

OIL AND GAS LEASE

Billings Blue Print Billings, Montana

THIS AGREEMENT is made and entered into as of November 13, 1989, by and between

Charles L. Bispo and Lois A. Bispo, husband and wife

Pine Valley

Garlin, Nevada 89822

The Gary-Williams Company

115 Inverness Drive East, Englewood, Colorado 80112-5116

hereinafter called Lessor,

1. 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 easements and appurtenances for laying pipe lines, power lines, building tanks, power stations, ponds, roadways and structures thereon for producing, saving, treating and caring for such products and any and all other rights and privileges necessary or incident thereto, all that certain land and lands riparian thereto situated in the County of Butte, State of Nevada

Township 31 North, Range 52 East, MDM Section 29: E2W2, E3

Five (5)

480.00

2. Subject to the other provisions herein contained, this lease shall be for a term of ~~one~~ years from this date (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 deliver 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 at 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 tanks. (b) To pay to Lessor for gas of whatsoever nature or kind produced and saved from said land or used for the manufacture of gas or 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.

If 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 gas or gas-condensate therefrom is sold or used off the premises or for the manufacture of gas or other products, nevertheless such shut-in well shall be deemed to be producing gas or gas and gas-condensate therefrom in paying quantities and this lease will continue in force during all of the time or times while such shut-in well shall be deemed to be producing 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 under the well shall appear, on or before the anniversary of the date of this lease following the shut-in of such well, and annually thereafter, while such well is so 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 well. Lessor's portion of such payment may be made or tendered to Lessor or to Lessor's credit by check or draft mailed to the depository bank designated herein. Portions of such payment payable to others may be made or tendered by check or draft, mailed to such owners' credit in Lessor's depository bank. Royalty ownership as of the last day of each such annual period as shown by Lessee's records shall determine the amounts and the party or parties entitled to receive such payment. "Shut-in" of a well shall be the date on which production casing in such well shall be considered "shut-in."

4. 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 Lessee shall on or before that date pay or tender to the Lessor or the Lessor's credit in the Eiko Federal Credit Union Bank at 976 Idaho St., Eiko, Nevada, 89801, the sum of Four Hundred Eighty and 00/100 Dollars.

5. 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 tendered. The Lessee, on or before the expiration of said 12 months shall begin or resume the payment of rentals in the manner and amount hereinafter provided. The preceding section governing the payment of rentals and the manner and effect thereof shall continue in force.

6. If within the primary term of this lease, production on said land and 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 hereinafter 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 prosecution of such operations and, if production results therefrom, then as long thereafter as production continues.

7. 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 bury its pipelines below plow depth. Lessee shall pay for damage caused by its operations on said land. No well shall be drilled nearer than 200 feet to the house or barn now on said land and without written consent of the Lessor. Lessee shall have the right at any time during, or within 180 days after, 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.

8. Lessee is hereby granted the right to use 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 greater 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 termination of pooling, including the common name, drilling, completion and operation of a well thereon, shall be considered hereby 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. Substances and developments and operations on any portion of a unit so pooled, including the common name, drilling, completion and operation of a well thereon, shall be considered hereby, then all payments and liabilities therefor accruing under the terms of said lease as to the portion surrendered shall cease and determine and any rentals thereafter paid 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 from him or them, 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.

9. 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 the taxes, mortgage, or other liens, existing, levied, or assessed on or against said land and, in the event it exercises such option, it shall be subrogated to the rights of any holder or holder of the lease 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 and 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.

10. If the estate or other party hereof is assigned, and the privilege of assigning in whole or in part is expressly allowed, the covenants hereof shall extend to the heirs, devisees, executors, administrators, successors, and assigns, but no 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 instruments 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. 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 hereby, then all payments and liabilities therefor accruing under the terms of said lease as to the portion surrendered shall cease and determine and any rentals thereafter paid 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 from him or them, 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.

11. 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 the taxes, mortgage, or other liens, existing, levied, or assessed on or against said land and, in the event it exercises such option, it shall be subrogated to the rights of any holder or holder of the lease 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 and 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.

12. 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 the taxes, mortgage, or other liens, existing, levied, or assessed on or against said land and, in the event it exercises such option, it shall be subrogated to the rights of any holder or holder of the lease 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 and 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.

13. 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, in whole 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.

14. 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. Lessor hereby waives and releases all rights of dower and homestead in said lands insofar as the rights granted under this lease might be affected thereby.

Charles L. Bispo
Lois A. Bispo

S.S.# [redacted]

S.S.# [redacted]

OFFICIAL RECORDS
RECORDED AT THE REQUEST OF
BOOK 208 PAGE 97

Mary Williams Co -
90 FEB -5 P 3:25

EUREKA COUNTY, NEVADA
M.N. REBALCATI, RECORDER
FILE NO. FEE \$ 6.00

131428

RECORDING DATA

STATE OF _____ }
 COUNTY OF _____ } ss.
 On this _____ day of _____, 19____, before me personally appeared _____ known to me to be the _____ of the corporation that executed the within instrument, and acknowledged to me that such corporation executed the same.

Notary Public _____
 Residing at _____
 My commission expires: _____

ACKNOWLEDGMENT FOR CORPORATION

STATE OF _____ }
 COUNTY OF _____ } ss.
 On this _____ day of _____, 19____, before me personally appeared _____ known to me to be the person(s) described in and who executed the foregoing instrument, and who acknowledged to me that he (she, they) executed the same.

Notary Public _____
 Residing at _____
 My commission expires: _____

ACKNOWLEDGMENT FOR INDIVIDUAL

STATE OF Nevada }
 COUNTY OF Elko } ss.
 On this 13th day of November, 19 89, before me personally appeared Charles L. Bispo and Lois A. Bispo, husband and wife.

known to me to be the person(s) described in and who executed the foregoing instrument, and who acknowledged to me that ~~he~~ they executed the same.

Notary Public *Lynn Kingwell*
 Residing at *Elko, Nev.*
 My commission expires: *10/24/92*

