interest in the land above described. Lessor may make such date certain to pay such royalties and rentals as if such change or transfer had not been made, or may pay the same according to the interests of record as disclosed by the last certification of an abstractor lessor's possession subsequent to the date of the lease, or at lessor's option, may suspend the payment thereof until sixty (60) days after such evidence is received. No change or division in the ownership of the land, royalties, or rentals shall operate to enlarge the obligations or diminish the rights of the lessor. No division of royalties shall be made effective except at the end of a calendar month. If the ownership of royalties becomes changed into separate divided portions of said land and the owner of any such royalty desires separate gauges for production from such separate tracts, he shall request the lessor to set separate measuring and recording tanks and pay to the lessor in advance the lessor's estimated cost of preparing and setting such tanks and making the connections thereto; and unless and until such is done, lessor may pay such royalties to the separate owners jointly or may suspend payment until such time as said separate owners shall agree in writing upon an apportionment of such royalties and furnish lessor with the original agreement. In event of assignment of this lease as to a segregated portion or portions of said land, all rentals payable hereunder shall be apportionable as between the several household owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other household owners hereunder. The acreage included in any assignment as recited therein in good faith shall be conclusive for the purpose of payment of rentals. Whether or not this lease is owned by one party or by two or more different parties, production under the terms of this lease, or drilling or reworking operations on any portion of the land above described, shall keep the lease in effect upon all the land herein leased. The lessor shall not be liable for the failure of any subsequent owner of this lease, in whole or in part, to perform the terms, conditions and obligations of this lease, express or implied. Offsetting shall never be required to protect one portion of the leased premises against drainage through a well or wells on another portion of the leased premises. If six or more parties become entitled to royalty hereunder, lessor may withhold payment thereof under, and until furnished with a recordable instrument executed by all such parties designating a trustee to receive payment for all.

Lessor shall have the right to unitize, pool, or combine all or any part of the above described lands or other lands in the same general area by entering into a cooperative or unit plan of development or operation approved by any governmental authority and, from time to time, with the approval to modify, change or terminate such plan or agreement and, in such event, the terms, conditions and obligations of this lease shall be deemed modified to conform to the terms, conditions, and provisions of such approved cooperative or unit plan of development or operation and, particularly, all drilling and development requirements of this lease, express or implied, shall be satisfied with compliance with the drilling and development requirements of such plan or agreement, and this lease shall not terminate or expire during the life of such plan or agreement. In the event that said above described lands or any part thereof, shall hereafter be operated under any such cooperative or unit plan of development or operation whereby the production therefrom is allocated to different portions of the land covered by said plan, then the production allocated to any particular tract of land shall, for the purpose of computing the royalties to be paid hereunder to lessor, be regarded as having been produced from the particular tract of land to which it is allocated and not to any other tract of land, and the royalty payments to be made hereunder to lessor shall be based upon production only so allocated. Lessor shall formally express lessor's consent to any cooperative or unit plan of development or operation adopted by lessor and approved by any governmental agency by executing the same upon request of lessor.

9. In addition to and not in limitation of the rights granted in paragraph 8 hereof, lessee is hereby granted the right and option to consolidate, pool or combine the lands covered by this lease, or any portion or portions thereof, or any stratum or strata thereunder, with other lands or like strata thereunder for the development thereof or for the production therefrom of oil, gas, casinghead gas or other hydrocarbons, or any oil or gas products, when in lessor's discretion and judgment it is advisable so to do for proper development or operation of the premises, or to conform to spacing or zoning rules of any lawful authority, such consolidation, pooling or combining to be into units of such shape and dimensions as lessor may elect, provided that any such unit when completed shall be composed of tracts each of which is contiguous to, touches or comes with some one or more of the other tracts in the unit in such number as to form one connected tract of land; and provided, further, that any tracts included in any such unit separated only by a street, alley, road, railroad, canal, stream, right-of-way or other similar strip or parcel of land shall be considered as contiguous, connecting or touching within the meaning of this paragraph. Any unit formed under this paragraph for production of oil and casinghead gas shall not exceed one hundred sixty acres (160) acres in surface area, and for production of dry or gas well gas or dry or gas well gas and condensate or distillate shall not exceed six hundred sixty (660) acres in surface area. If some larger unit for the production of oil and casinghead gas or dry or gas well gas or dry or gas well gas and condensate or distillate is permitted or prescribed by lawful authority, then in such event such larger unit shall control, provided that, if governmental survey units be irregular in size, the size of any of the units mentioned herein may be increased to the size of the three existing governmental survey and acreage in size of the unit acreage prescribed herein. The right and option herein granted to lessee may be exercised at any time from time to time, whether before or after production is started and whether or not a unit may therefore have been created for some other product, by executing or writing an instrument identifying and describing the unit created, and by delivering a copy thereof to lessor or by recording a copy thereof in the county where the land is located. The lands in any such unit shall be developed or operated as one tract and any operations for the drilling of a well or for production from such unit, whether or not from lands described in this lease, shall be deemed to be drilling operations on or production secured on lands subject to this lease for all purposes except for the purpose of payment of royalty hereunder, provided, further, that any operations for drilling and completing a well on any such unit shall be deemed to be operations on the lands described in this lease and under the terms hereof regardless of whether said operations result in a well of the type specified in the instrument declaring such unit or a well of a type not covered by such instrument. In lieu of the royalties elsewhere herein provided, the lessor shall receive from producer on any such unit only such portion of the royalty, at the rate stipulated elsewhere herein, as lessor's acreage in the unit for his interest interest therefrom bears to the total acreage of the unit. Creation of any unit as herein provided shall in no manner affect the ownership or amount of any royalty which may be payable under the terms of this lease.

10. In the interest of conservation, the protection of reservoir pressures and recovery of the greatest ultimate yield of oil and/or gas, lessee shall have the right to combine the leased premises with other premises in the same general area for the purpose of operating and maintaining repressuring and recycling facilities and for such purpose may locate such facilities, including output wells, upon the leased premises, and no royalty shall be payable hereunder upon any gas used for repressuring and recycling operations benefiting the leased premises.

11. Lessor hereby ACKNOWLEDGES AND AGREES THAT HE HAS READ AND UNDERSTOOD THE FOREGOING AGREEMENT agrees that the lessee, at its option, may pay and discharge any taxes, mortgage, or other lien existing, levied, or assessed on or against the above described Lands and, in eventless 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 mortgage, tax or other lien, any royalty or rentals accruing hereunder.

12. In the event lessor considers that lessee has not complied with all its obligations hereunder, both express and implied, lessor shall notify lessee in writing, setting out specifically in what respects lessor has breached this contract. Lessee shall then have sixty (60) days after receipt of said notice within which to meet or commence to meet all or any part of the breaches alleged by lessor. The service of said notice shall be preceded by the bringing of any action by lessor on and before for any cause, and no such action shall be brought until the date of sixty (60) days after service of such notice on lessor. Neither the service of said notice nor the doing of any acts by lessor aimed to meet all or any of the alleged breaches shall be deemed an admission or presumption that lessor has failed to perform all its obligations hereunder.

13. All express and implied covenants of this lease shall be subject to all federal and state laws, executive orders, rules and regulations, and this lease shall not be terminated, in whole or in part, nor lessor held liable in damage 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, or if such compliance is prevented by or failure is the result of inactivity of lessor through no fault of its own, to obtain sufficient and satisfactory material and equipment to justify the commencement of drilling operations or continuous production of oil or gas from the leased premises.

14. Above lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of lessor or lessee.
15. With respect to and for the purpose of this lease, lessor, and each of them if there be more than one, hereby release and waive the right of homestead.
16. This lease shall be binding upon each party who executes it without regard to whether it is executed by all those named herein as lessors,
with RECORDED, witness our hands as of the day and year first above written.

GEORGE TOMERA

By: Thomas J. Tomera
Thomas J. Tomera, as Guardian of the
Person and Estate of George Tomera

By: Patsy Sue Tomera
Patsy Sue Tomera, as Guardian of the
Person and Estate of George Tomera

BATTISTA TOMERA, deceased

By: Judith L. McPherson
Judith L. McPherson, as
Hathaway and Wines, P. C., Executor

By: Judith L. McPherson
Judith L. McPherson, as
McMullen McPherson & Co., Executor

NEVADA INDIVIDUAL ACKNOWLEDGEMENT

STATE OF _____
COUNTY OF _____
On this _____ day of _____, in the year _____, before me _____, known to me to be the person whose
name is subscribed to the within instrument, and acknowledged to me that he executed the same.

Notary Public

My Commission expires: _____ Place of Residence: _____

NEVADA CORPORATE ACKNOWLEDGMENT

STATE OF _____
COUNTY OF _____
On this _____ day of _____, in the year _____, before me _____, known to me to be the _____ President
Notary Public, personally appeared _____, _____, known to me to be the _____ President
of the corporation that executed the within instrument and acknowledged to me that such corporation executed the same.

Notary Public

My Commission expires: _____ Place of Residence: _____

OIL AND GAS LEASE
FROM
No. _____

TO

State of _____ County _____
This instrument was filed for record on the
day of _____, 19_____.
At _____ o'clock, _____ M. and duly recorded
in Book _____, Page _____ of the records
of this office.

County Clerk-Sheriff or Deed
Recorder _____
By _____
When recorded refers to

STATE OF NEVADA) SS.
COUNTY OF ELKO)

On this 17th day of July, 1989, personally appeared before me, a Notary Public, Richard J. Mathews and Theodore N. McPhee, known to me to be Co-Executors of the Estate of Battista Tomera, deceased, who acknowledged that they executed the foregoing instrument in their representative capacity.

Janyce E. Jenkins

Notary Public
 JANYCE E. JENKINS
Notary Public-State of Nevada
Elko County-Nevada
Comm. Exp. 9-18-93

STATE OF NEVADA) SS.
COUNTY OF ELKO)

On this 19th day of July, 1989, personally appeared before me, a Notary Public, Thomas J. Tomera and Patsy Sue Tomera, known to me to be the Guardians of the Person and Estate of George Tomera, who acknowledged that they executed the foregoing instrument in their representative capacity.

Janyce E. Jenkins

Notary Public
 JANYCE E. JENKINS
Notary Public-State of Nevada
Elko County-Nevada
Comm. Exp. 9-12-93

EXHIBIT "A"
DESCRIPTION OF LANDS IN EUREKA COUNTY NEVADA

Township 30 North, Range 52 East M.D.M.
Section 6: Lots 1(40.17), 2(40.12), 3(40.07), 4(33.79), 5(39.92),
6(34.07), 7(34.22), S $\frac{1}{2}$ N $\frac{1}{4}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$
Section 8: W $\frac{1}{2}$, SE $\frac{1}{4}$
Section 16: W $\frac{1}{2}$ NW $\frac{1}{4}$
Section 17: All
Section 18: E $\frac{1}{2}$

Signed for identification:

Thomas J. Tomera
Thomas J. Tomera, as Guardian of the
Person and Estate of George Tomera

Patsy Sue Tomera
Patsy Sue Tomera, as Guardian of the
Person and Estate of George Tomera

Delichkeit Matthews
Matthews and Wines, P. C., Executor of
Estate of Battista Tomera, deceased

John McPherson
McMullen McPherson & Co., Executor of
Estate of Battista Tomera, deceased

RECORDED AT THE REQUEST OF

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Loma Energy Corp.
'89 AUG 24 P2:7A

OFFICIAL RECORDS
EUREKA COUNTY, NEVADA
M.M. REPRODUCTIONS, INC., DROVER
FILE NO. 129111 FEE \$ 100
129111

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