

1:00453

OIL AND GAS LEASE

AGREEMENT, made and entered into this 12th 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.

BOOK 205 PAGE 049

BOOK 694 PAGE 73

See BK. 209, Pg. 465 for Assignment
See BK. 237, Pg. 63 for Release

Ten and More

WITNESSETH That the lessor for and in consideration of the sum of Four Thousand Eight Hundred Twenty Eight and 4/100 Dollars to be paid hereunder, unto the lessor, and of the agreements of lessee herein contained, hereby grants, demises, conveys and lets, unto the lessor, unto the lessor for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil, gas, casinghead gas and other hydrocarbons and including all other products produced therefrom; laying pipe lines, banking 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 Elko and 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 interest hereinafter named underlying sales, streams, roads, easements and rights-of-way which traverse or sojourn said 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 owned or claimed by lessor, all of the other than those constituting regular governmental subdivisions, adjoining or contiguous to the above described land, and owned or claimed by lessor, the amount of acreage being hereinafter referred to as said land or leased premises, for the purpose of calculating the rental payments for which provision hereinafter is made, said land shall be treated as comprising 4.82841 acres whether it actually comprises more or less.

FIVE

TO HAVE AND TO HOLD the same (subject to the other provisions herein contained) for a term of 500 years from this date (called primary term) and as long thereafter as oil, gas, casinghead gas or other hydrocarbons or either or any of them, is produced therefrom, or as much longer thereafter as the lessee 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, casinghead gas or other hydrocarbons shall be produced therefrom.

1. The lessee shall deliver to the credit of the lessor as royalty, free of cost, in the pipe line to which lessee may connect its wells the equal one-eighth (1/8) part of all oil produced and saved from the leased premises, or the equal one-eighth (1/8) part of the market value of the oil and gas produced on the date of purchase.

2. The lessee shall pay lessor, as royalty, on gas, including casinghead 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 by lessee after giving effect to applicable regulatory orders and after application of any applicable price adjustments specified in such contract. Lessee shall use reasonable diligence to market gas or 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) for the drilling or operation of such well as at any time shut-in and no gas or gas-condensate or distillate therefrom is sold or used off the premises, Lessee 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-condensate or distillate in paying quantities located on the leased premises (or on acreage pooled with all or a portion of the leased premises) for the manufacture of gasoline or other products, nevertheless such shut-in well shall be deemed to be a well on the leased premises producing gas in paying quantities and this lease shall continue in force during all of the time of 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-condensate or distillate 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, exceed in good faith, are unattractive. Lessee shall be obligated to pay or tender to lessor 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 royalty, an amount equal to annual delay rentals hereunder 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 above before the end of such annual period, or if, 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, lessee shall not be obligated to pay or tender, for that particular annual period, any amount as royalty. Such payment shall be deemed a royalty under all provisions of this lease. Such payment may be made or tendered to lessor or to lessor's credit in the designated depository bank in the manner provided for the payment of delay rentals. Royalty ownership as of the last day of each such annual period as shown by lessee's records shall govern the determination of the party or parties entitled to receive such payment.

3. If operations for the drilling of a well for oil or gas are not commenced on said land on or before one year from this date, this lease shall terminate as to both parties, unless the lessee 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 bank and its successors are lessor's agents, which shall continue in the depository regardless of changes in the ownership of the land or in the oil or gas or the bank and its successors are lessor's agents, Four Thousand Eight Hundred Twenty Eight and 4/100 Dollars which shall accrue hereunder, the sum of Four Thousand Eight Hundred Twenty Eight and 4/100 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 terms payments or tenders, the commencement of operations for the drilling of a well may be further deferred for like periods successively during the primary term of this lease. And it is understood and agreed that the consideration last recited herein, the down payment, covers not only the privileges granted to the lessee and said rental is payable as aforesaid, but also the lessee's option of extending that period as aforesaid, and any and all other rights conferred. All payments or tenders may be made by check, or draft, or order, or any manner 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 this 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 in case of discovery of oil or gas on said premises Lessee should drill a dry hole or hole less than 100 feet deep, or if after discovery of oil or gas all wells thereon should become incapable of producing for any cause, this lease shall terminate if Lessee commences operations for additional drilling or for reworking within sixty (60) days thereafter or if it be within the primary term hereof Lessee commences operations for additional drilling or for reworking within sixty (60) days after the expiration of sixty (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, casinghead gas or other hydrocarbons, but Lessee has commenced operations for drilling or reworking thereon, the lease shall remain in force so long as operations are prosecuted with this evaluation of more than sixty (60) days, whether such operations be on the same well or on a different or additional well or wells, and if they result in the production of oil, gas, casinghead gas or other hydrocarbons, so long thereafter as oil, gas, casinghead gas or other hydrocarbons or either or any of them, is produced from the leased premises.

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

6. Lessee shall have the free use of oil, gas, casinghead gas and water produced from said land, except water from lessor's wells, for all operations hereunder, and the royalty on oil, gas and casinghead gas shall be computed after deducting any so used.

7. When requested by lessor, lessee shall bury its pipe lines below plow depth. No well shall be drilled nearer than 100 feet to the house or barn now on said premises, without the written consent of the lessor. Lessee shall pay for damages caused by its operations hereunder to remove all improvements, machinery, and fixtures placed or erected by lessee on said premises, including the right to pull and remove cavings.

8. 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 lessee, no change or division in the ownership of the land, royalties, or rentals, however accomplished, shall be binding upon the lessor (except at lessee's option in any particular case), until sixty (60) days after a lease shall have been furnished with the original, a copy certified by the official recorder of the county where the land or some part thereof is located, or a photostat of the recorded instrument or instruments evidencing the change or transfer, including any intermediate transfer from the lessor or his assigns not theretofore furnished 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 estate including his interest in the land above described. Lessee may send such date by continue 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 disbursed by the last certification of an abstract in lessor's possession subsequent to the date of the lease, or at lessee'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 land and the owner of any such royalty owns separate gauges for production from such separate tracts, he shall request the lessee to set separate measuring and receiving tanks and pay to the lessor in advance the lessee's estimated cost of procuring and setting such tanks and making the connections therefor; and unless and until such is done, lessee 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 lessee 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 leasehold owners tabularly according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold 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 be 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 this lease in effect upon all the land herein leased. The lease 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. Nothing shall prevent the parties hereto from executing a separate agreement, to perform the terms, conditions and obligations of this lease, express or implied, shall not 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 an interest therein becomes entitled to royalty hereunder, lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating a trustee to receive payment for all.

9. Lessee shall have the right to locate, pool, or combine all or any part of the above described lands with other lands on 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 like approval to modify, change or terminate any such plan or agreement and, in such event, the terms, conditions and provisions 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 by 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 as so allocated. Lessee shall annually 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 lessee.

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 the strata thereunder for the development thereof or for the production therefrom of oil, gas, geothermal gas or other hydrocarbons, or any or all of said products, when in lessee's discretion, such judgment 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, and consolidation, pooling or combining to be into units of such shape and dimensions as lessee may elect provided that any such unit when completed shall be composed of tracts each of which is contiguous to, touches or corners with some one or more of the other tracts in the unit in such manner as to form one connected tract or unit, and provided, further, that any lands included in any such unit separated only by a street, alley, road, railroad, canal, stream, right-of-way or other similar strip of land shall be considered as contiguous, cornering or touching within the meaning of this paragraph. Any unit formed under this paragraph for production of oil and geothermal gas shall not exceed one hundred sixty-three (163) acres in surface area. If some larger unit for the production of oil and gas or geothermal gas and condensate or distillate shall not exceed six hundred sixty (660) acres in surface area. The size of any of the units mentioned herein may be increased to the size of the then existing governmental survey unit interest in size to the unit acreage prescribed herein. The right and option herein granted to lessee may be exercised at any time or from time to time, whether before or after production is secured and whether or not a unit or units theretofore have been created for some other product, by executing in writing an instrument identifying and describing the unit created, and by delivering a copy thereof to lessee 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 or completion or production from such unit, whether in oil 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 thereof regardless of whether said operations result in a well of the type covered in the instrument declaring such unit as a well of a type not covered by such instrument. In lieu of the royalties otherwise provided, the lessee shall receive from production on any such unit only such portion of the royalty, at the rate stipulated elsewhere herein, as lessee's average on the unit to his royalty interest therein bears to the total acreage of the unit. Termination 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 input wells, upon the leased premises, and no royalties shall be payable hereunder upon any gas used for repressuring and recycling operations benefiting the leased premises.

11. Lessee hereby agrees that the lessee, at its option, may pay and discharge any taxes, mortgage, or other liens existing, levied, or assessed on or against the above described lands and, in exercise of such option, it shall be subrogated to the rights of any holder of 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 lessee considers that lessee has not complied with all its obligations hereunder, both express and implied, lessee shall notify lessee in writing, setting out specifically in what respects lessee has breached this contract. Lessee shall then have sixty (60) days after receipt of said notice within which to meet and commence to meet all or any part of the breaches alleged by lessee. The service of said notice shall be precedent to the bringing of any action by lessee and from that time on, and no such action shall be brought until the lapse of sixty (60) days after service of such notice on lessee. Neither the service of said notice nor the doing of any acts by lessee aimed to meet all or any of the alleged breaches shall be deemed an admission or presumption that lessee 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 the lease shall not be terminated, in whole or in part, nor lessee 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 an failure as the result of inability of lessee through no fault of its own, to obtain sufficient and satisfactory material and equipment to justify the commencement of drilling operations or to continue production of oil or gas from the leased premises.

14. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said lessee or lessee.

15. With respect to and for the purpose of this lease, lessee, 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 lessee.

17. If I die, witness our hands as of the day and year first above written.

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

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

ESTATE OF BATTISTA TOMERA, deceased
 By: Richard J. Matthews
 Matthews and Vines, P. C., Executor

By: Sheila M. McPhee
 McMullon McPhee & 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.

My Commission expires: _____
 Notary Public
 Place of Residence _____

NEVADA CORPORATE ACKNOWLEDGEMENT

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

My Commission expires: _____
 Notary Public
 Place of Residence _____

No. _____

OIL AND GAS LEASE
 FROM _____ TO _____

State of _____ County _____

This instrument was filed for record on the _____ day of _____, 19____, at _____ o'clock, _____ M., and duly recorded in Book _____ of the records of this office. _____ County Clerk—Deputy of Deeds.

By _____
 When recorded return to _____

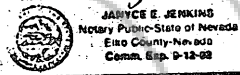
BOOK 205 PAGE 51

BOOK 694 PAGE 75

STATE OF NEVADA) SS.
COUNTY OF ELKO)

On this 12th 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.

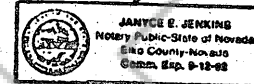
Janyce E. Jenkins
Notary Public



STATE OF NEVADA) SS.
COUNTY OF ELKO)

On this 12th 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



BOOK 205 PAGE 52

BOOK 694 PAGE 76

EXHIBIT "A"

DESCRIPTION OF LANDS IN ELKO & EUREKA COUNTIES, NEVADA

Township 31 North, Range 52 East H.D.M.

Section 3: Lot 1(39.63), SE $\frac{1}{4}$ NE $\frac{1}{4}$

Section 5: Lots 1(39.49), 2(39.51), 3(39.53), 4(39.55)

Township 32 North, Range 52 East H.D.M.

Section 1: Lots 3(40.61), 4(40.85), S $\frac{1}{2}$ NE $\frac{1}{4}$, SW $\frac{1}{4}$

Section 9: All

Section 11: All

Section 13: All

Section 21: All

Section 23: All

Section 33: N $\frac{1}{2}$

Section 35: Lots 1(40.0), 2(40.0), 3(40.0), 4(40.0), 5(40.0), 6(40.0), 7(40.0), 8(40.0), 9(26.87), 10(27.16), 11(27.46), 12(27.75), N $\frac{1}{2}$

Signed for identification:

Thomas J. Tomera

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

Fatsy Sue Tomera

Fatsy/Sue Tomera, as Guardian of the Person and Estate of George Tomera

Richard J. Matthews

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

Sheldon McPhee

McMullen McPhee & Co., Executor of Estate of Battista Tomera, deceased

INDEXED

FEE \$9.00 FILE # 280850
FILED FOR RECORD
AT REQUEST OF
Loma Energy Corp
'89 AUG 25 P322

RECORDED AT THE REQUEST OF
BOOK 205 PAGE 049

Loma Energy Corp.
OCT 23 1985

RECORDED BY 694 J.D.
JERRY D. REYNOLDS
ELKO CO. RECORDER

OFFICIAL RECORDING
EUREKA COUNTY, NEVADA
M.M. REGALETTI, RECORDER

FILE NO. 130453
FEE \$9.00

280850
BOOK 205 PAGE 053

BOOK 694 PAGE 77