Producer's 88- Paid Un

Paid-Up Oil and Gas Lease

00151615 Bk 00432 Ps 00071-00075 HILLARD COUNTY RECORDER - CONNIE K HANSEN 2005 APR 04 13:11 PM FEE 135:00 BY LHH REQUEST: THOMPSON, ROB

AKA NYRA S. NIEZSON NGN This AGREEMENT made and entered into the / 57 day of AFFC | _______, 2005, by and between Roger L.

Nielson and Nyra Nielson H&W, whose address is 476 E. 360 N, Ephraim. UT 84627 Hereinafter called Lessor (Whether one or more) and International Petroleum, LLC whose address is 4834 South Highland Drive, #200, Salt Lake City, Utah 84117 Hereinafter called Lessee (Whether one or more):

WITNESSETH, Lessor, in consideration of Ten and no/100 Dollars (\$10.00), in hand paid, receipt of which is acknowledged, and of the covenants and agreements contained in this lease, including the royalty provisions herein provided, hereby grants, leases and lets exclusively unto Lessee the lands hereinalter described for the purpose of investigating, exploring, prospecting, drilling and operating for and producing and owning oil, gas of whatsoever nature or kind (including gas, well gas, easinghead gas, drilling and operating for and producing and owning oil, gas of whatsoever nature or kind (including gas, well gas, casinghead gas, methane and gas from coal seams, carbon dioxide, and other gas, whether of commercial value or not, hernalher referred on a "gas"), together with all associated hydrocarbons produced in a liquid or gaseous form, and sulfur, all such substances are hereinafter referred to as the "leased substances", and for injecting waters and other fluids, gas, air, and other gaseous substances into subsurface strata, laying pipelines, establishing and utilizing facilities for surface and subsurface disposal of salt water or formation water, construction or roads and bridges, digging canals, ponds, storing oil, building tanks, power stations, telephone lines, electric lines and other structures and facilities thereon to produce, save, take care of, treat, process, store, and transports aleased substances and products manufactured therefrom, and when it relates to operations on or production from the leased premises or lands adjacent thereto, for the housing and care of Lessee's employees, contractors, subcontractors, and agents, if and only if housing is not available within a fifty (50) mile radius. Leased premises are located in Sewie-Grounty, Utah. And described as follows, to-wit:

HALARD

See Exhibit A attached hereto.

NOTWITHSTANDING any other particular description, it is nevertheless the intention of Lessor to include within this lease and Lessor dose hereby bease, let, and demise not only the lands described above, but also any and all future interests and after acquired interests of Lessor, these lands, together with all strips, gores, accretions, relictions, islands, riparian rights submerged lands, and lands underlying roads, easements and rights-of-way which traverse or adjoin the described lands and which are owned or claimed by Lessor, and all other parcels of land, other than those constituting regular governmental subdivisions, adjoining or contiguous to the described land and owned or claimed by I.essor (all the foregoing lands, together with any lands communitized, unitized, or pooled therewith being hereinafter referred to as "said land" of the leased premises). Lessor agrees to execute any sundemental interments exercised by I.essor. supplemental instrument requested by Lessee for a more complex or accurate description of said land and/or to cure any title defects

The rights granted Lessee to investigate, explore, and prospect (whether by geophysical, seismic, or other means), to drill, mine for, and produce leased substances, and all other rights of Lessee, shall be exclusive, and no other person shall have the right to conduct similar activities on the lease premises during the term of this lease.

Said lease shall be deemed to contain 391.18 gross acres, whether actually containing more or less, for the purpose of calculating any payments due under the terms of this lease.

Said lease shall be deemed to contain 391.18 gross acres, whether actually containing more or less, for the purpose of calculating any payments due under the terms of this lease.

1. It is agreed that this lease shall remain in force for a primary term of five (5) years from this date and as long thereafter as leased substances are produced from the leased premises, or drilling operations are continued as hereafter provided. If, at the expiration of the primary term of this lease, leased substances are not being produced on the leased premises, but Lessee is then engaged in drilling or reworking operations thereon, then this lease shall continue in force so long as operations are being continuously prosecuted on the leased premises, and operations shall be considered to be continuously prosecuted in not more than minety (90) days shall clapse between the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well. If after discovery of leased substances on the leased premises, the production thereof about decase from any cause after the primary letrum, this lease shall not terminate if Lessee commences additional drilling or reworking operations within ninety (90) days from the date of completion of dry hole. If leased substances shall be discovered and produced as a result of such operations at or after the expiration of the primary term of this lease, this lease shall continue in force so long as leased substances are produced from the leased premises.

For the purpose of developing coalbed gas, the word "operations" shall mean, in addition to those matters covered elsewhere herein (1) operations of said wells to remove water or other substances, seven though such operations do not result in the production of hydrocarbons in paying quantilities, or (2) shutting in or otherwise discontinuing from said wells to allow for surface or underground mining affecting the drillstie or wellbore.

2 This is a PAID-UP LEASE. In consideration of the down cash payment, Lesses

3rd. On all sulfur produced, mined, manufactured and marketed, the royalty shall be One Dollar (\$1.00) for each long ton (2,240 pounds) of sulfur when marketed. Notwithstanding the foregoing provisions, Lessee shall have the right to use, free of cost, any leased substance produced, and any water, except water from Lessor's wells and ponds, from the leased premises for the Lessee's operations, which benefit the leased premises of the second secon

- 4. If during or after the primary term one on more wents our the reasen premises are capative or protocome gas, our ascent men or wells are either shut-in or gas therefrom is not being sold or used, such well or wells shall nevertheless be gas therefrom is not being sold or used, then the protocome of the producing for purposes of maintaining this lease. If for a period of ninety (90) consecutive days such well or wells are shut-in or gas therefrom is not being sold or used, then Lessee shall pay or tender as royalty to their oxyalty owners \$5.00\(\text{vertex}\) owner that are testined hereunder, such payment or tender to be made on or before the anniversary date of the lease next ensuing after the expiration of the state of the control of th ninety (90) days from the date such well(s) are shut-in and thereafter on or before the anniversary date of this lease during the period ninety (90) days from the date such went(s) are sint-in and increater on or before the anniversary date or tins lease outing the period such well(s) are shit-in; provided that if this lease is otherwise being maintained by operations, or if gas is being sold or used from another well or wells on the leased premises, no shut-in royalty shall be due until the end of the ninety (90) day period next following cessation of all such operations or production. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease.

 5. If said Lessor owns an interest in the leased premises less than the entire and undivided fee simple estate therein, then the
- 5. If said Lessor owns an interest in the leased premises less than the entire and undivided fee simple estate therein, then the rentals and royalites (including any shut-in gas royality) herein provided for shall be paid the Lessor only in the proportion which Lessor's interest hears to the whole and undivided fee.
 6. Lessee shall bury Lessee's pipeline below plow depth.
 7. No well shall be drilled reaer than 400 feet to the houses or barns or other facilities, fields under cultivation during the period of this lease, including Lessors water facilities now on said land without written consent of Lessor. Which written consent of the property of shall not be unreasonably withheld.
- Lessee shall pay for damages caused by Lessee's operations to growing crops on said land and cost of crops lost due to Lessee's operations on said land. The value of the crops shall be calculated based upon current fair market value, and the past years
- crop production.

 9. Lessee shall have the right at any time to remove all machinery and fixtures placed on said land, including the right to
- 7. Lesses statut mark the type and the second of the desired and remove casing.

 10. The rights of the Lessor and Lessee hereunder may be assigned in whole or in part as to any mineral or horizon and shall be a supposed to the second of the lessor and successive assigns. No change in 10 The rights of the Lessor and Lessee hereunder may be assigned in whole or in part as to any mineral or horizon and shall inture to the benefit of the parties hereto, their respective heirs, successors, devises, assigns and successive assigns. No change in ownership of Lessor's interest (by assignment or otherwise) shall be binding on Lessee until Lessee has been furnished with notice, consisting of certified copies of all recorded instruments or documents and other information necessary to establish a complete chain of record title from Lessor, and then only with respect to payments thereafter made. No other kind of nece, whether actual or constructive, shall be binding on Lessee. No present or future division of Lessor's ownership as to different portions or parcels of said land shall operate to enlarge the obligations or diminish the rights of Lessee, and all Lessee's operations may be conducted without regard to any such division. If all or any part of this lease is assigned, no leasshold owner shall be liable for any act or omission of any other leasehold.

 11. Lessee, at its oution, is hereby given the right and power at any time and from time to time as a recurring right, either
- I. Lessee, at its option, is hereby given the right and power at any time and from time to time as a recurring right, either before or after production, access to the land described herein and any portion of the surface as agreed to in writing by both Lessee and Lessor as agreed to in external surface usage agreement, which written approval for access shall not be more and as to all or any part of said land and as to any one or more of the formations hereunder, to pool, unitize, or communitize the leasehold as to all or any part of said land and as to any one or more of the formations hereunder, to pool, unitize, or communitize 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 either, when in Lessee's judgment it is necessary or advisable to do so, and irrespective of whether authority 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 reformed 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 such unitization or reformation, which celaration shall describe the unit. Any unit may include land upon which a well has therefore been commenced. Production, drilling or reworking operations or a well shut in for want of a market anywhere on a unit which includes all or a part of this lease shall be treated as if it were production, drilling or reworking operations or a well shut in for want of a market under this lease, in lieu of the royalties elsewhere herein specific, including shut-in gas royalties, Lessor shall receive on production from the unit so pooled royalties only on the portion of such production allocated to 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, pool or combine all or any part of the above describ 11. Lessee, at its option, is hereby given the right and power at any time and from time to time as a recurring right, either right to unitize, pool 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 a cooperative or unit plan of development of operation approved by 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 leases shall be deemed modified to conform to the terms, conditions and provisions of such approved cooperative or unit plan of development or operation and particularly, all drilling and development requirements of such approved cooperative or unit plan of development or expire during the life of such plan or agreement. In the event said fand 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 affocated 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 of fand 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 operations adopted by Lessee and approved by any governmental agency by executing the same upon request of Lessor.
- plan of development or operations adopted by Lessee and approved by any governmental agency by executing me same upon request of Lessee.

 12. Lessor agrees that, should Lessee be prevented from complying with any express or implied covenant of this agreement (except payment of money to Lessor) by reason of scarcity of or inability to obtain or use labor, water, equipment or material (including drilling righ, strike or difference with workmen, failure of carriers to transport or furnish facilities for transportation, wars, fires, storms, storm warnings, floods, riots, epidemics, compliance with or obedience to any Federal or State law or any regulation, rule or order of any governmental authority having jurisdiction, including but not limited to inability (except through Lessee's lack of reasonable diligence) to obtain any license, permit or other authorization that may be required to conduct operations on or in connection with the lessed premises or lands pooled or unitized therewith, or any cause whatsoever (other than financial), beyond its control, whether similar from those enumerated, any such reason shall be deemed an "event of frore majeure" and then, while Lessee is so prevented, its obligation to comply with such covenant shall be suspended and excused and the period for performance and the term of this lesses shall be extended for an additional period equal to the duration of the event of frore majeure, alessee shall use reasonable diligence to remetly the event of frore majeure, but shall not be required against its better judgment to settle any labor dispute or context the validity of any law or regulation or any action or inaction of civil or military authority. of civil or military authority.

 13. Lessor hereby warrants and agrees to defend the title to the lands described against the claims of all persons
- 13. Lesson notety warrants and agrees to detend the title to the innos described against the claims of an ipersonic whomsoever, and agrees that the Lesses shall have the right at any time to redeem for Lessor, by payment, any mortgages, taxes or other liens on said land, in the event of default of payment by Lessor and be subrogated to the rights of the holder thereof, and the undersigned Lessors, for themselves, and their heirs, successors and assigns, hereby surrender and release if right of dower and homestead in the premises described herein, insofar as said right of dower and homestead may in any way affect the purposes for which this length tended.
- which fills lease is made.

 14. Should any one or more of the parties hereinabove named as Lessor fail to execute this lease, it shall nevertheless be binding upon all parties who do execute it as Lessor. The word "Lessor" as used in this lease, shall mean any one or more or all of the

parties who execute this lease as Lessor. All the provisions of this lease shall be binding on the heirs, successors and assigns of

Lessor and Lessee.

15. This lease does not convey to Lessee the right to mine, quarry, produce, any sand gravel, aggregate and quarry stone

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18. This lease does not convey to Lessee the right to mine, quarry, produce, and the right to mine, quarry, and the right to mine, quarry, and the right to mine, from the herein described lands. Lessee, with written permission from Lessor, which written permission shall not be unreasonably withheld, may use so much of such materials as may be necessary or useful in operations for the exploration, development and production of the oil, gas, carbon dioxide and hydrocarbon covered in this lease. Without impairing the rights granted under this oil and gas lease, Lessor reserves the right to mine quarry, produce and market sand, gravel, aggregate and quarry stone from the herein and gas task, tessers the reserve from 6 mine quarry, produce and market saint, garvet, aggregate and quarry affort into frecein described lands. Any coal mining lease, whether it be for surface mining operations, executed during the term of this lease, shall be expressly subject to the rights granted Lessee by this lease, especially including those set forth in paragraph 17. Furthermore, any subsequent coal-mining lease shall expressly exclude occluded natural gas or methane in coal seams. Lessee expressly agrees to fully cooperate with subsequent surface and underground coal lessees in an effort to maximize the development of natural resources in the leased premises

16. Lessee and Lessor agree that any access roads, well sites, or pipelines to be constructed under the terms of this lease shall be done in consultation with the Lessor, provided however, the Lessor shall not attempt to prohibit said construction or make

- unreasonable requests of the Lessee.

 17. Lessee shall restore Lessor's surface to original state as of the date of this lease or to Lessor's specification, which specifications shall not be unreasonable, within one hundred and eighty (180) days, following cessation of its operations, Lessee shall restore its well site, as nearly as possible, to its original condition and land contour.
- 18. Lessee agrees to be a prudent operator and will keep all surface disturbances to the minimum area necessary to conduct

- 18. Lessee agrees to be a prudent operator and will keep att surface obsurvance to the continuation.

 19. Lessee shall indemnify and hold Lessor harmless from any and all liability, liens, claims and environmental liability arising out of Lessee's operations under the terms of this lease.

 20. Pursuant to paragraph 8 of this lease, Lessee agrees that within thirty (30) days of commencement of operations on the herein described lands, Lessee agrees to pay I essor fair market value for actual damage caused to Lessor's property and crops as a direct result of Lessee's operations under the terms of this lease.

 21. Lessee agrees to allow Lessee to conduct geophysical testing and seismographic surveys, including the use of dynamic or explosive charges, on the surface only, on the herein described lands; however, Lessee shall obtain prior written consent from Lessor to carry out all such geophysical testing and seismographic surveys. It is understood that no drill holes shall be used in the process of geophysical testing and seismographic surveys without the written consent from the Lessor, which written permission shall not be unreasonably withheld.

 22. It is understood and agreed that in order to obtain maximum efficient recovery of coalbed gas, Lessee may treat and
- 22. It is understood and agreed that in order to obtain maximum efficient recovery of coalbed gas, Lessee may treat and stimulate coal seams and adjacent strata in such manner as Lessee may determine in its sole discretion. Such treatment and stimulation may include, but is not timited to, hydraulic stimulation or the injection of gas, water, brine, or other flutds into the embissurface strata. Lessor hereby releases and holids Lessee harmless from any and all claims, actions, damages, liability, and expenses (including reasonable costs and attorney's fees) which may arise in connection with any damage or injury to any coal seam or adjacent strata as a result of such activities conducted under this lease.

 23. In the event Lessor considers that Lessee has not complied with all it obligations hereunder, both express and implied, Lessor shall motify Lessee in writing, setting out specifically in what respects Lessee has breached this contract. Lessees thall then have sixty (60) days after receipt of said notice within which to meet or commence to meet all or any part of the breaches alleged by Lessor. The service of said notice within which to meet or commence to meet all or any part of the breaches alleged by Lessor. The service of said notice shall be precedent to the bringing of any action by Lessor on said lease for any cause, and no such action shall be brought until the lapse of sixty (60) days after service of soid notice shall be deemed an admission or presumption that Lessee has failed to perform all of its obligations hereunder. Should it be asserted in any notice given to the Lessee under the provisions of this parugraph that Lessee has failed to comply with any implied obligation or covenant hereof, this lease shall not be subject to cancellation for any such cause except after final judicial ascertainment that such failure exists and Lessee has then been afforded a reasonable time to prevent cancellation by complying with and discharging its obligations as to which Lessee has hen judicially determine

to operations on the acreage so retained. IN WITNESS WHEREOF, this instrument is executed as of the date first above written. Dyra & Calen NIN.

Nielson MEH NYRA S. NIELSON STATE OF UTAH ACKNOWLEDGMENT - INDIVIDUAL COUNTY OF Sinpele BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this lot to the day of April 2005, personally appeared Roger L. Nielson and Nyra Nielson to me known to be the identical person(s) described in and who executed the within and foregoing instrument of writing and acknowledged to me that they duly executed the same as their free and voluntary act and deed for the uses and purposes therein set forth. IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above

My commission expires: 4-27-07

Notary Public Mary Catleson

MARY PATTERSON
NOTARY PUBLIC - STATE OF UTAH
2 NORTH MAIN P.O. BOX 705
EPHRAIM UT 84627
My Comp. For 04/27/2007

Exhibit A

Attached to and made a part of that certain Oil and Gas Lease dated APRIL 1, 2005, by Roger L. Nielson and Nyra Nielson, H&W, as Lessor and International Petroleum, LLC, as Lessee.

Township 18 South, Range 3 West

The North half of the South half of the North half of the Southeast quarter of Section 23, Township 18 South, Range 3 West, Salt Lake Base and Meridian. Serial # 5187

The South half of the South half of the North half of the Southeast Quarter of Section 23, Township 18 South, Range 3 West, Salt Lake Base and Meridian. Serial # 5190

Beginning at the Northeast Quarter of the Southeast Quarter of Section 23, Township 18 South, Range 3 West, Salt Lake Base and Meridian; thence West 160 rods; thence North 80 rods; thence West 80 rods; thence South 104 rods; thence East 240 rods; thence North 24 rods to the point of beginning.

Serial # 5190

Beginning at the Southeast corner of Section 23, Township 18 South, Range 3 West, Salt Lake Base and Meridian; thence North 56 rods; thence West 240 rods; thence South 56 rods; thence East 240 rods to the point of beginning.

Serial # 5190

The West half of the Southwest quarter of section 23, Township 18 South, Range 3 West, Salt Lake Base and Meridian.

Beginning at the Southeast corner of the Southwest Quarter of the Northwest Quarter of Section 24, Township 18 South, Range 3 West, Salt Lake Base and Meridian; thence North 8 rods; thence West 80 rods; thence South 8 rods; thence East 80 rods to the point of beginning. Serial # 5201

The Northwest Quarter of the Southwest Quarter of Section 24, Township 18 South, Range 3
West, Salt Lake Base and Meridian.

Serial # 5201

The North 24 rods of the Southwest Quarter of the Southwest Quarter of Section 24, Township 18 South, Range 3 West, Salt Lake Base and Meridian.

Serial # 5201

EXCEPTING THEREFROM that portion lying within the boundaries of the State Road right of way.

The South 56 rods of the Southwest Quarter of the Southwest Quarter of Section 24, Township 18 South, Range 3 West, Salt Lake Base and Meridian.

Serial # 5201

EXCEPTING THEREFROM that portion lying within the boundaries of the State Road right of way.

Beginning at the Northwest corner of the Southeast Quarter of the Southwest Quarter of Section 24, Township 18 South, Range 3 West, Salt Lake Base and Meridian; thence South 227 feet, more or less, along the West boundary line of said Southeast Quarter of the Southwest Quarter to a point 100 feet perpendicularly distant Northwesterly from the centerline of survey of a highway known as project No. FI-67 which point is also a point on the right of way and limited access line of said highway; thence North 48°00' East 342 feet, more or less, along said right of way and limited access line to the North boundary line of said Southeast Quarter of the Southwest Quarter; thence West 252 feet, more or less, along said North boundary line to the point of beginning. Serial # 3201

Beginning 20 rods South of the Northeast comer of the Southwest Quarter of Section 24, Township 18 South, Range 3 West, Salt Lake Base and Meridian; thence Southwesterly 79 rods, more or less, thence West 24 rods, more or less; thence South 6 rods to the Southwest corner of the Northeast Quarter of the Southwest Quarter; thence East 24 rods; thence Northeasterly 96 rods; thence Northwesterly 6 rods; thence Southwesterly 13 rods to the point of beginning. Serial # 5203 EXCEPTING THEREFROM that portion lying within the boundaries of the State Road right of way.

Beginning at the Northwest comer of Section 25, Township 18 South, Range 3 West, Salt Lake Base and Meridian; thence South 98 feet, more or less, along the West boundary line of Section 25 to the Northwesterly right of way and limited access line of a highway known as Project No. FA.67; thence North 48°00' East 147 feet, more or less, along said right of way and limited access line to the North boundary line of Section 25; thence West 108 feet, more or less, along the North boundary line of Section 25 to the point of beginning.

Serial # 5213-1

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BEGINNING AT A POINT 220 FEET, MORE OR LESS, SOUTH OF THE NORTHEAST CORNER OF THE SOUTHWEST QUARTER OF SECTION 24, TOWNSHIP 18 SOUTH, RANGE 3 WEST, SALT LAKE BASE AND MERIDIAN, SAID POINT BEING LOCATED AT THE INTERSECTION OF THE QUARTER SECTION LINE AND THE WEST RIGHT OF WAY BOUNDARY OF INTERSTATE HIGHWAY 15, (1-15); THENCE NORTH 319 FEET, MORE OR LESS; THENCE WEST 1,290 FEET, MORE OR LESS; THENCE SOUTH 1,299 FEET, MORE OR LESS; THENCE EAST 210 FEET, MORE OR LESS, TO THE WEST RIGHT OF WAY BOUNDARY OF INTERSTATE HIGH (1-15); THENCE NORTHEASTERLY 1,470 FEET, MORE OR LESS, ALONG THE WEST RIGHT OF WAY BOUNDARY OF INTERSTATE HIGHWAY (1-15) TO THE POINT OF BEGINNING.

Serial # 5193-1 EXCEPTING THEREFROM THAT PORTION LYING WITHIN THE BOUNDARIES OF THE STATE ROAD RIGHT OF WAY.

Township 15 South, Range 4 West

Beginning at the Southeast corner of the Northeast Quarter of Section 9, Township 15 South, Range 4 West, Salt Lake Base and Meridian; thence South 89°36' West 787 feet, more or less, along the South line of the Northeast Quarter of Section 9; thence North 1°45' East 560' feet, more or less, to the South right of way line of the State Road right of way; thence North 88°09' East 767.8 feet, more or less, along the South right of way line of the State Road right of way to the East line of Section 9; thence South 0°15' East 579 feet, more or less along the East line of Section 9 to the point of beginning.

Less & Except 0.07 acres in Serial # L 2256-1 in Book 373/249 in Book 416/190 in Book 416/200

It is the intent of the Lessor to include, and make subject to this lease, all interest, if any, owned by the Lessor in any easements, roads, or road right-of-ways within, or adjacent to, the above described tracts of land.

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