

OIL AND GAS LEASE

Billings Blue Print
Billings, Montana

THIS AGREEMENT is made and entered into as of November 30, 1989, by and between

Leo Damele and Sons Ranches, Inc., a Nevada Corporation, Pine Valley, Carlin, Nevada, 89822

and The Gary-Williams Company
Republic Plaza, 370 17th Street, Denver, Colorado 80202

hereinafter called Lessee.
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 the intent 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 way and easements for laying pipe lines, power lines, building tanks, power stations, ponds, roads and structures thereon for producing, saving, treating and caring for such products and any and all other rights and privileges necessary or incidental thereto, all that certain land and lands riparian thereto situated in the County of Eureka, State of Nevada

described as follows (herein called "said land"):
Township 30 North, Range 52 East, MDM
Section 16: SE $\frac{1}{4}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$
Section 20: ALL
Section 21: NW $\frac{1}{4}$, W $\frac{1}{2}$ SW $\frac{1}{4}$
Section 28: S $\frac{1}{2}$ S $\frac{1}{2}$ - less and except a tract of land in SW $\frac{1}{4}$ SW $\frac{1}{4}$ more particularly described in Book 134, Page 361 containing 2.00 acres, more or less
Section 29: N $\frac{1}{2}$ N $\frac{1}{2}$, N $\frac{1}{2}$ SE $\frac{1}{4}$
Section 30: Lots 1, 2, 3, 4, E $\frac{1}{2}$ W $\frac{1}{2}$, E $\frac{1}{2}$ (ALL)

See Exhibit "A" attached hereto and by this reference made a part hereof.

L. B. E. Five (5)

2017.38

For the purpose of determining the amount of any money payment hereunder, said land shall be considered to comprise acres.

2 Subject to the other provisions herein contained, this lease shall be for a term of 1000 years from this date (herein called "primary term") and as long thereafter as oil or gas is produced from said land and as long thereafter as Lessee is engaged in actual drilling or working 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 share of all oil produced and saved from said land, or all the Lessee's option may pay to the Lessor for such royalty the market price for all of like produced and saved from said land, or used for the manufacture of gasoline or any other products, or for the use of such gas at the mouth of the well, or for the use of such gas 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 gasoline or other products, nevertheless such shut-in well shall be deemed to be a well on said land producing gas in paying quantities and this lease will continue in force during all of the time or 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 such 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 or delivered to the depository bank designated herein. Portions of such payment may be made or tendered by check or draft, mailed or delivered, to such owner's 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 is perforated and a gas flow test shall disclose that the well is capable of production in paying quantities. Until such casing shall have been run and the gas flow tested, no 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 the Lessee shall on or before that date pay or tender to the Lessor or the Lessor's credit in the First Interstate Bank

Bank at P. O. Box 471, Eiko, Nevada, 89801 or its successors, which Bank and its successors are the Lessor's agent and shall continue as the depository of any and all sums payable under this lease regardless of changes of ownership in said land or in the oil and gas or in the rentals to accrue hereunder, the sum of Two Thousand Seven and 38/100 Dollars.

which shall operate as a rental and cover the privilege of deferring the commencement of operations for drilling for a period of one year, in like manner and upon like payments or tenders, the commencement of operations for drilling may further be deferred for like periods successively. All payments or tenders may be made by check or draft of Lessee or any assignee thereof, mailed or delivered to Lessor or assigns or to said depository bank, and it is understood and agreed that the consideration first recited herein covers not only the privilege granted to the date when 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. Notwithstanding the death of the Lessor or his successors in interest, the payment of tender of rentals in the manner provided herein shall be binding on the heirs, devisees, executors, administrators and assigns of the Lessor or his successors in interest, 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.

8 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 the 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 the Lessor shall have the right to remove such material and restore said land as nearly as possible to its original condition.

9 Lessee is hereby granted the right 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 greatest 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. Such pooling shall be accomplished or terminated by filing in the proper county a declaration of pooling or termination of pooling, a copy of which may be mailed or tendered to Lessor. The production of pooled substances and development and operation on any portion of a unit so pooled, including the commencement, drilling, completion and operation of a well thereon, shall be considered and construed, 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. The royalties herein provided shall accrue and be paid to Lessor on pooled substances produced from any unit in the proportion, but only in the proportion, that Lessor's acreage interest in the land covered hereby and placed in the unit bears to the total acreage placed in such unit.

10 If the estate of either 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 part is to be binding on or against the Lessee, at its option, may pay and discharge in whole or in part rents or rentals 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 thereafter accruing under the terms of said lease shall be as to the portion surrendered shall cease and determine and any rents thereafter paid may be apportioned on an acreage basis, but as to the portion of the acreage not released the terms and provisions of this lease shall continue and remain in full force and effect 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.

12 Lessor hereby warrants and agrees to defend the title to the land hereon described and agrees that the Lessee, at its option, may pay and discharge in whole or in part any 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's interest in said land 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 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 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.

ATTEST: *Ellen M. Damele*
Ellen M. Damele, Secretary/Treasurer

By: *Leo J. Damele*
Leo J. Damele, President

Leo Damele and Sons Ranches, Inc., a Nevada Corporation

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Tax ID #88-0124-331

RECORDING DATA

CAROLYN M. OLSEN
Notary Public - State of Nevada
EUREKA COUNTY Nevada
Appointment Expires Feb. 11, 1991



My commission expires: 11 February 1991

Residing at Eureka, Nevada
Notary Public Carolyn M. Olsen

On this 4th day of December, 1989, before me personally appeared Leo J. Damele, known to me to be the President of Leo Damele and Sons Ranches, Inc., a Nevada Corporation, and acknowledged to me that such corporation executed the same.

ACKNOWLEDGMENT FOR CORPORATION

STATE OF Nevada }
COUNTY OF Eureka } ss.

Signed for Identification:

Leo J. Damele

Carolyn M. Olsen

Notwithstanding anything contained herein to the contrary the royalty received by the Lessor shall not be reduced by any costs or expenses and shall be calculated at the total rate of oil, gas and/or gas-condensate produced and saved from any well on said lands.
Lessor hereby agrees that this lease may be extended for an additional five (5) years from the end of the initial five year primary term for the same bonus consideration initially paid. If the option to renew this lease is exercised, the bonus consideration will be placed into the depository bank herein named at or before the end of the first five year term. The rental clause will then apply to the remaining term of the second five years at the rate stated herein.
Lessee agrees to hold Lessor harmless to any claims, actions or liability that might arise out of the actions of Lessee or it's assigns on the described lands. It is hereby understood and agreed that the terms of this lease does not give the Lessee or its assigns any right to commit any of the Lessor's royalty interest to a Federal Unit.
Lessor hereby agrees that this lease may be extended for an additional five (5) years from the end of the initial five year primary term for the same bonus consideration initially paid. If the option to renew this lease is exercised, the bonus consideration will be placed into the depository bank herein named at or before the end of the first five year term. The rental clause will then apply to the remaining term of the second five years at the rate stated herein.
Lessee agrees that at the expiration of this lease that a Release of this lease will be placed of record in Eureka County, Nevada at the sole expense of Lessee.

RATIFICATION AND RENTAL STIPULATION

KNOW ALL MEN BY THESE PRESENTS, That:

WHEREAS, the undersigned (whether one or more) owns an interest in the following described lands (herein called "said lands") in the County of Eureka State of Nevada to the following described oil and gas lease (herein called "said lease"), to-wit: _____, subject

Lessor: Leo Damele and Sons Ranches, Inc., a Nevada Corporation
Pine Valley, Carlin, Nevada 89822

Lessee: The Gary-Williams Company
Republic Plaza, 370 17th Street, Suite 5300, Denver, Colorado 80202

Dated: November 30, 1989

Recorded:

Lands: Township 30 North, Range 52 East, MDM

Section 16: SE $\frac{1}{4}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$
Section 20: ALL
Section 21: NW $\frac{1}{4}$, W $\frac{1}{2}$ SW $\frac{1}{4}$
Section 28: S $\frac{1}{2}$ S $\frac{1}{2}$ - less and except a tract of land in SW $\frac{1}{4}$ SW $\frac{1}{4}$ more particularly described in Book 134, Page 361 containing 2.00 acres, more or less.
Section 29: N $\frac{1}{2}$ NE $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$
Section 30: Lots 1, 2, 3, 4, E $\frac{1}{2}$ W $\frac{1}{2}$, E $\frac{1}{2}$ (ALL)

and WHEREAS, the undersigned desires to ratify said lease and to stipulate as to the amount of any delay rentals which may become payable under the terms of said lease with respect to the interest of the undersigned in said lands;

NOW, THEREFORE, in consideration of the sum of One Dollar (\$1.00) and other valuable consideration, the receipt, adequacy and sufficiency of which are hereby expressly acknowledged by the undersigned, the undersigned hereby agree as follows:
1. If any delay rentals hereafter become payable under the terms of said lease, with respect to the interest in said lands now held by the undersigned, the amount of such delay rentals payable to the undersigned shall be as follows:

CREDIT TO	AMOUNT	DEPOSITORY BANK (City and State)
Leo Damele and Sons Ranches, Inc., a Nevada Corporation Pine Valley Carlin, Nevada 89822	\$1,513.04	First Interstate Bank P. O. Box 471 Eiko, Nevada 89801 Account #027-062-3405

and payment or tender of such amount in the manner specified in said lease will constitute full and proper compliance with the delay rental provisions of said lease so as to maintain said lease in full force and effect with respect to the entire interest now held by the undersigned in said lands, whatever such interest may be, during the entire period of time covered by such delay rental payment.

2. The undersigned hereby ratifies and confirms said lease as being in full force and effect in accordance with its terms and hereby acknowledges the timely payment and receipt in full of all payments of delay rentals heretofore payable under the provisions of said lease on account of the interest of the undersigned in said lands.

3. The undersigned further grants, leases and lets said lands to the Lessee named in said lease, or his successors and assigns, in accordance with the terms and provisions of said lease to the full extent of the undersigned's right, title and interest in said lands.

4. With respect to and for the purposes of this instrument and said lease, the undersigned hereby releases all rights of power and/or homestead in said lands.

5. This instrument shall be binding upon the undersigned and his heirs, personal representatives, successors and assigns.

EXECUTED this _____ day of _____, 19 89

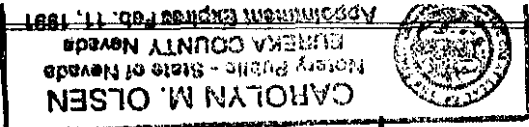
ATTEST: Ellen M. Damele
Secretary/Treasurer

Leo Damele and Sons Ranches, Inc., a Nevada Corporation
By: Leo J. Damele
President

131128
FILE NO.
M.N. REBAL. AT. RECORD
EUREKA COUNTY, NEVADA
FEE \$ 8.00

OFFICIAL RECORDS
RECORDED AT THE REQUEST OF
BOOK 208 PAGE 101
Mary Williams Co.
90 FEB -5 P3:26

RECORDING DATA



My Commission expires 11 February 1991

(SEAL)
Witness my hand and seal this 4th day of December, A. D. 19 89

Leo J. Damele acknowledged said instrument to be the free act and deed of said corporation.
and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said
a Nevada Corporation and that the seal affixed to said instrument is the corporate seal of said corpora-
tion and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said
I, the undersigned, a Notary Public, in and for said County and State, on this 4th day of December, 19 89, personally appeared
Leo J. Damele, President of Leo Damele and Sons Ranches, Inc., to me personally known, who, being by
me duly sworn, did say that he is the President of Leo Damele and Sons Ranches, Inc., and that the seal affixed to said instrument is the corporate seal of said corpora-
tion and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said
a Nevada Corporation and that the seal affixed to said instrument is the corporate seal of said corpora-

ACKNOWLEDGMENT (For use by Corporation)

State of Nevada }
County of Eureka } ss.
On this 4th day of December, A. D. 19 89, before me personally appeared Leo J. Damele, President of Leo Damele and Sons Ranches, Inc., and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said I, the undersigned, a Notary Public, in and for said County and State, on this 4th day of December, 19 89, personally appeared Leo J. Damele, President of Leo Damele and Sons Ranches, Inc., to me personally known, who, being by me duly sworn, did say that he is the President of Leo Damele and Sons Ranches, Inc., and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said a Nevada Corporation and that the seal affixed to said instrument is the corporate seal of said corpora-
tion and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said
I, the undersigned, a Notary Public, in and for said County and State, on this 4th day of December, 19 89, personally appeared Leo J. Damele, President of Leo Damele and Sons Ranches, Inc., to me personally known, who, being by me duly sworn, did say that he is the President of Leo Damele and Sons Ranches, Inc., and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said
a Nevada Corporation and that the seal affixed to said instrument is the corporate seal of said corpora-

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.

My Commission Expires
Notary Public

ACKNOWLEDGMENT - INDIVIDUAL

STATE OF _____ }
COUNTY OF _____ } ss.
BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this _____ day of _____, 19 _____, personally appeared _____, to me known to be the identical person _____, described in and who executed the within and foregoing instrument of writing and acknowledged to me that _____, duly executed the same as _____, free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.

My Commission Expires
Notary Public

ACKNOWLEDGMENT - INDIVIDUAL

STATE OF _____ }
COUNTY OF _____ } ss.
BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this _____ day of _____, 19 _____, personally appeared _____, to me known to be the identical person _____, described in and who executed the within and foregoing instrument of writing and acknowledged to me that _____, duly executed the same as _____, free and voluntary act and deed for the uses and purposes therein set forth.