

1:10822

W. C. W.

OIL AND GAS LEASE

*Paid 2/10*

*L.M.R.*

Utah's 88 (Rev.) F-1

THIS AGREEMENT made and entered into this 23<sup>rd</sup> day of October, 1989

and between William C. Rand and Loretta M. Rand, husband and wife

of Morton County, State of Oregon hereinafter called the lessor (whether one

or more) whose Post Office address is 5455 Forest Ridge Road, Silverton, OR, 97381

and Foreland Corporation, 1104 Country Hills Dr., Ste 307, Ogden, UT 84403 hereinafter called the lessee. WITNESSETH

(1) That said lessor for and in consideration of the sum of Ten Dollars & other good & valuable consideration Dollars hereinafter paid by the lessee, the receipt of which is hereby acknowledged, and of the covenants and agreements herein contained on the part of the lessee to be performed and performed by these presents does grant, demise, lease and let exclusively unto the lessee, its successors and assigns, for the purpose of mining and operating for and producing oil, gas and other hydrocarbons (including the exclusive right to make any kind of character of geological or geophysical surveys or tests) and of laying pipe lines, constructing tanks, erecting buildings and other structures, and all other rights and privileges necessary, incident, or convenient for the economical operation of said lands, alone or co-jointly with neighboring lands, the following described premises situated in Township 30 North

Range 52 East, NDM, County of Eureka State of Nevada

to wit Section 18: Lots 1, 2, 3, 4, E1W1

containing 328.08 acres, more or less, hereby releasing and waiving all rights under and by virtue of the Homestead Exemption laws of this State.

(2) This lease shall remain in force for a term of ten (10) years from this date and as long thereafter as oil or gas is or can be produced from said lands by the lessee. The consideration above stated is paid to and accepted by lessor as a good and sufficient consideration for all rights and privileges herein granted to lessee, its successors or assigns.

(3) The lessee shall pay to the lessor as royalty, the proceeds from one-eighth (1/8) of all the oil and gas and other hydrocarbons produced and sold from the leased premises at the prevailing market price therefor at all wells not exceeding amount received by lessee.

(4) If operations for the drilling of a well are not commenced on said lands on or before one year from the date hereof this lease shall terminate unless the lessee shall, on or before one year from the date hereof pay or tender to the lessor or for the lessor's credit in the

Bank at Not Applicable Dollars (\$ Not Applicable)

Not Applicable

Not Applicable

which shall operate as rental and cover the privilege of deferring the commencement of drilling operations for the further period of one year in like manner and upon like payments or tenders the commencement of drilling operations may be further deferred for like periods successively. All payments or tenders may be made by check of lessee or any assignee thereof mailed to the post office address of the lessor as hereinabove set forth or delivered on or before the rental paying period. Provided, however, the lessee shall be granted a thirty (30) day grace period within which to make such payments and this lease shall not be forfeited if such payments are made within said thirty (30) day grace period after the time for payment as provided in this paragraph. If at any time more than six persons shall be entitled to participate in the rentals or royalties hereunder, lessee at its election may pay all rentals and royalties hereafter accruing to the credit of this lease in the depository bank last designated by lessor as herein provided, or lessee may withhold payment unless and until such persons shall designate in a recordable instrument to be filed with the lessee, a common agent or trustee to receive all payments hereunder, and to execute and deliver rental receipts, division orders and/or transfer orders on behalf of said persons, and their respective successors in interest.

(5) Subject to the provisions of Section 6 hereof, it is agreed that (a) if during the primary term lessee shall, prior to obtaining production, drill a dry hole, or if after discovery production shall cease from any cause, this lease shall not terminate, provided (1) production shall be resumed or operations for the drilling of a well shall be commenced on or before the next ensuing rental paying date, or (2) lessee begins or resumes the payment of rentals in the manner and amount above provided on or before the rental paying date, not counting after the expiration of three months from date of completion of dry hole or cessation of production; (b) if at or after the expiration of the primary term, oil, gas or other hydrocarbon cannot be or is not being produced on said land, or lands unitized therewith, for any cause, but lessee is then engaged in drilling or reworking operations thereon, this lease shall remain in force so long as operations are prosecuted with no cessation of more than sixty consecutive days, and, if they result in the production of oil, gas or other hydrocarbon, so long thereafter as oil, gas or other hydrocarbon is or can be produced.

(6) It is agreed that the times for beginning or for performing any work or operations under this lease shall be suspended or extended during such periods of time as such work or operations shall be delayed, interrupted or prevented by any cause of whatever kind or nature beyond the reasonable control of the lessee, if after production has been obtained, operations under this lease are delayed, interrupted or prevented by lack of reasonable market, or by any cause of whatever kind or nature beyond the reasonable control of the lessee. This lease shall not terminate or be forfeited and no right of damages shall exist against lessee by reason thereof, provided operations are commenced or resumed within a reasonable time after removal of such cause. If at any time within three months prior to the expiration of the primary term of this lease, production has not been obtained and the commencement or continuance of operations for the drilling of a well on said lands is delayed or prevented by any of the causes mentioned in this paragraph, the said primary term and all other terms of this lease may be extended for successive periods of time while such cause or causes exist, by continuing the payment or tender of delay rentals in the manner and amount and for the periods of time as provided in Section 4 of this lease for deferment of the commencement of drilling operations during the said primary term.

(7) Lessee, free of cost, may use oil, gas or water found on said lands for operating purposes, but not water from lessor's wells. Lessor to have free gas for stoves and made lights in the principal dwelling house on said lands, from any well thereon producing gas only, by making his own connections therewith. The use of such gas to be at the sole risk and expense of the lessor. Gas, including casinghead gas and residue gas, produced from any oil or gas well unroadably lost, or which may be used by lessee in any process for recovering oil or other liquid hydrocarbons from the leased premises, or returned to the ground, whether through wells located on leased premises or elsewhere, shall not be deemed to have been sold or used off the premises within the meaning, express or implied, of any part of this lease. When requested by the lessor, the lessee shall bury its pipe below plow depth and also pay for damages caused by its operations to growing crops on said land. No well shall be drilled nearer than two hundred (200) feet to the house or barn now on said premises, without the consent of the lessor. Lessee shall have the right at any time during or within a reasonable time after the expiration or cancellation of this lease to remove all machinery, fixtures, houses, buildings and any and all other structures placed on said premises, including the right to draw and remove all casing.

(8) If the estate of either party hereto is assigned (and the privilege of assigning in whole or in part is expressly allowed) the covenants hereof shall extend to their heirs, executors, administrators, successors and assigns, but no change of ownership in the land, or in the rentals or royalties shall be binding on the lessee until it has been notified thereof and has been furnished, forty-five (45) days before payment is due, with the original recorded transfer or assignment or a certified copy thereof. If lessee assigns this lease in whole or as to specific parts, or as to an undivided interest therein, the obligation, if any, to pay rentals shall be apportioned as between the several lease owners ratably according to their respective interests therein, and default by one or more in the payments or tenders of rentals shall not affect the validity of the lease on the portion of said lands or mineral interest therein upon which pro rata rentals are duly paid or tendered. Upon any assignment by lessee, it shall thereafter be relieved of all future expressed or implied obligations as to the portion or part assigned.

(9) The terms of either party hereunder may be assigned, in whole or in part, and the provisions hereof shall extend to the heirs, successors and assigns of the parties hereto, but no change or division in ownership of the land, rentals or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of lessee. There shall be no obligation on the part of the lessee to offset wells on separate tracts into which the land covered by this lease is now or may hereafter be divided by sale, devise, or otherwise, or to furnish separate measuring or receiving tanks.

(10) Lessor hereby warrants and agrees to defend the title to the lands herein described and agrees that the lessee, at its option, may pay and discharge any judgments, taxes, mortgages, or other liens on or against the above described lands, and may also redeem said lands for and on behalf of the lessor or lessee, and in the event lessee 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 judgment, tax, mortgage or other lien any royalty or rentals accruing hereunder. The lessee may become purchaser at any and all tax or foreclosure sales of the above lands. Lessor agrees to pay one-eighth (1/8) of all taxes of whatsoever kind or character now or hereafter levied by any duly constituted taxing authority upon the oil, gas, and other hydrocarbons produced from the premises hereinabove described, but the lessee shall have the right to pay such tax and to deduct the lessor's proportionate share thereof from any royalty payments accruing hereunder. In case the lessor owns a less interest in the above described premises than the entire and undivided fee simple mineral estate therein, then the royalties and rentals in this lease provided for shall be paid to the lessor only in the proportion which his interest bears to the whole and undivided mineral fee.

(11) If lessee at any time should include all or any part of the lands covered by the lease in a unit or cooperative operating agreement, lessee shall have the right to include lessor's royalty interest in said agreement and thereupon said agreement shall exclusively control the drilling, operating and producing of such lands, anything to the contrary in this lease notwithstanding. The commencement and conduct of drilling operations on any part of the lands included in such agreement shall be deemed to comply with and satisfy all provisions of this lease relative to commencement and conduct of drilling operations. If oil, gas or other hydrocarbon is found in paying quantities on any of the tracts of land included in such agreement, whether or not on lands included in this lease, the royalty payments provided by Section 3 hereof shall be paid only upon the portion of such production which is allocated under said agreement to lands covered by the lease, and this lease shall remain in force as long as oil, gas or other hydrocarbon is or can be produced from such tracts, or any of them. Any agreement made by lessee under this paragraph shall be in writing and lessee shall furnish lessor with a copy of the signed agreement.

(12) This lease shall not be terminated, forfeited or canceled for failure by lessee to perform in whole or in part any of its implied covenants, conditions, or stipulations when it shall have been first finally and judicially determined that such failure or default exists, and thereupon lessee shall be given a reasonable time thereafter to correct any default so determined, or at lessee's election it may surrender the lease with option of reserving under the terms of this lease each producing well and ten (10) acres surrounding it as selected by lessee, together with the right of ingress and egress thereon. Lessee shall not be liable in damages for breach of any implied covenant or obligation.

(13) Lessee may at any time surrender this lease as to all or any part of the lands or minerals covered hereby, by delivering or mailing a release thereof to the lessor or by placing a release thereof of record in the proper county, and if surrendered only as to a part of said lands, any delay rentals or acreage payments which may thereafter be payable hereunder shall be reduced proportionately. All lands leased shall remain subject to easements for rights of any necessary or convenient for lessee's operations on lands retained by it.

(14) This lease and all its terms, conditions, and stipulations, shall extend to and be binding upon all heirs, devisees, representatives, successors or assigns of said lessor or lessee.

(15) This lease may be executed in any number of counterparts with the same force and effect as if all parties had signed the same document and this lease shall be effective as to each lessor or assignor hereof as to his or her interest and shall be binding on those signing representing some of the lessors whose names are named may not join in the execution hereof.

*William C. Rand*  
 William C. Rand

SS

*Loretta M. Rand*  
 Loretta M. Rand

LESSOR

RECORDED AT THE REQUEST OF  
 BOOK 206 PAGE 189  
*Lane Larick*  
 89 08-8 PT-12

OREGON INDIVIDUAL

OFFICIAL RECORDS  
 EUREKA COUNTY, CALIFORNIA  
 M.M. REBAL, RECORDER  
 FILE NO. REC 3600  
 130822

STATE OF Oregon )  
 COUNTY OF Upton ) SS.

On the 23 day of October 19 89, personally appeared before

me William C. Rand and Loretta M. Rand, husband & wife

, the signer(s) of the

above instrument, who duly acknowledged to me that they executed the same

Notary Public  
 Residing at

*Jon L. Kahler*  
 JONI L. KAHLER  
 NOTARY PUBLIC, OREGON  
 My Commission Expires 6-16-90

My Commission expires: \_\_\_\_\_

OIL AND GAS LEASE

from \_\_\_\_\_ to \_\_\_\_\_

(RECORDER'S CERTIFICATE)

STATE OF \_\_\_\_\_ County of \_\_\_\_\_

This instrument was filed for record at \_\_\_\_\_ o'clock \_\_\_\_\_ M. on the \_\_\_\_\_ day of \_\_\_\_\_ A.D. 19 \_\_\_\_\_ and \_\_\_\_\_ duly recorded in Book \_\_\_\_\_ at Page \_\_\_\_\_ (Name of Officer)

No. \_\_\_\_\_ Fees \$ \_\_\_\_\_

Remarks \_\_\_\_\_

P.O. Address \_\_\_\_\_

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