

OIL AND GAS LEASE

AGREEMENT, Made and entered into the 21st day of November, 1989, by and between

Gracian Sallaberry, a married man dealing in his sole and separate property

whose post office address is 8795 Turbine, Lemon Valley, Nevada 89506

hereinafter called Lessor (whether one or more) and

115 Inverness Drive East

The Gary-Williams Company

whose post office address is Englewood, Colorado 80112-5116

hereinafter called Lessee:

WITNESSETH, That the Lessor, for and in consideration of

cash in hand paid, the receipt of which is hereby acknowledged, has granted, demised, leased and let, and by these presents does grant, demise, lease and let exclusively unto the said Lessee, the land hereinafter described, with the exclusive right for the purpose of mining, exploring by geophysical and other methods, and erecting for and producing thereon oil and gas of whatsoever nature or kind, with rights of way and easements for laying pipe lines, and erection of structures thereon to produce, save and take care of said products, all that certain tract of land situated in the County of Eureka, State of Nevada

as follows, to-wit:

Township 24 North, Range 50 East, MDM
Section 14: SE¼NW¼, SW¼NE¼, W¼SE¼, SW¼

Section 22: NE¼
Section 23: NW¼

640.00

FIVE (5)

and containing _____ acres, more or less.

1. It is agreed that this lease shall remain in force for a term of XX years from this date and as long thereafter as oil or gas of whatsoever nature or kind is produced from said leased premises or on acreage pooled therewith, or drilling operations are continued as hereinafter provided. If, at the expiration or termination of this lease, oil or gas is not being produced from the leased premises or on acreage pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon, then this lease shall continue in force so long as operations are being continuously prosecuted on the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well. If after discovery of oil or gas on said land or on acreage pooled therewith, the production thereof should cease from any cause after the primary term, this lease shall not terminate if Lessee commences additional drilling or reworking operations within ninety (90) days from date of cessation of production or from date of completion of dry hole. If oil or gas shall be discovered and produced as a result of such operations or on acreage pooled therewith.

2. This is a PAID-UP LEASE. In consideration of the down cash payment, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term. Lessee may at any time or times during or after the primary term surrender this lease as to all or any portion of said land and as to any strata or stratum by delivering to Lessor or by filing for record a release or releases, and be relieved of all obligation thereafter accruing as to the acreage.

3. In consideration of the premises the said Lessee covenants and agrees:

1st. To deliver to the credit of Lessor, free of cost, in the pipe line to which Lessee may connect wells on said land, the equal one-eighth (1/8) part of all oil produced and saved from the leased premises.

2nd. To pay Lessor one-eighth (1/8) of the gross proceeds each year, payable quarterly, for the gas from each well where gas only is found, while the same is being used off the premises, and if used in the manufacture of gasoline a royalty of one-eighth (1/8), payable monthly at the prevailing market rate for gas.

3rd. To pay Lessor for gas produced from any oil well and used off the premises or in the manufacture of gasoline or any other product a royalty of one-eighth (1/8) of the proceeds, at the month of the well, payable monthly at the prevailing market rate.

4. Where gas from a well capable of producing gas is not sold or used, Lessee may pay or tender as royalty to the royalty owners One Dollar per year per net royalty acre retained hereunder, such payment or tender to be made on or before the anniversary date of this lease next ensuing after the expiration of 90 days from the date such well is shut in and thereafter on or before the anniversary date of this lease during the period such well is shut in. If such payment or tender is made, it will be considered that gas is being produced within the meaning of this lease.

5. If said Lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties (including any shut-in gas royalty) herein provided for shall be paid Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee.

6. Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for Lessee's operation thereon, except water from the wells of Lessor.

7. When requested by Lessor, Lessee shall bury Lessee's pipe lines below plow depth.

8. No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of Lessor.

9. Lessee shall pay for damages caused by Lessee's operations to growing crops on said land.

10. Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

11. The rights of Lessor and Lessee hereunder may be assigned in whole or part. No change in ownership of Lessor's interest (by assignment or otherwise) shall be binding on Lessee until Lessee has been furnished with notice, consisting of certified copies of all recorded instruments or documents and other information necessary to establish a complete chain of record title from Lessor, and then only with respect to payments thereafter made. No other kind of notice, whether actual or constructive, shall be binding on Lessee. No present or future division of Lessor's ownership as to different portions or parcels of said land shall operate to enlarge the obligations or diminish the rights of Lessee, and all Lessee's operations may be conducted without regard to any such division.

12. Lessee, at its option, is hereby given the right and power at any time and from time to time as a recurring right, either before or after production, as to all or any part of the land described herein and as to any one or more of the formations hereunder, to pool or unitize the production of oil and gas, or separately for the production of either, when in Lessee's judgment it is necessary or advisable to do so, and irrespective of whether such unitization or pooling is for the production of oil and gas, or for the production of either, Lessee shall be authorized to include formations not producing oil or gas, may be referred to exclude such non-producing formations. The forming of such a pool or unit shall be accomplished by Lessee executing and filing of record a declaration of such unitization or upon which operations for drilling have been commenced. Lessee shall have the right to include in 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 such plan or agreement 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 where 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 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. Lessor shall formally express Lessor's consent to any cooperative or unit plan of development or operation adopted by Lessee and approved by any governmental agency by executing the same upon request of Lessee.

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. Lessor hereby warrants and agrees to defend the title to the lands herein described, and agrees that the Lessee shall have the right at any time to redeem for Lessor, by payment, mortgages, taxes or other liens on the above described lands, in the event of default of payment by Lessor, and be subrogated to the rights of the holder thereof, and the undersigned Lessor, for themselves and their heirs, successors and assigns, hereby surrender and release all right of dower and homestead in the premises described herein, insofar as said right of dower and homestead may in any way affect the purposes for which this lease is made, as recited herein.

15. Should any one or more of the parties hereto have named as Lessor fail to execute this lease, it shall nevertheless be binding upon all such parties who do execute it as Lessor. The word "Lessor," as used in this lease, shall mean any one or more of the parties who execute this lease as Lessor. All the provisions of this lease shall be binding on the heirs, successors and assigns of Lessor and Lessee.

IN WITNESS WHEREOF, this instrument is executed as of the date first above written.

Gracian Sallaberry
[Signature]

S.S.#

STATE OF Nevada
COUNTY OF WASHOE
SS

BE IT REMEMBERED, That on this 29th day of November, A. D. 1989, before me, a Notary

Public, in and for said County and State, personally appeared
Gracian Sallaberry, a married man dealing in his sole and separate property

to me known to be the identical person described in and who executed the within and foregoing instrument and that he executed the same as his free and voluntary act and deed for

IN WITNESS WHEREOF, I have hereunto set my official signature and seal, the day and year first above written.

My commission expires OCT 19 1992

STATE OF Kansas, Nebraska, South Dakota, North Dakota and/or New Mexico
COUNTY OF
SS

BE IT REMEMBERED, That on this day of A. D. 19 before me, a Notary

Public, in and for said County and State, personally appeared

the identical person described in and who executed the within and foregoing instrument and acknowledged to me that he executed the same as his free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my official signature and affixed my notarial seal, the day and year first above written.

My commission expires

STATE OF
COUNTY OF
SS

I, a Notary Public, in and for said County and State, do hereby certify that

personally known to me to be the person whose name subscribed to the within instrument, appeared before me this day in person and acknowledged that signed, sealed and delivered the said instrument of writing as free and

voluntary act and deed for the uses and purposes therein set forth.

WITNESS my hand and official seal this day of A. D. 19

My commission expires

Notary Public

RECORDING DATA

OFFICIAL RECORDS
RECORDED AT THE REQUEST OF
BOOK 208 PAGE 127
Mary Williams Co-
90 FEB -5 P 3:30
EUREKA COUNTY, NEVADA
M.N. REBALANCE
FILE NO. 131434
FEE \$ 6.00

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 who subscribed the name of the maker thereof to the foregoing instrument as its

and acknowledged to me that he executed the same as his free and voluntary act and deed and as the

free and voluntary act and deed of such corporation, for the uses and purposes therein set forth.

Given under my hand and seal of office the day and year last above written.

My commission expires

Notary Public