

OIL AND GAS LEASE

Billings Blue Print
Billings, Montana

THIS AGREEMENT is made and entered into as of January 24, 1990, by and between:

Rachel Jones, a/k/a Rachel S. Jones, a widow
P. O. Box 697
Carlin, Nevada 89822

and

The Gary-Williams Company

Republic Plaza, 370 17th Street, Suite 5300, Denver, Colorado 80202

Hereinafter called Lessor.

Hereinafter called Lessee

1. Lessor, for and in consideration of TEN AND MORE Dollars, the receipt of which is hereby acknowledged, do hereby covenant and agree that the Lessee shall have the right to explore for, develop, produce, lease and sell 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 way and easements for laying pipelines, power lines, building tanks, power stations, ponds, roadways and structures thereon for producing, saving, treating and curing 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 Eureka, State of Nevada, described as follows (herein called "said land"):

Township 30 North, Range 52 East, MDN

Section 16: SE 1/4 NW 1/4, SW 1/4

Section 20: ALL

Section 21: NW 1/4, W 1/2 SW 1/4

Section 28: S 1/2 S 1/2

Section 29: NE 1/4 NW 1/4, NE 1/4 SE 1/4

Section 30: Lots 1, 2, 3, 4, E 1/2 W 1/2, E 1/2 (ALL)

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

Five (5) 14% 2019.38 acres.

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 5 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 14% ~~14%~~ 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 put into the pipeline or the storage tanks. (b) To pay to Lessor for gas of whatsoever nature or kind produced and sold from said land or used for the manufacture of gasoline or any other products, 14% ~~14%~~ 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 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 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 shutting-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 payable to others may be made or tendered by check or draft, mailed or delivered, 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. "Shutting-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, Elko, 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 Nine Hundred and 30/100 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 the same 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 on or before the rental date, either direct 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 first 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 or tender of rentals in the manner provided herein shall be binding on the heirs, devisees, executors, and administrators of such persons.

5. If Lessee has a fee interest in said land and the entire and undivided fee simple estate therein then the royalties and rentals herein provided for shall be paid Lessor only in the proportion which his interest bears to the whole and undivided fee.

6. 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 provided the Lessee, on or before the expiration of said 12 months begins or resumes the payment of rentals in the manner and amount hereinabove provided; and in this event the preceding section hereof governing the payment of rentals and the manner and effect thereof shall continue in force.

7. If within the primary term of this lease, production on said land 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 hereinabove 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.

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 Lessor, 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 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 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.

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, 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 declaration of 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, continuation, 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 hereto 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 recorded instrument 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.

11. Lessee may at any time surrender this lease in whole or in part by filing such release of record in the proper county. If said lease is surrendered as to only a portion of the acreage covered thereby, then all payments and liabilities thereafter accruing under the terms of said lease as to the portion surrendered shall cease and determine and any rentals 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 herein described and agrees that the Lessee, at its option, may pay and discharge in whole or in part any taxes, mortgages, liens, claims, or assessments on or against said land and, in the event it 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 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 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.

Rachel Jones
Rachel Jones S.S. #56-2702

ACKNOWLEDGMENT FOR INDIVIDUAL

STATE OF Nevada

COUNTY OF Eiko

ss.

On this 16th day of February 1990, before me personally appeared Rachel Jones, a/k/a Rachel S. Jones, a widow

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

My commission expires:

Cherie Aiazzi
Notary Public

Residing at: Caren, NV.



EXHIBIT "A"

Attached hereto and by this reference made a part hereof that certain Oil and Gas Lease dated January 24, 1990 by and between Rachel Jones, a/k/a Rachel S. Jones, a widow, Lessor, and The Gary-Williams Company, Lessee.

- 1) Paragraph 3 of the lease is hereby amended to permit the shut-in of gas producing wells only for a period not to exceed five (5) years beyond the primary term, and the delay royalty per well shall be equal to the total annual rental reserved by the Lease.
- 2) Lessee has conducted its own title search and agrees to hold Lessor harmless from any title errors discoverable thereby.
- 3) Upon termination of this Lease, Lessee shall, at its own expense, place a Release of Oil and Gas Lease of record in Eureka County, Nevada releasing all claim to this Oil and Gas Lease. In the event Lessee fails to deliver said Release of Oil and Gas Lease, Lessee shall pay all costs, expenses, attorney fees and other charges incurred by Lessor in removing the cloud created by Lessee's recording this Lease or a memorandum thereof from the title to Lessor's estate.
- 4) Lessor hereby agrees that this lease may be extended for an additional five (5) years from the end of the initial 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 will then continue for the remaining term of the second five years at the rate stated herein.

Rachel Jones
Rachel Jones

RECORDING DATA

OFFICIAL RECORD
RECORDED AT THE EUREKA COUNTY
BOOK 209 PAGE 443
XEROX - WILLIAMS
90 APR 13 P1 30
EUREKA COUNTY, NEVADA
FILE NO. 134118
FEE \$6.00