

131971

OIL AND GAS LEASE

DECLINENT. Made and entered on this 15th day of March, 1989
 The JD Ranch, a California Partnership, consisting of Angelo K. Tsakopoulos and
William G. Cummings, Sacramento, Ca. 95814
 of the first part, hereafter called lessor, covenants and agrees with and between
Billings, Montana 59104
Long Energy Corp., P.O. Box 21335
 of the second part, hereafter called lessee.

[illegible]

FOR DESCRIPTION SEE EXHIBIT "B" ATTACHED HERETO AND MADE A PART HEREOF

FOR ADDITIONAL PROVISIONS, SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF

and land shall be treated as comprising 3,907.49 acres, a portion of which

TO HAVE AND TO HOLD the same (subject to the other provisions herein contained) for a term of FIVE years from the date of this lease (primary term) and thereafter as long as coal, gas, oil or other hydrocarbons or either of any of them is produced therefrom, or as much longer thereafter as the lessee is in good and lawful possession of the premises and is actually conducting operations thereon and should production result from such operations, this lease shall remain in full force and effect as long as coal, gas, oil or other hydrocarbons shall be produced therefrom.

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

[illegible]

any 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
College Town Dr., Ste. 101 PLACER Sacramento, California 95826 PAY DIRECT TO LESSOR
 and the undersigned are hereby severally and jointly obligated to the lessor to pay the amount of the royalty or bonus to the lessor on or before the date of the lease's expiration, subject
 to the lessor's receipt of the same.

[illegible][illegible]

b. Lessee shall have the free use of oil, gas, steamhead gas and water (regardless of the water from sand land, except water from Jones's wells, for all uses hereunder, and the royalty on oil, gas and steamhead gas shall be computed after deducting any so used.

Levee 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 land, including the right to pull and remove casings.

The rights of either party heretofore may be assigned in whole or in part, and the provisions hereof shall extend to the heirs, executors, administrators, and assigns of the parties hereto. Notwithstanding any actual or constructive knowledge of or notice to issue, no change or division in the ownership of, royalties, or rents, however assigned, shall be had by or for the lessor or its assigns on the basis of the lease or any part thereof, until sixty (60) days after the date the instrument of assignment has been filed with the official records of the county where the land or some part thereof is located, or the instrument of assignment evidencing the change of transfer, including any assignment made by the lessor or its assigns, is duly recorded to issue, and such change or transfer shall not affect any payments made prior to said date, although the assignment or transfer is made after the date of the recording of the lease.

[illegible][illegible]

10. The lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said lessor or lessee.
11. 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.

William C. Cummings, Partner of
The JD Ranch, a California Partnership

NO. 20

See Mapos
Notary's Signature



10

Eric Map
Notary's Signature



EXHIBIT "B"

Description of lands, attached to and made a part of Oil and Gas Lease Dated March 15, 1989, between The JD Ranch, a California Partnership, consisting of Angelo K. Tsakapoulos and William C. Cummings, as Lessor and Loma Energy Corp., as Lessee, to-wit:

Township 25 North, Range 50 East M.D.M.

Section 24: SE $\frac{1}{4}$ NW $\frac{1}{4}$, NW $\frac{1}{4}$ SW $\frac{1}{4}$
Section 25: S $\frac{1}{4}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$
Section 28: W $\frac{1}{4}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$ 7
Section 32: SE $\frac{1}{4}$ NE $\frac{1}{4}$, SW $\frac{1}{4}$ SE $\frac{1}{4}$
Section 33: NW $\frac{1}{4}$ NW $\frac{1}{4}$
Section 35: E $\frac{1}{4}$ NE $\frac{1}{4}$, SW $\frac{1}{4}$ NE $\frac{1}{4}$, E $\frac{1}{4}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$
Section 36: NW $\frac{1}{4}$ NE $\frac{1}{4}$, NW $\frac{1}{4}$, NW $\frac{1}{4}$ SW $\frac{1}{4}$

Township 25 North, Range 51 East M.D.M.

Section 6: Lots 3(40.99), 4(34.95), 5(33.76), 6(33.46), 7(33.17),
SE $\frac{1}{4}$ NW $\frac{1}{4}$, E $\frac{1}{4}$ SW $\frac{1}{4}$
Section 7: E $\frac{1}{4}$ NW $\frac{1}{4}$
Section 19: SE $\frac{1}{4}$ SW $\frac{1}{4}$
Section 30: Lots 2(34.91), 3(34.99), NW $\frac{1}{4}$ NE $\frac{1}{4}$, E $\frac{1}{4}$ NW $\frac{1}{4}$
Section 35: N $\frac{1}{4}$ NW $\frac{1}{4}$

Township 26 North, Range 50 East M.D.M.

Section 1: SE $\frac{1}{4}$ NE $\frac{1}{4}$, W $\frac{1}{4}$ SW $\frac{1}{4}$, E $\frac{1}{4}$ SE $\frac{1}{4}$
Section 11: NE $\frac{1}{4}$ NE $\frac{1}{4}$
Section 12: E $\frac{1}{4}$ NE $\frac{1}{4}$, NE $\frac{1}{4}$ SE $\frac{1}{4}$
Section 24: E $\frac{1}{4}$ SE $\frac{1}{4}$

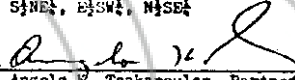
Township 26 North, Range 51 East M.D.M.

Section 6: Lots 3(40.30), 4(38.27), 5(38.36), 6(38.54), 7(38.71),
SE $\frac{1}{4}$ NW $\frac{1}{4}$, E $\frac{1}{4}$ SW $\frac{1}{4}$
Section 7: Lots 1(38.84), 2(38.93), 3(39.03), 4(39.12)
Section 18: Lots 1(39.19), 2(39.25), 3(39.31), 4(39.37)
Section 19: Lots 1(39.44), 2(39.53), 3(39.63), 4(39.72)
Section 30: Lots 1(39.82), 2(39.94), 3(40.06), 4(40.18), E $\frac{1}{4}$ SW $\frac{1}{4}$
Section 31: Lot 4(40.03), NW $\frac{1}{4}$ NE $\frac{1}{4}$, E $\frac{1}{4}$ W $\frac{1}{4}$, SW $\frac{1}{4}$ SE $\frac{1}{4}$

Township 27 North, Range 51 East M.D.M.

Section 30: Lot 4(37.64), S $\frac{1}{4}$ NE $\frac{1}{4}$, E $\frac{1}{4}$ SW $\frac{1}{4}$, N $\frac{1}{4}$ SE $\frac{1}{4}$
Section 31: Lot 1(37.75)

Signed For Identification


Angela K. Tsakapoulos, Partner

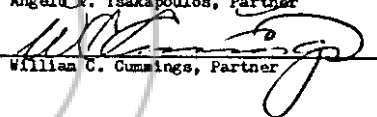

William C. Cummings, Partner

EXHIBIT "A"

OPTION AGREEMENT

LESSOR HEREBY GRANTS UNTO LESSEE AN OPTION TO EXTEND THE FIVE-YEAR PRIMARY TERM OF THIS LEASE FOR AN ADDITIONAL PERIOD OF FIVE YEARS AT THE SAME TERMS AND CONDITIONS (INCLUDING DELAY RENTAL PAYMENTS IN THE SAME AMOUNT) AS HEREINAFOVE SET OUT. SUCH OPTION SHALL BE EXERCISABLE BY LESSEE BY PAYING OR TENDERING TO LESSOR PRIOR TO THE EXPIRATION OF THE FIFTH YEAR OF THE PRIMARY TERM AN AMOUNT EQUAL TO \$10.00 PER NET MINERAL ACRE THEN COVERED BY THIS LEASE, WHICH AMOUNT SHALL COVER AND INCLUDE THE DELAY RENTAL PAYMENT FOR THE SIXTH YEAR OF THE PRIMARY TERM OF SAID LEASE AS EXTENDED HEREUNDER. PAYMENT OR TENDER OF SAID AMOUNT MAY BE MADE IN THE SAME MANNER AS HEREINAFOVE PROVIDED FOR PAYMENT OR TENDER OF DELAY RENTALS.

SIGNED FOR IDENTIFICATION:

x Angelo K. Tsakapoulis, Partner
x William C. Cummings, Partner

ADDENDUM TO LEASE

Attached to and made a part of that certain Lease dated March 15, 1989, by and between THE JD RANCH PARTNERSHIP, California Partnership, Lessor, and LOMA ENERGY CORP., 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 damaged land or property occurring from its operation as nearly as is reasonably possible.
3. Lessee agrees to indemnify and hold harmless Lessor 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 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 Lessor arising out of the use of the leased premises under this lease or the action or activities of Lessee on the leased premises.
5. Lessee understands that water rights are of paramount interest to the Lessor. 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. It is understood, however, that Lessee may use whatever water is found during drilling operations. Lessee agrees that it shall not in any way pollute any ground or surface waters usable or being used by the Lessor 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 Lessor, interfere with or damage the Lessor's ditches, wells, or irrigation systems and irrigation methods.
6. If any well drilled on the above described lands is not capable of producing oil or gas or either of them in paying quantities, but may be capable of producing potable water or sufficient gas for Lessor's uses, Lessee will notify Lessor of the intention to plug and abandon said well and Lessor will have twelve (12) hours to elect to assume operations of said well and complete it at Lessor's sole cost and expense. Lessor agrees to execute all instruments as may be reasonably required to assume and relieve Lessee of all obligations, liabilities, and risks with regard to the well, including, but not limited to, Lessee's legal obligation to plug the same.

DATED: _____

DATED: 7-3-89

Lessor:
THE JD RANCH PARTNERSHIP

Lessee:
LOMA ENERGY CORP.

by Angelo K. Sakopoulos, Gen Prtnr

by Douglas R. Hansen, President

by William C. Cummings, Gen Prtnr

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