

3. Assignor reserves unto itself, its successors and assigns, an overriding royalty, hereinafter referred to as the "Reserved Overriding Royalty Interest", of four and five hundred eighty three thousands percent of one hundred percent (4.583% of 100%) of all oil, gas,

2. Assignor reserves all rights below the stratigraphic equivalent of the base of the Silurian formation;

1. Assignor reserves from the lease and lands assigned herein all rights granted by said lease below the depth to which this assignment is made, together with the right to drill wells for and produce and market any and all minerals appearing in said lands below said depth, and all rights of usage, ingress and egress reasonably necessary or convenient for the full enjoyment of all rights herein reserved;

NOW, THEREFORE, for and in consideration of the sum of One Dollar (\$1.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor, with an office in Bakersfield, California, does hereby grant, sell, assign, transfer, convey and deliver unto Assignee, with an office in Ogden, Utah, all of Assignor's right, title and interest in and to said lease, and the lands covered thereby, with all rights and privileges thereunder or appurtenant thereto, subject to the following terms, reservations, covenants and conditions:

WHEREAS, Assignor desires to assign to Assignee said lease and the lands demised thereby;

THAT WHEREAS, Assignor is now the owner and holder of that certain Oil and Gas Lease, hereinafter referred to as "Said Lease", covering lands located in Eureka County, Nevada, described in Exhibit "A", attached hereto and made a part hereof; and

W I T N E S S E T H:

THIS ASSIGNMENT is made and entered into this 30th day of January, 1989, by and between SANTA FE ENERGY COMPANY (hereinafter referred to as "Assignor") and FORELAND CORPORATION (hereinafter referred to as "Assignee").

ASSIGNMENT OF OIL AND GAS LEASE

REQUESTED BY, AND WHEN
RECORDED, RETURN TO:
SANTA FE ENERGY COMPANY
4900 California Avenue
Tower A, Suite 400
Bakersfield, CA 93309

133352

6. Assignee shall notify Assignor when the value, as determined by Assignee's standard method of accounting of all oil, casinghead gas, gas, distillate and/or condensate, and other minerals which are produced and saved from the 1-27 Well, together with the processed value, if any, of such production and the proceeds from the sale of

5. Within ninety (90) days after the date of this Assignment, Assignee shall furnish Assignor with an itemized statement of the cost of drilling, testing, completing and equipping the Southern Pacific Land Company #1-27 Well, hereinafter referred to as the "1-27 Well", together with an inventory of the material and equipment in and on said well, and used in connection therewith, including all information pertaining to the producing unit established for said well, pursuant to the rules and regulations of the State of Nevada, and Assignee shall thereafter furnish Assignor with a monthly itemized statement of the cost of operations and the quantities and qualities of oil, gas or other minerals which are produced from the said 1-27 Well, together with the amount of proceeds from the sale of such production in the preceding month, such reports, together with a complete well record, shall be furnished to Santa Fe Energy Company, One Security Park, 7200 I-40 West, Amarillo, Texas 79106, Attention: Manager, Joint Interest Accounting.

4. The Reserved Overriding Royalty Interest is in addition to the royalty payable to the lessors under the terms of Said Lease, by any overriding royalty or payment out of production to which Said Lease may be burdened.

The Reserved Overriding Royalty Interest shall be free and clear of all drilling, developing and operating costs and expenses, including ad valorem taxes, except Assignor shall bear and pay its proportionate share of the applicable production, severance, or windfall profits taxes attributable to said interest. It is expressly provided that no overriding royalty shall be paid or shall accrue upon any oil, gas, casinghead gas, or other hydrocarbon substances or minerals used for operating, development or production purposes upon Said Lease, or in treating said products to make them marketable, or unavoidably lost. No overriding royalty shall be payable upon gas and casinghead gas used for recycling or repressuring operations benefiting the Said Lease. Such overriding royalty shall be paid or delivered to Assignor in the same manner as provided in Said Lease for the payment of royalty to the lessors thereunder.

hereinafter provided. undivided twenty-five percent (25%) of the working interest, as lands assigned herein under Said Lease, with the right to receive an substances, and other minerals produced, saved and marketed from the casinghead gas, distillate and/or condensate, other hydrocarbon

any material and equipment from such well, less the lessor's royalty and any overriding royalty in existence as of July 20, 1987, and Assignor's overriding royalty, equals one hundred percent (100%) of the total cost and expense of drilling, testing, completing and equipping of the said 1-27 well (including one hundred percent (100%) of the cost of operations for the said 1-27 well, incurred up to the time such value equals the total cost), hereinafter referred to as "Payout". The notice provided for herein shall be given no later than the first Monday of the month following payout to Santa Fe Energy Company, 4900 California Avenue, Tower A, Suite 400, Bakersfield, California 93309, Attention: Manager, Joint Interest Accounting, and Assignor shall have the option to be exercised within thirty (30) days from receipt of said notice, either to convert its Reserved Overriding Royalty to an undivided twenty-five percent (25%) of the working interest, or retain its Reserved Overriding Royalty interest. Failure by Assignor to notify Assignee, in writing, of its election shall result in the automatic conversion of the Reserved Overriding Royalty interest into an undivided twenty-five percent (25%) of the working interest.

7. If Assignor's Reserved Overriding Royalty interest is converted to a twenty-five percent (25%) working interest, Assignee shall assign to Assignor an undivided twenty-five percent (25%) interest in the lease herein assigned, together with a twenty-five percent (25%) interest in the wells and material and equipment therein and thereon; and such assignment to Assignor shall be free and clear of liens and encumbrances, and Assignor shall release its overriding royalty in the said lease and lands. The effective date of Assignor's acquisition of a working interest and the release of its overriding royalty shall be the date that the value of production equals the total cost and expense, as provided in Paragraph 6 hereof. (For the purpose of computing the days in which the value of production equals said total cost and expense, the overriding royalty payable to Assignor and the working interest income, together with all cost and expense, shall be calculated on a daily basis for the actual month in which the said value equals the said total cost and expense. Said cost and expense, including the overriding royalty payable to Assignor and/or the working interest income, shall be apportioned on a daily basis for said month, and Assignee shall adjust the cost, expense and revenue to the day so calculated.)

8. If the lease described herein covers less than a full oil and gas leasehold estate in any land described herein under such lease, or if Assignor's interest in such lease covering any lands described herein under such lease is less than the full oil and gas leasehold estate (excluding and disregarding any applicable royalty, overriding royalty, production payment or other burden to which such leasehold estate is subject), then the overriding royalty reserved out of the

11. In the event Assignee shall, at any time, desire to sell all or any part of its interest in and to the Said Lease or Leases, and has received a bona fide offer from a prospective purchaser to purchase all or part of such interest, Assignee shall promptly give notice to Assignor by furnishing to Assignor a copy of the signed bona fide offer. Assignor shall have fifteen (15) days after its receipt of such notice within which to elect to purchase said interest at the same price and under the same terms and conditions as offered by said prospective purchaser. If Assignor elects to purchase said interest and gives notice of such elections to Assignee to purchase, Assignee shall duly execute, acknowledge and deliver unto Assignor a proper assignment of such interest, and Assignor, upon its approval of title thereto, shall pay the stipulated price therefor. If Assignor shall notify Assignee that it does not elect to purchase such interest, or if Assignor fails to timely notify Assignee of Assignor's election, such failure shall be construed to mean that Assignor does not elect to purchase such interest, then in either event, Assignee shall be at liberty to sell and assign such interest to such prospective purchaser at the same price, and under the same terms and conditions as offered to Assignor for such interest; provided however, that if such interest is not disposed by Assignee within sixty (60) days after the

10. Assignee agrees that all contracts, for the purchase of liquid hydrocarbons from the lands covered by this Assignment, shall contain the mutual agreement of Assignee and the purchaser of liquid hydrocarbons that Assignor may, at its option, separately dispose of the portion of such liquid hydrocarbons owned at any time by Assignor pursuant to the terms of this Assignment.

9. Assignor reserves, and is hereby granted, a lien upon Said Lease herein assigned, and all equipment placed on the lands described herein, and Assignee's share of all minerals produced therefrom to secure the performance of the conditions and covenants herein on the part of Assignee, and to secure the payment of any damages accruing to Assignor by reason of any breach of said conditions and covenants. This Assignment is expressly conditioned upon the faithful performance by the Assignee of all the conditions and covenants herein on its part to be performed.

gas leasehold estate in said lands).
 Lease covering the lands described herein bears to the full oil and gas leasehold estate in the proportion that the oil and gas leasehold estate in such lease may [convert to/elect to receive] a working interest, shall be in the proportion that the oil and gas leasehold estate in such interest in the Oil and Gas Lease bears to the full oil and gas leasehold estate in such lands (and the interest in the well to which under such Lease, shall be payable in the proportion that Assignor's interest in the Oil and Gas Lease bears to the full oil and gas production from the lands in which Assignor's interest is less than

The reservations herein made, and the provisions and covenants contained herein, shall attach to and run with the Lease or Leases assigned, and the land herein described or referred to, and shall be binding upon and inure to the benefit of Assignor and Assignee and their respective successors and assigns.

TO HAVE AND TO HOLD the same unto the said Assignee, its successors and assigns, according to the terms and conditions of Said Leases, the said Assignee to perform all of such conditions and covenants thereof as to the portion of lands herein assigned, but subject, however, to the provisions and conditions of said contract heretofore mentioned. This Assignment is made without warranty of title, either express or implied.

13. This Assignment is made subject to all of the terms in the expressed and implied covenants and conditions of Said Lease, and any intervening assignment affecting same, to the extent of the rights hereby assigned.

12. This Assignment is made pursuant to, and subject to the terms of that certain Farmout Agreement dated July 20, 1987, by and between Southern Pacific Land Company and Foreland Corporation.

expiration of said period of fifteen (15) days, Assignee shall not thereafter dispose of any part of its interest without again offering the same to Assignor, as above provided. The preferential right of Assignor to purchase, as provided herein, shall extend to any sale by a purchaser from Assignee and to any sale by any subsequent purchaser, and the waiver by Assignor of its rights hereunder as to any sale shall not constitute a waiver of such rights as to any subsequent sale. Any such sale shall be conditioned upon (a) such purchaser's delivery to Assignor, as soon as possible, or a certified copy of the assignment; (b) that the assignment be made expressly subject to all of the terms and conditions of this Assignment; and (c) the express assumption by the purchaser of all of the obligations imposed by this Assignment upon Assignee. There shall be no preferential right to purchase in those cases where Assignee wishes to mortgage its interest, or to dispose of its interests by merger, reorganization, consolidation, or a sale or transfer of its interests to a subsidiary or parent company, or subsidiary of a parent company, or to any company in which Assignee owns a majority of the stock.

COPIES

By: *[Signature]*
Its: DISTRICT EXPLORATION MANAGER

By: *[Signature]*
Its: *[Signature]*

SANTA FE ENERGY COMPANY

FORELAND CORPORATION

ASSIGNOR:

ASSIGNEE:

IN WITNESS WHEREOF, this Assignment is executed as of the day and year first above written.

EXHIBIT "A"

LEASE SCHEDULE

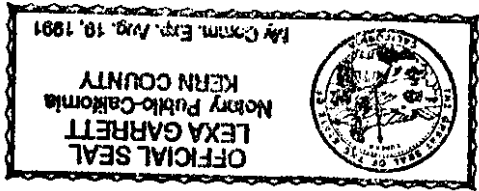
SPEC No. _____

Oil and Gas Lease dated December 1, 1982, by and between BRAVO OIL COMPANY, as Lessor, and SUN OPERATING LIMITED PARTNERSHIP, RAMCO-NYL 1987 LIMITED PARTNERSHIP AND RB OPERATING COMPANY, formerly READING & BATES PETROLEUM COMPANY, and SANTA FE ENERGY COMPANY, as Lessees, recorded in Book _____ at Page _____, Official Records of Eureka County, Nevada, and covering the following described land:

Insofar and only insofar as said lease covers:

Township 29 North, Range 52 East
Section 27 : W/2SE/4

COPIES



Lexa Garrett
Notary Public

WITNESS my hand and official seal.

On 6-1, 1990, before me, the undersigned, a Notary Public in and for said State, personally appeared D. A. WRACHER, personally known to me on the basis of satisfactory evidence to be the District Exploration Manager of SANTA FE ENERGY COMPANY, the corporation that executed the within instrument and known to me to be the person who executed the within instrument on behalf of the corporation therein named, and acknowledged to me that such corporation executed the same, pursuant to its by-laws or a resolution of its Board of Directors.

STATE OF CALIFORNIA
COUNTY OF KERN

)
)

EUREKA COUNTY, NEVADA
M.M. REBALZATI, RECORDER
FILE NO. 13-

OFFICIAL RECORDS
RECORDED AT THE REQUEST OF
BOOK 213 PAGE 276
John Smith
90 AUG 29 P1:56

COPY



My Commission Expires: 1-25-94

Chm. Buff-Pendery
Notary Public

Witness my hand and official seal.

This foregoing instrument was acknowledged before me by
FRANK STEELE, as PRESIDENT of FORBAND CORPORATION, a
NEVADA corporation, on behalf of said corporation on the 15 day
of JUNE, 1990.

STATE OF NEVADA)
COUNTY OF JEFFERSON)