

**ASSIGNMENT OF OIL AND GAS LEASES**

THIS ASSIGNMENT ("Assignment"), is made and entered into as of the 15th day of October, 1990, by and between FORELAND CORPORATION ("Assignor"), 1104 County Hills Drive, Ste. 307, Ogden, Utah 84401, and B & B PRODUCTION CO., A General Partnership, P.O. Box 749, Shelby, Montana 59474 ("Assignee").

**WITNESSETH:**

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

WHEREAS, Assignor desires to assign to Assignee one hundred percent (100%) of Assignor's interest in Said Leases and lands demised thereby;

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 does hereby grant, sell, assign, transfer, convey, set over, and deliver unto Assignee one hundred percent (100%) of Assignor's right, title and interest in and to the Said Leases described in the attached Exhibit "A" and the respective lands covered thereby, and the lands appurtenant thereto, subject to the following terms, reservations, covenants and conditions:

1. This Assignment is expressly made subject to the terms, covenants, conditions, exceptions, restrictions and reservations contained in Said Leases and any amendments, assignments and other agreements and documents relating thereto, and Assignee assumes and agrees to perform each and all of the covenants, agreements, terms, conditions and obligations contained in each of the agreements to Assignee hereunder.

2. Assignor reserves unto itself, its successors and assigns, an overriding royalty, hereinafter referred to as the "Reserved Overriding Royalty Interest", of five percent of one hundred percent (5% of 100%) of all oil, gas, casinghead gas, distillate and/or condensate, other hydrocarbon substances, and other minerals produced, saved and marketed from the lands assigned herein under Said Leases, with the right to receive an undivided thirty percent (30%) of the working interest as hereinafter provided.

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 and gas, casinghead gas, or other hydrocarbon substances or minerals used for operating, development or production purposes upon Said Leases, or in treating said production to make them marketable, or unavoidably lost. No overriding royalty shall be payable upon gas and casing head gas used for recycling or repressuring operation benefiting the Said Leases. Such overriding royalty shall be paid or delivered to Assignor at the address shown above.

3. Assignee shall furnish Assignor with an itemized statement of the cost of drilling, testing, completing and equipping the #33-1 Tomera Ranch ("33-1 Well"). Assignee shall furnish Assignor with a monthly itemized statement of the cost of operations and quantities and qualities of oil, gas or other minerals which are produced from the said 33-1 Well. Said report shall be furnished to the address as shown above.

4. Assignee shall notify as to payout the first monday of the month following payout. For purposes of this Assignment "payout" shall be defined as the first day of the month following the month in which the Operator has recovered from the "net income" (as hereafter defined) derived by the drilling parties who own an interest in the 33-1 Well from the sale of their share of the production from such well, their share of the cost actually incurred to drill, complete, or to plug and abandon said 33-1 Well. For purposes of this paragraph, "net income" is defined as the gross proceeds received from the sale of production from the respective 33-1 Well less applicable taxes, landowners' royalty, overriding royalties (including overriding royalty reserved in this assignment), and operating costs through the payout date. In the event Operator invokes a Substitute Well provision, then it is understood that both the costs of the replacement well drilled to the required Depth specified herein and of any abandoned well or wells may be included in computing payout. 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 thirty percent (30%) 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 relinquishment of the right to convert on said well.

If Assignor's Reserved Overriding Royalty Interest is converted to a thirty percent (30%) working interest, Assignee shall assign to Assignor such interest together with such interest in the wells and material and equipment therein and thereon. Such assignment shall be free and clear of liens and encumbrances, and Assignor shall release its Reserved Overriding Royalty Interest shall be the date that the value of production equal the total cost and expense ("payout").

5. If the Said Leases described herein cover less than a full oil and gas leasehold estate in any land described herein under such Leases, or if Assignor's interest in Said Leases is less than the full oil and gas leasehold estate (excluding royalty,

overriding royalty, or other burdens to which such leasehold estate is subject), then the interest assigned herein shall be proportionately reduced.

6. This assignment is made pursuant to and subject to the terms of that certain Farmout Agreement dated April 27, 1990, by and between Foreland Corporation and J. R. Bacon Drilling Company, Inc.


TO HAVE AND TO HOLD the same unto said Assignee, its successors and assigns, according to the terms and conditions of Said Leases and any intervening assignments affecting same. This Assignment is made without warranty of title, either express or implied, except that the Assignor warrants that it is conveying to Assignee a full one hundred percent (100%) working interest in 40 acres held under the Said Leases, representing a 82.5% net revenue interest in the said Leases.

The reservations herein made, and the provision and covenants contained herein, shall attach to and run with the Said 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.

EXECUTED by Assignor on the date reflected in the acknowledgement of execution, but effective for all purposes as to the date of this Assignment.

Assignor:

FORELAND CORPORATION,  
a Nevada corporation

By:   
N. Thomas Steele  
Vice President

Assignee:

B & B PRODUCTION CO., a General  
Partnership comprised of:

RLB Oil Co., a Montana corporation

By:   
Roy L. Brown, President

and

J.R. Bacon Drilling Company, Inc., a  
Utah corporation

By:   
J.R. Bacon, President

**CORPORATE ACKNOWLEDGEMENT**

STATE OF UTAH           )  
                                  :SS  
COUNTY OF WEBER       )

On this 28<sup>th</sup> day of March, 1991, personally appeared before me N. Thomas Steele, who being duly sworn, did say that he is the Vice-President of FORELAND CORPORATION and said N. Thomas Steele acknowledged said instrument to be the free act and deed of said corporation.

Given Under by Hand and Seal this 28<sup>th</sup> day of March, 1991.

My Commission Expires:

9-29-93

John H. Thurston  
NOTARY PUBLIC  
Residing in Dayton, Utah



## EXHIBIT "A"

Oil and Gas Leases dated January 12, 1987, January 14, 1987, and January 22, 1987, by and between Franklin B. Cook, Charles F. Cook, Jr., and Chestine Cook and Dawn E. Cook as Co-Conservators for Daniel W. Cook respectively, as Lessors, and Foreland Corporation, as Lessee, recorded in Book 155 at Page 048, Book 156 at Page 262, and Book 156 at Page 385, respectively, of the Official Records of Eureka County, Nevada, and recorded in Book 607 at Page 250, Book 559 at Page 317, and Book 559 at Page 320, respectively, of the Official Records of Elko County, Nevada, covering the following described lands:

Insofar and only insofar as said Leases cover:

Township 31 North, Range 52 East, MDM

Section 33: SW  $\frac{1}{4}$ SW  $\frac{1}{4}$

(Containing 40 acres, more or less)

BOOK 222 PAGE 035  
OFFICIAL RECORDS  
RECORDED AT THE REQUEST OF  
B & B Production Co  
'91 APR -8 P1:31

EUREKA COUNTY, NEVADA  
M.N. REBALEATI, RECORDER  
FILE NO. FEE \$9.00