

**PAID-UP
OIL AND GAS LEASE**

169462

THIS AGREEMENT is made and entered into as of November 30, 1997, by and between

SLAGOMSKI, RANCHES, INC.

Pine Valley, Route

Carlin, NV. 89822

and FORSLAND CORPORATION, 12596 W. Bayard Ave., #300, Lakewood, CO 80228 hereinafter called Lessee.

1. Lessor, for and in consideration of \$10,000.00 (Ten Thousand 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 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 pipe lines, power lines, building tanks, power stations, ponds, roadways and structures thereon for producing, saving, treating and caring 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 **Puréka** State of **Nevada**

Township 28 North, Range 52 East, MDM

Section 16: W/2, SW/4SR/4
Section 20: NR/4NE/4
Section 21: NW/4, SE/4NE/4, W/2NE/4, N/2SE/4
Section 22: N/2SW/4, SE/4
Section 23: Lots 6, 7, 8, N/2SW/4, SE/4SR/4SW/4, W/2SE/4
Section 24: Lots 7, 8, N/2SW/4
Section 8: W/2, S/2SE/4
Section 17: E/2, NW/4, NE/4SW/4

For additional clauses see Addendum "A" attached hereto and made a part hereof and which provisions shall supersede provisions contained in the lease form to the extent they are inconsistent or conflict.

For the purpose of determining the amount of any money payment hereunder, said land shall be considered to comprise 2.401.32 acres. 2. Subject to the other provisions herein contained, this lease shall be for a term of 3 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 for 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 one-eighth 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 the grade and gravity prevailing in the same field or area on the day such oil is run 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 product, one-eighth 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.

4. If Lessor owns a less interest in said land than the entire and undivided fee simple estate therein then the royalties herein provided for shall be paid Lessor only in the proportion which his interest bears to the whole and undivided fee.

5. 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. 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. (See Addendum "A" - Section A-19).

Lessee is hereby granted the right and power to pool or combine said land, or any portion thereof, with other land, leases or leases in the vicinity thereof, at any time and from time to time, whether before or after production, when in Lessee's discretion it is in the interest of the prevention of waste and the conservation and greatest ultimate recovery of oil or gas. Such pooling shall be limited to unit or units not exceeding in area the acreage prescribed or required in any Federal or State law, 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 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 the 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 shown on the unit bears to the total acreage placed in such unit.

8. If the estate or either party hereto is assigned, and the privilege of assigning in whole or in part is expressly assigned, the covenants hereof shall extend to the heirs, devisees, executors, administrators, successors, assigns, and no change of ownership in the land or royalties or any sum due and under this lease shall be binding on the Lessee until 30 days after Lessee has been furnished with the original recorded instrument of conveyance or a duly certified copy thereof and all advance payments made hereunder before receipt of said documents shall be binding on any direct or indirect assignee, grantee, devisee, administrator, executor, or heir of Lessor.

9. Lessee may at any time surrender this lease in whole or in part by picking up 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 therefor accruing under the terms of said lease as to the portion surrendered shall cease and determine, 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.

10. "Lives, mortgages, investments, or other assets, including any such assets, shall be subject to the rights of any holder or holder thereof and may be applied to the payment of any such obligations, and any other lien, and any other lien, shall be subordinate to the rights of any holder of any such obligations."

11. 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.

12. 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.

SLAGOMSKI RANCHES, INC.

Carl Siagowski, President

Billie Sue Slagowski, Secretary

ACKNOWLEDGMENT FOR INDIVIDUAL

STATE OF _____
COUNTY OF _____
} ss.

On this _____ day of _____, 19____, before me personally appeared

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

Notary Public

My commission expires:

Residing at _____

ACKNOWLEDGMENT FOR INDIVIDUAL

STATE OF _____
COUNTY OF _____
} ss.

On this _____ day of _____, 19____, before me personally appeared

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

Notary Public

My commission expires:

Residing at _____

ACKNOWLEDGMENT FOR CORPORATION

STATE OF NEVADA
COUNTY OF ELKO
} ss.

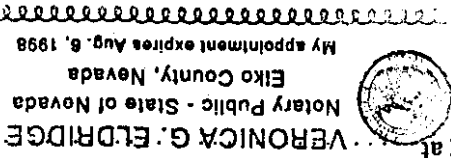
On this _____ day of _____, 19____, before me personally appeared

Car] SIAGOWSKI
of SIAGOWSKI RANCHES, INC.
the corporation that executed the within instrument, and acknowledged to me that such corporation executed the same.

Notary Public

My commission expires:

Residing at _____



RECORDING DATA

ADDENDUM "A"

Attached to and made apart of that certain oil and gas lease dated November 30, 1997, by and between SLAGOWSKI RANCHES, INC., Lessor, and FORELAND CORPORATION, hereinafter referred to as "FORELAND", Lessee.

Footnotes to regular lease term item 5:

- by performance with due diligence of activities of a material nature.
- but in no case shall this lease be extended for more than ~~180~~ 30 days past its primary term without actual commercial production subject to conditions of force majeure.

Supplemental Lease Terms

A-1 This lease is expressly limited to oil, gas, and hydrocarbon substances recoverable in solution with oil or gas and recoverable only through a well bore. This lease expressly does not include coal, shale, lignite, minerals, geothermal steam, hot water, hot brines, thermal energy, gases (except oil, gas, and said hydrocarbon substances) or minerals in solution in water or steam or recoverable in connection therewith through a well bore, and SLAGOWSKI RANCHES, INC. expressly reserves the right to sell, lease, mine, drill or otherwise transfer, dispose of, recover and market all minerals, coal, shale, lignite, geothermal steam, hot water, hot brines, thermal energy, gases (other than oil, gas, and hydrocarbon substances included in this lease) and minerals or solutions. These rights and estates reserved shall include the use of the surface as necessary to investigate, explore, market, process or produce on the land and sell the substances herein reserved.

A-2 The parties hereby agree that the rights reserved by the SLAGOWSKI RANCHES, INC. in paragraph A-1 will not interfere with any operations while a well is being drilled, or with any producing wells or associated facilities on the lease which are necessary to maintain prudent operations.

A-3 In the event FORELAND enters upon the lands of SLAGOWSKI RANCHES, INC. and drills a well which is not productive and which well is plugged and abandoned by FORELAND, FORELAND shall restore the lands occupied by it and the forage that was on the lands as nearly as is reasonably possible to their condition prior to entry by FORELAND. In addition, FORELAND shall pay SLAGOWSKI RANCHES, INC. fair market value of any crop damaged or destroyed by FORELAND.

A-4 Notwithstanding any provision of the printed lease to the contrary, the location of all drill sites, structures, buildings, camps, equipment, fences, facilities, transmission lines, power lines, pipelines, utility lines, ditches, drains, culverts, gates, ponds, roads, poles, pipes, and other improvements used, constructed or placed on the leased premises shall be approved by SLAGOWSKI RANCHES, INC. prior to commencing such construction, placement, or use. SLAGOWSKI RANCHES, INC. agrees not to unreasonably withhold such approval. SLAGOWSKI RANCHES, INC. may however have complete control over the surface distance of the "Meadow Land". These lands are defined in Exhibit 1. Lands equal approximately 800 acres. SLAGOWSKI RANCHES, INC. may allow limited access as to time of year or may disallow access completely. Written consent must be obtained for FORELAND prior to any use whether temporary or permanent.

A-5 Upon termination of this lease in any manner or if a well is abandoned, FORELAND agrees: to re-level the surface of the land involved; to fill all abandoned sump holes, and excavations made by FORELAND; to remove derricks, tanks, tank supports, and other structures and property of FORELAND hereon; to remove all cement blocks, foundations and footings which have been placed by FORELAND or permitted by SLAGOWSKI RANCHES, INC. to be placed on said leased premises; to replant any lands disturbed by FORELAND to the forage or crops which were growing thereon before FORELAND'S use; to repair and restore all ditches, fences and other improvements on the lands in any way disturbed by FORELAND.

A-6 FORELAND agrees to indemnify and hold harmless SLAGOWSKI RANCHES,

INC. from and against any and all claims, suits, damages, costs, losses, liability and expenses arising or growing out of injuries to or death of persons or loss or damage to property or loss or pollution of water or water zones in any manner directly or indirectly resulting from or caused by operations under this lease on the leased premises, or facilities, pipe lines, utility lines, power lines, transmission lines, hot water, steam, gas derricks, tanks or appurtenances thereof, or other items used or placed on the lands by FORELAND or resulting from FORELAND'S use, occupancy of or activities on the lands.

A-7 Notwithstanding any other provision contained in this lease to the contrary, SLAGOWSKI RANCHES, INC. does not warrant, either expressed or implied, the rights, title, estate or possessory interest granted FORELAND under this lease. It is understood that the rights and privileges granted to FORELAND hereunder, are subject to the extent of SLAGOWSKI RANCHES, INC.'S ownership and any and all existing mortgages, deeds of trust, liens, rights of way, easements, oil, gas, mineral and other reservations contained in patents, deeds or other instruments and all other documents of record in the Eureka County Recorder's Office, Eureka, Nevada, as of the date of this lease.

A-8 If any lien, encumbrance or security interest is filed against any of the real or personal property of the SLAGOWSKI RANCHES, INC. caused or incurred by FORELAND, then FORELAND shall, within thirty (30) days after such filing, remove the same from the SLAGOWSKI RANCHES, INC.'S property. FORELAND shall give the SLAGOWSKI RANCHES, INC. seven (7) days advance written notice of all construction, repairs (other than repairs of any emergency nature), drilling and other activities FORELAND intends to do or cause to be done which could result in a mechanic's or materialmen's lien being filed against the SLAGOWSKI RANCHES, INC.'S property so that SLAGOWSKI RANCHES, INC. can timely file a written Notice of Non-Responsibility pursuant to N.R.S. 108.234.

A-9 At the expiration of any other termination of this lease, FORELAND shall peaceably deliver possession of the premises to the SLAGOWSKI RANCHES, INC. and reconvey all leased property to the SLAGOWSKI RANCHES, INC. by properly executed quitclaim deed in form suitable for recording in the Eureka County Recorder's Office.

A-10 FORELAND shall keep the SLAGOWSKI RANCHES, INC.'S property free and clear of all rubbish, garbage, litter and abandoned items of property brought to or placed upon the SLAGOWSKI RANCHES, INC.'S property by FORELAND or any of FORELAND'S agents, employees, contractors, sub-contractors or assigns.

A-11 Any storage on the SLAGOWSKI RANCHES, INC.'S property of vehicles, materials and other property of FORELAND shall be done only upon such locations as are approved in advance by SLAGOWSKI RANCHES, INC. SLAGOWSKI RANCHES, INC. shall not unreasonably withhold such approval except as provided in item A-4 as to the "Meadow Lands".

A-12 FORELAND shall promptly repair all damage to fences, gates and cattle guards on the leased premises and in the grazing areas utilized by the SLAGOWSKI RANCHES, INC. arising out of use of the leased premises under this lease or the actions or activities of FORELAND on the leased premises.

A-13 The parties understand and agree that the leased premises are used primarily by the SLAGOWSKI RANCHES, INC. for the ranching and raising of livestock which is more important to them than the activities of FORELAND under this lease. Accordingly, SLAGOWSKI RANCHES, INC. reserves the right to the use of the surface of all leased lands or all ranching and livestock producing purposes and expressly reserves and excepts from this lease all water rights of SLAGOWSKI RANCHES, INC. and waters being used by SLAGOWSKI RANCHES, INC. and all rights, privileges, preferences, licenses and permits to graze livestock on the public lands and National Forests. FORELAND agrees to conduct its operations upon the leased premises in such manner as to cause the least possible amount of interference with and damage to the ranching and livestock operations of the SLAGOWSKI RANCHES, INC. It is agreed that if the acts, omissions, or

operations of FORELAND, or any person or entity acting by, through or under it, result in the pollution of any of the domestic, irrigation or livestock waters used by the SLAGOWSKI RANCHES, INC., or damage any areas of the SLAGOWSKI RANCHES, INC.'S meadows or other farming or crop producing areas or other lands of the SLAGOWSKI RANCHES, INC. other than those SLAGOWSKI RANCHES, INC. has expressly given prior approval to FORELAND for use in drilling operation, or result in loss, injury or death of more than _____ percent of the SLAGOWSKI RANCHES, INC.'S livestock in any one calendar year, SLAGOWSKI RANCHES, INC. shall have the right to terminate this lease if the condition is not cured within thirty (30) days after the notice is provided in Paragraph A-16.

A-14 FORELAND understands that water rights are of paramount interest to the SLAGOWSKI RANCHES, INC. Accordingly, FORELAND agrees that it shall not attempt to use, apply for, or appropriate any waters, or water rights which would conflict with the SLAGOWSKI RANCHES, INC.'S water rights, or in any way diminish their present water rights or reduce any ground water that may not or hereafter be available to them for development and appropriation for domestic irrigation or stockwater use. FORELAND agrees that it shall not in any way pollute any ground or surface waters useable or being used by the SLAGOWSKI RANCHES, INC. or any other persons using the same water sources. FORELAND further agrees that no oil, gas, minerals, brine, fluid or surplus water be reinjected into a fresh waters zone and if reinjected it shall be reinjected into the zone from which it came following which FORELAND shall cement off or otherwise seal off the zones to prevent their entry into ground or surface water sources which are usable for domestic, agricultural or stockwatering purposes. FORELAND agrees that it shall not, without prior approval of the SLAGOWSKI RANCHES, INC., interfere with or damage the SLAGOWSKI RANCHES, INC.'S ditches, wells, or irrigation systems or irrigation methods.

A-15 FORELAND agrees that it shall, if requested by the SLAGOWSKI RANCHES, INC. fence off any FORELAND facilities, storage areas, drill sites, sumps, ditches, camps, housing areas, or other structures or developments on the leased lands with a livestock fence built to Nevada State Fence Law standards in the area with such gates and cattle guards as SLAGOWSKI RANCHES, INC. shall specify. The SLAGOWSKI RANCHES, INC. shall designate the area which shall be no more than reasonably necessary to protect SLAGOWSKI RANCHES, INC.'S livestock from FORELAND'S activities, and the fence lines shall be as designated by the SLAGOWSKI RANCHES, INC. Construction of these facilities shall be completed by FORELAND within thirty (30) days after SLAGOWSKI RANCHES, INC.'S request, subject to weather and availability of labor and materials.

A-16 Upon the violation by FORELAND of any other terms, covenants or conditions of this lease, and the failure of FORELAND to remedy the default within (30) days after written notice from SLAGOWSKI RANCHES, INC. to FORELAND specifying the default, then, at the option of the SLAGOWSKI RANCHES, INC. this lease shall forthwith cease and terminate and all rights of FORELAND in and to said land shall be at an end as to all said lands, except that FORELAND shall have the right to retain and hold under this lease the area surrounding each well producing or being drilled and any such well contained therein and all the working interest production therefrom with respect to which it is not in default, subject to payment of all royalties, rentals and other sums herein provide. The waiver by SLAGOWSKI RANCHES, INC. of any breach of any covenant or condition hereof shall no be a waiver of any or subsequent breach hereof, nor of any other covenant or condition hereof.

A-17 FORELAND shall keep an accurate log and casing record showing the progress of drilling, character of formations encountered or drilling through, and casing in each well in which drilling shall have been done on the leased premises, and furnish SLAGOWSKI RANCHES, INC. a copy of thereof upon the completion of or the abandonment of each well, and a true copy of all surface location and sub-surface directional surveys made, if any, of each well drilled under the Lease. FORELAND will pay all costs in reproducing said logs and records. Said logs and records, etc. will be provided at the time of publicly required release as governed by the Nevada Oil, Gas and Mining Division. FORELAND will furnish all reasonable facilities for making such observations, and measurements as the

SLAGOWSKI RANCHES, INC. may desire, and SLAGOWSKI RANCHES, INC. is duly appointed agents and representatives shall have free and full access to all of the wells and works and to all property in and upon said leased premises, but SLAGOWSKI RANCHES, INC. must obtain written approval prior to any inspection. Inspection will be withheld only if it may conflict with confidential operations and/or data.

A-18 The FORELAND agrees to keep full and accurate record of the operations upon and production and sales of all oil, gas, and other substances from the leased premises, independently of and separate from any other premises operated by the FORELAND, to notify SLAGOWSKI RANCHES, INC. promptly of discovery of any of said substances in, or on the leased premises and to furnish quarterly to SLAGOWSKI RANCHES, INC. a true statement of all production, deliveries and deductions in a form satisfactory to the SLAGOWSKI RANCHES, INC. All records of the operations and productions and sales of said substances from the leased premises shall, at all reasonable times, be open to inspection of SLAGOWSKI RANCHES, INC.'S agents and representatives.

A-19 Notwithstanding anything to the contrary herein contained, if LESSEE has obtained production on this lease, at the end of three (3) years from the expiration date of this lease, LESSEE shall release all lands that are not reasonably expected to be drilled.

This lease will terminate three years from the date of signing.

In the event that drilling is in progress, this lease may be extended no more than 30 days.

If a well or wells are in production at the time of the expiration of this lease, the surface area to be held will be no more than 5 acres and will be subject to the terms of this lease.

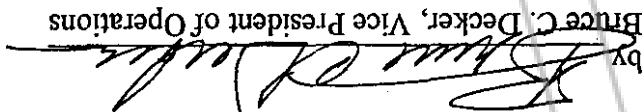
There will be no pooling or unitizing of the property owned by SLAGOWSKI RANCHES, INC.

A-20 Wherever the term one-eighth (1/8th) appears in this lease, it is hereby amended to read fifteen percent (15%).

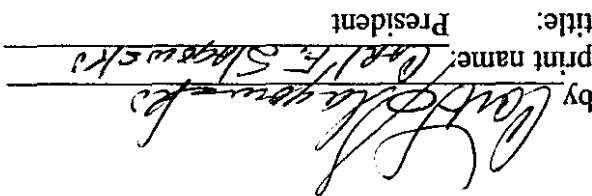
A-21 In the event that FORELAND establishes a producing well, or wells that require transportation in excess of two (2) tanker loads per day, FORELAND will establish alternative truck access which will not cross the west half of section 16 (see cross-hatched area on Exhibit #1) or, in the alternative establish a production pipeline at a location to be determined by SLAGOWSKI RANCHES, INC.

A-22 Neither this lease, or any rights, hereunder shall be assigned, or otherwise be transferred, in whole, or in part by Foreland Corporation, without the prior written consent of Slagowski Ranches, which consent will not be unreasonably withheld.

FORELAND CORPORATION

by 
Bruce C. Decker, Vice President of Operations

SLAGOWSKI RANCHES, INC.

by 
print name: Mark F. Slagowski
title: President

COPY

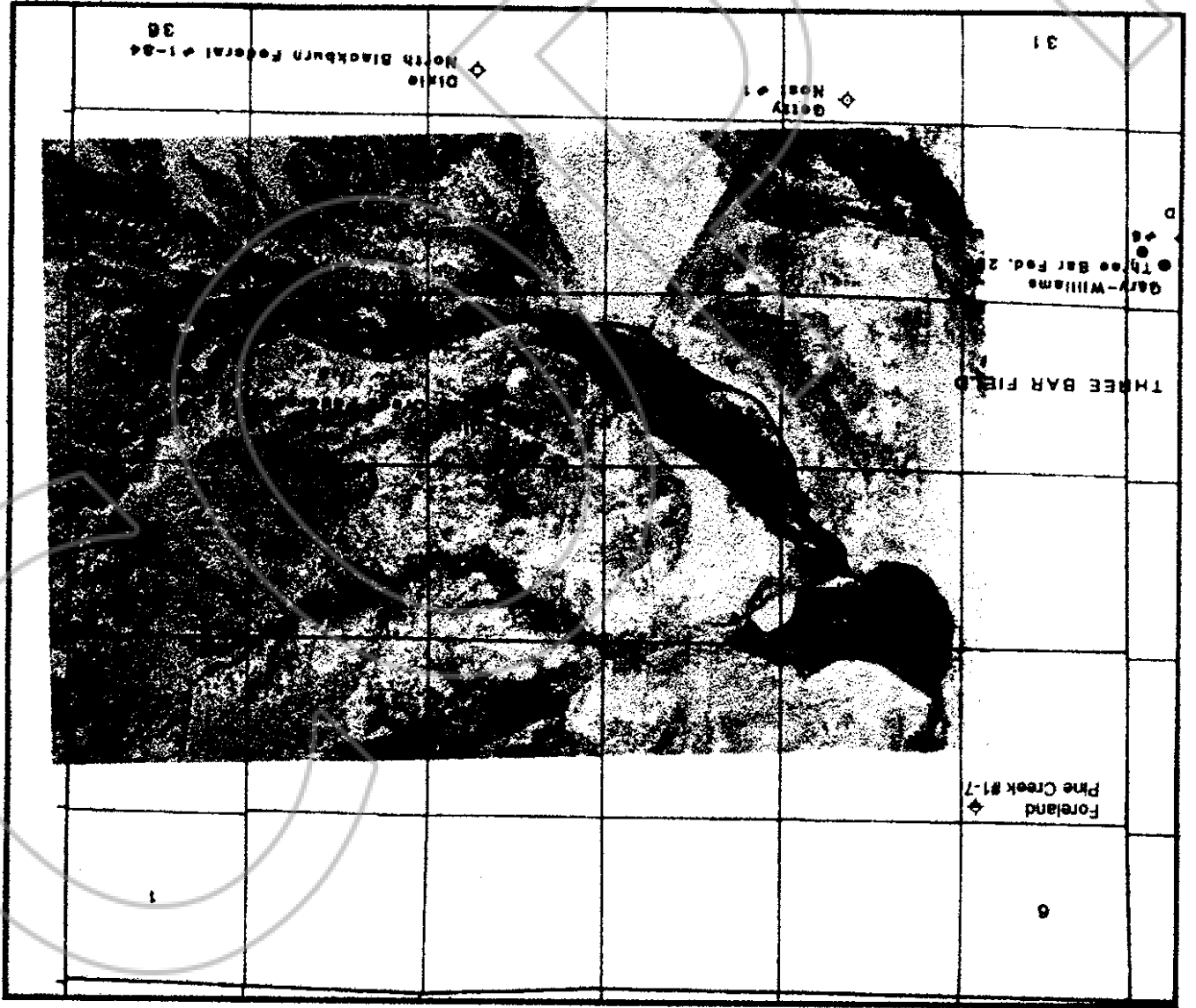
ATTEST:

by Belle Sue Magowski
print name: Belle Sue Magowski
title: Corporate Secretary

Exhibit # 1

R 52 E

T 28 N



BOOK 316 PAGE 435
OFFICIAL RECORDS
RECORDED AT THE REQUEST OF
Foreland Corp
97 DEC 29 AM 10:29
EUREKA COUNTY NEVADA
M.H. REGALATI, RECORDER
FILE NO.
169462

BOOK 316 PAGE 42