

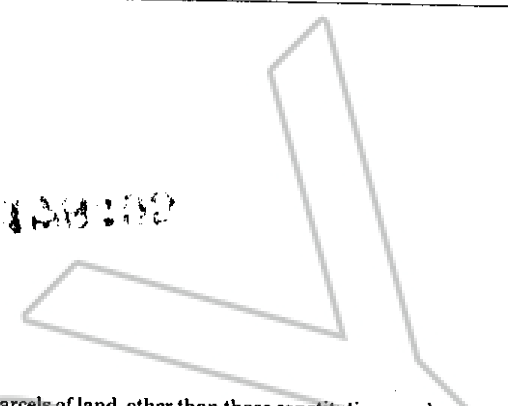
OIL AND GAS LEASE 178405

THIS AGREEMENT, made and entered into this 28th day of October X99 2002
by and between Milton Bors & Ma M. Bors, husband & wife
53 - 5th St. S.W., Medicine Hat A.B. Canada T1A-4G3

(whether one or more) and Yates Petroleum Corporation 105 S. 4th St. Artesia, NM 88210 hereinafter called lessor

1. Lessor, for and in consideration of m bonus in hand paid, receipt of which is hereby acknowledged, and of the covenants and agreements herein contained to be kept and performed by the lessee, does by grant, demise, lease and let exclusively unto said lessee, with the exclusive right of mining, exploring by geophysical, and other methods and operating for and using therefrom oil, gas, condensate, associated hydrocarbon substances, and any other substances produced in association therewith of whatsoever nature and (leased substances), and laying pipe lines, telephone and telegraph lines, housing and boarding employees, building tanks, power stations, gasoline plants, ponds, ways, and structures thereon, to produce, save, market and take care of said products and the exclusive surface and subsurface rights and privileges related in manner to any and all such operations and any and all other rights and privileges necessary, incident to, or convenient for the economical operation alone or jointly with adjoining land for such purposes, all the following described land situated in the County of Eureka State of Nevada

Township 27 North, Rge 52 East MDB&M
Section 18: Lot 1 & 2, E/2NW/4, (NW/4).



including, in addition to the above-described, all accretions thereto and any and all strips or parcels of land, other than those constituting regular governmental subdivisions, adjoining or contiguous to the described land, and any and all leased substances underlying lakes, streams, roads, easements, and rights of way which traverse, adjoin, or are contiguous to, lands, which are owned or claimed by lessor, or rights to which may hereafter be established in lessor (leased premises). For determining the amount of any payments under based on acreage the leased premises shall be treated as comprising 154.94 acres, whether there be more or less.

2. It is agreed that this lease shall remain in force for a term of five years from the date hereof and as long thereafter as leased substances are produced from the leased premises or lands pooled or unitized therewith or operations are continued as hereinafter provided. If prior to discovery of leased substances on the leased premises, or on lands pooled or unitized there, lessee should drill a dry hole or holes thereon, or if after discovery of leased substances, production should cease for any cause, including, but not limited to repair, reworking, recompletion or plugging back operations (well operations) conducted by lessee, this lease shall not terminate if lessee commences additional well operations in one hundred twenty (120) days thereafter or (if it be within the primary term) commences or resumes the payment or tender of rental on or before the rental payment next ensuing after the expiration of four (4) months from the date of completion of a dry hole or cessation of production. If, at the expiration of the primary term of these, leased substances are not being produced on or from the leased premises or lands pooled or unitized therewith but lessee is then engaged in well operations thereon then this lease shall continue in force so long thereafter as well operations are being continuously prosecuted on said land or on a drilling or development or operation unit which includes all or part of said land; and well operations shall be considered to be continuously prosecuted if not more than one hundred twenty (120) days elapse between the completion or abandonment of one well and the beginning of well operations for another well, or if not more than one hundred twenty (120) days elapse between cessation of production of one well and the commencement of well operations on said well. If any leased substance shall be discovered and/or produced from any such well or wells so drilled, being drilled, reworked, recompleted, plugged back or repaired at or after the expiration of the primary term of this lease, lease shall continue in force as if such well or wells had been continuously producing on the expiration of the primary term of this lease.

3. In consideration of the premises, it is hereby agreed as follows:
(a) Lessee shall deliver to the lessor, free of cost in the pipe line to which lessee may connect its wells, the equal one-eighth part of all oil, condensate or other liquid hydrocarbons produced and saved on the leased premises, or at the lessee's option, may pay to the lessor for such one-eighth royalty, the market price for oil of like grade and gravity prevailing on the date the oil is run into the pipe line or into storage tanks.
(b) On gas, casinghead gas and other gases produced from the leased premises or used off the leased premises or in manufacture of gasoline or other products, lessee shall pay to lessor a sum equal to one-eighth of the gross proceeds less all transportation, treating and compressing charges and applicable taxes, received from the sale of such produced substances where the same are sold at the mouth of the well or, if not sold at the mouth of the well, then one-eighth of the market value thereof at the mouth of the well, but in vent more than one-eighth of the actual amount received by lessee for the sale thereof.
(c) Lessee shall pay to lessor as royalty for any substance covered by this lease other than oil, condensate, liquid hydrocarbons or gas produced from the leased premises, a royalty share of one-tenth of the proceeds received for the sale of such substances after deducting all transportation and processing costs incident to placing the same in a marketable condition.
(d) If a well on the leased premises is pooled or unitized therewith is capable of producing gas (including casinghead gas) and such well is shut in for lack of gas market or for lack of producing facilities equipment or otherwise, such well shall nevertheless be considered as though it were producing gas in paying quantities for the purpose of maintaining this lease in effect, whether during or after the primary term, and lessee shall pay shut in royalty payments to lessor equal to the delay rentals provided in paragraph 4 below. Said shut in royalty payment shall be paid in the same manner and in the same amount as payment for delay rentals and shall be payable on the anniversary date of the lease, ensuing ninety (90) days following the date the well is shut in and annually thereafter. Each payment shall extend the lease for a period of one year from the anniversary date of the lease. Upon payment of said shut in royalty payment it shall be conclusively deemed that gas is being produced from the leased premises for the period of time such payments are made.
(e) Lessee shall have free use of land substances and water from the leased premises, except water from lessor's wells and tanks, for all operations hereunder.

4. If drilling operations are not commenced on the leased premises on or before one year from this date, this lease shall then terminate as to both parties unless lessee on or before the expiration of said period pay or tender to lessor, or to the credit of lessor in Bank of Montreal Bank at 3215-E Dunmore Road Ed Medicine Hat A.B. T1B-2H2

or any successor bank, the sum of One hundred fifty-four and 94/100 (\$154.94) Dollars (\$ 154.94), hereinafter called "rental", which shall extend for twelve (12) months the time within which drilling operations may be commenced. Thereafter, annually, in like manner and upon like payments or tenders the commencement of drilling operations may be further deferred for period twelve (12) months each during the primary term. Payment or tender of rental may be made by check or draft of lessee delivered or mailed to the authorized deposit bank or to lessor (at address last known to lessee) on or before such date for payment, and the payment or tender will be deemed made when the check or draft is so tendered or mailed. If said named or successor bank (or any other bank which may as hereinafter provided have been designated as depository) should fail or liquidate or for any reason refuse or fail to accept rental, lessee shall not be held in default for failure to make such payment or tender of rental until sixty (60) days after lessee shall deliver to lessee a proper recordable instrument naming another bank to receive such payments or tenders. The above named or successor bank or any other bank which may be designated as depository shall be lessor's agent. Drilling operations referred to in this paragraph or elsewhere in this lease shall be deemed to be commenced when the first material is placed on the leased premises or when the first work is done thereon which is necessary for such operations.

5. Lessee, at its option, is hereby given 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 leased premises and as to any one or more of the formations thereunder, to pool or unitize the leasehold estate and the mineral estate covered by this lease with other land, lease or leases in the immediate vicinity for 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 royalty similar to this exists with respect to such other land, lease or leases. Likewise, units previously formed to include formations not producing oil or gas, may be merged to exclude such non-producing formations. The forming or reforming of any unit shall be accomplished by lessee executing and filing of record a declaration of unitization or reformation, which declaration shall describe the unit. Any unit may include land upon which a well has theretofore been commenced or completed upon which lessee contemplates commencing a well within the next ensuing ninety (90) day period. Production, drilling or reworking operations or a well shut in for want of market anywhere on a unit which includes all or part of this lease shall be treated as if it were production, drilling or reworking operations or a well shut in for want of market under this lease. In lieu of the royalties elsewhere herein specified, including shut in gas royalties, lessor shall receive on production from the unit so pooled, unitized only on the portion of such production allocated to this lease; such allocation shall be that proportion of the unit production that the total number of surface acres covered by this lease and included in the unit bears to the total number of surface acres in such unit. In addition to the foregoing, lessee shall have the right to unitize, or combine all or any part of the above described lands as to one or more of the formations thereunder with other lands in the same general area by entering into 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 this lease shall be deemed modified to conform to the terms, conditions, and provisions of such approved cooperative or unit plan of development or operations and, particularly, all drilling and development requirements of this lease, expressed implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this lease shall not terminate or expire due to 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 whereby 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 shall, for the purpose of computing the royalties to be paid hereunder to lessor, be regarded as having been produced from the particular tract 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 authority by executing the same upon request of lessee.

6. Lessee may, at any time and from time to time, deliver to lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depth zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If lessee releases all or an undivided interest in less than all of the area covered hereby, lessee's obligation to pay rentals and shut in royalties shall be proportionately reduced in accordance with the acreage interest retained hereunder.

7. When requested by lessor, lessee shall bury its pipe lines on cultivated portions of the leased premises below plow depth. No well shall be drilled nearer than feet to any house or barn now on said premises, without the written consent of lessor. Lessee shall pay for damages caused by its operations to growing crops on said lands. 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. Lessee shall have the right to inject air, gas or other substances into any zone or stratum underlying the leased premises which is not productive of fresh water.

8. The provisions hereof shall extend to be binding upon the heirs, devisees, legal representatives, successors and assigns of lessor and lessee, and the rights of either party hereunder may be assigned in whole or in part, but no change or division in the ownership of the land, rentals or royalties, however accomplished, shall operate or be construed so as to enlarge or increase the obligations or burdens of lessee, or diminish its rights. Specifically, but not by way of limitation of the foregoing, lessee shall not be required to offset wells on rate tracts into which the land covered by this lease may hereafter be divided, or to furnish separate measuring or receiving tanks. Notwithstanding any actual instructive knowledge of or notice to lessee, no change in the ownership of said land or the right to receive rentals or royalties hereunder, or any interest therein, ever accomplished, shall be binding on lessee (except at lessee's option) until thirty (30) days after lessee has been

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furnished with written notice thereof, together with the supporting information hereinafter referred to, by the party claiming as the result of such change in ownership or interest. Such notice shall be supported by mail or certified copies of all recorded documents and other instruments or proceedings necessary in lessee's opinion to establish the ownership of the claiming parcel advance payments of rentals made hereunder within thirty (30) days after receipt of said documents shall be binding on any direct or indirect assignee, grantee, see, administrator, executor, heir or successor to the lessor. In the event of an assignment or sublease of this lease as to segregated portions of the land above described the rental payments hereunder shall be apportioned as to the several leasehold owners ratably according to the surface area of each, and default in the rental payment or any other default by one shall not affect the rights of the other leasehold owners.

9. Lessor hereby warrants and agree to defend the title to the lands herein described, and agrees that the lessee shall have the right and option at any time to pay and discharge on behalf of lessor, any mortgages, taxes or other liens on the above described lands, and shall thereafter be subrogated to the rights of the holder thereof, and lessor hereby agrees that any such payments made by the lessee for the lessor may be deducted from any amounts of money which may become due the lessor under the terms of this lease.

10. If lessor owns a less interest than entire fee or mineral estate (whether or not a lesser interest is stated above), the rentals and royalties herein provided shall be paid to lessor only in the proportion that lessor's interest bears to the entire fee or mineral estate. If, however, during the term of this lease lessor acquires any additional interest in the fee or mineral estate such acquired interest shall be part of the lease and, then and in that event on the next succeeding rental anniversary after lessor shall have notified lessee of the occurrence of such event and shall have furnished lessee with satisfactory proof thereof, the rental shall be increased to cover the additional interest so acquired by the lessor.

11. Lessee's obligations under this lease whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having or purporting to have jurisdiction, including restrictions on the drilling and production of wells and the price of oil, gas and other substances covered hereby. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain equipment, services, material, water, electricity, fuel, or easements, or by fire, flood, war, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within lessee's control, this lease shall not terminate because of such prevention or delay, and, at lessee's option, the period of such prevention or delay shall be added to the term hereof.

12. This lease shall not terminate for failure to pay delay rentals, shut in royalties or otherwise, and no litigation shall be initiated by lessor with respect to any breach, default or other event by lessee hereunder for a period of at least ninety (90) days after lessor has given lessee written notice fully describing the breach, default or other event, and then only if lessee fails to pay the breach, default or other event within such period. In the event the matter is litigated and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or cancelled in whole or in part unless lessee is given a reasonable time after said judicial determination to remedy the breach, default or other event and lessee fails to do so. In the event this lease is cancelled and a producing well is located on the leased premises, lessee shall retain the drill site surrounding said well for as long as said well is productive of leased substances.

13. This lease may be executed in any number of counterparts and each such counterpart so executed shall have the same force and effect as an original instrument. Should any one or more of the parties above named as lessor fail to execute this lease or any counterpart thereof, it shall nevertheless be binding upon all such parties who do execute it as lessor. The word "lessor" as used in this lease means the party or parties who execute this lease whether or not named above.

14. The undersigned lessors for themselves and their heirs, devisees, legal representatives, successors and assigns, hereby expressly release and waive all rights under and by virtue of the homestead exemption laws insofar as such laws pertain to the leased premises.

IN WITNESS WHEREOF, the undersigned execute this instrument as of the day and year first above written.

Milton Bors
MILTON BORS

Anna M. Bors
ANNA M. BORS

STATE OF Province of Alberta ss. Montana, Idaho, North Dakota, South Dakota, Nebraska, Wyoming, Colorado, Utah, Arizona, Nebraska, New Mexico
COUNTY OF CANADA 2002 ACKNOWLEDGEMENT - INDIVIDUAL
On this 10 day of July, 192002, before me, Derrick M. Bishop
Milton Bors, a Notary Public, personally appeared Milton Bors
and Anna M. Bors

who is described in and who executed the foregoing instrument, and duly acknowledged before me that he executed the same, known to me to be the person

Witness my hand and official seal.

TRICK M. BISHOP
A Commissioner For Oaths And
A Notary Public In And For
The Province Of Alberta
being A Solicitor

Notary Public

Address:

Trick Bishop
12302 Dunmore Rd SE
Medicine Hat, AB, CANADA
T1A 7G8

STATE OF _____ ss. Montana, Idaho, North Dakota, South Dakota, Nebraska, Wyoming, Colorado, Utah, Arizona, Nebraska, New Mexico
COUNTY OF _____ ACKNOWLEDGEMENT - CORPORATE
On this _____ day of _____, 19____, before me, _____
_____, a Notary Public, personally appeared _____

_____ to me personally known, being by me duly sworn, did say that he is the _____ of _____

behalf of said corporation by authority of its Board of Directors and said _____

Witness my hand and official seal.

Notary Public

Address:

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OFFICIAL RECORDS
RECORDED AT THE REQUEST OF
Yates Petroleum
02 JUL 31 PM 1:08
acknowledged before me that said corporation executed the same.
BURKE COUNTY RECORDER
M.N. REBALEATI, RECORDER
FILE NO. _____ FEES 15.00

178405

No. _____
OIL AND GAS LEASE
TO _____

TO _____

Dated _____, 19____

No. Acres _____

County, _____

Term _____

This instrument was filed for record on the _____

day of _____, 19____ at _____

o'clock _____ M., and duly recorded in

Volume _____ Page _____

_____ of the records of this office.

By _____ County Clerk

Deputy _____

When recorded return to _____

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