

00162466

O & G Leases & Agrmnt B: 471 P: 158 Fee \$35.00  
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08/28/2007 12:10:30 PM By DK LAND SERVICES INC

OIL AND GAS LEASE

AGREEMENT, Made and entered into the 18 day of May, 2006, by and between

William G. Gilbert, Surviving Trustee, of the Gilbert Family Trust, dated 1<sup>st</sup> day May, 1992, lessor (whether one or more), whose address is 14885 Running Brook Way, Chino Hills, CA 91709 and DK Land Services, LLC whose address is 1411 East 840 North, Orem, UT 84097 hereinafter called lessee:

WITNESSETH: That Lessor, for and in consideration of Ten or more DOLLARS (\$10.00) in hand paid, receipt of which is hereby acknowledged, and of the agreements of Lessee hereinafter set forth, hereby grants, demises, leases and lets exclusively unto said Lessee the lands hereinafter described for the purpose of prospecting, exploring by geophysical and other methods, drilling, mining, operating for and producing oil or gas, or both, including, but not as a limitation, casinghead gas, casinghead gasoline, gas-condensate (distillate), gas producible from coal-bearing formations, and any substance, whether similar or dissimilar, produced in a gaseous state, all associated hydrocarbons produced in a liquid or gaseous form, all sulfur, geothermal resources and for injecting water and other fluids, gas, air, and other gaseous substances into subsurface strata, together with the right to construct and maintain pipe lines, telephone and electric lines, tanks, power stations, ponds, roadways, plants, equipment, and structures thereon to produce, save and take care of said oil and gas, and any and all other rights and privileges necessary, incident to, or convenient for the economical operation of said land, alone or co-jointly with neighboring land, for the production, saving and taking care of oil and gas, said being situated in the County of Millard, State of Utah, and being described as follows, to-wit:

See Exhibit "A" Attached hereto and made a part hereof

together with all strips, parcels of land and riparian rights adjoining or contiguous to the above described tract of land, and owned or claimed by Lessor and containing 3683.36 gross acres, more or less.

1. It is agreed that this lease shall remain in force for a term of Five (5) years from the date above first written, hereinafter called "primary term", and as long hereafter as oil or gas of whatsoever nature or kind is produced from said leased premises or on acreage pooled therewith, or drilling operations are continued as hereinafter provided. If, at the expiration of the primary term of this lease, oil or gas is not being produced on the leased premises or on acreage pooled therewith but Lessee is then engaged in drilling or re-working operations thereon, then this lease shall continue in force so long as operations are being continuously prosecuted on the leased premises or on acreage pooled therewith; and operations shall be considered to be continuously prosecuted if not more than ninety (90) days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well. If after discovery of oil or gas on said land or on acreage pooled therewith, the production thereof should cease from any cause after the primary term, this lease shall not terminate if Lessee commences additional drilling or re-working operations within ninety (90) days from date of cessation of production or from date of completion of dry hole. If oil or gas 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 oil or gas is produced from the leased premises or on acreage pooled therewith.

2. This is a PAID-UP LEASE. In consideration of the down cash payment, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term. Lessee may at any time or times during or after the primary term surrender this lease as to all or any portion of said land and as to any strata or stratum by delivering to Lessor or by filing for record a release or releases, and be relieved of all obligation thereafter accruing as to the acreage surrendered. Consideration paid herein shall constitute a bonus consideration payment of one-fifth the total amount paid, and four annual rental payments equal to the bonus consideration paid.

3. In consideration of the premises the said Lessee covenants and agrees:

1<sup>st</sup>. To deliver to the credit of Lessor, free of cost, in the pipeline to which Lessee may connect wells on said land, the equal of one-eighth (1/8) part of all oil produced and saved from the leased premises.

2<sup>nd</sup>. To pay lessor one-eighth (1/8) of the gross proceeds each year, payable monthly, for the gas from each well where gas only is found, while the same is being used off the premises or in the manufacture of gasoline or any other product a royalty of one-eighth (1/8), payable monthly at the prevailing market rate for gas.

3<sup>rd</sup>. To pay Lessor for gas produced from any oil well and used off the premises or in the manufacture of gasoline or any other product a royalty of one-eighth (1/8) of the proceeds at the mouth of the well, payable monthly at the prevailing market rate.

4. If at the expiration of the primary term or at any time or times thereafter, there is any well on said land or on lands with which said land or any portion thereof has been pooled or unitized, capable of producing oil or gas or any other mineral covered hereby, and all such wells are shut-in, this lease shall, nevertheless, continue in force as though operations were being conducted on said land for so long as wells are shut-in, and thereafter this lease may be continued in force as if no shut-in had occurred. If at any time or times after the expiration of the primary term, all such wells are shut-in for a period of ninety consecutive days, and during such time there are no operations on said land, then at or before the expiration of said ninety day period, lessee shall pay or tender, by check or draft of lessee, as royalty, the sum of one dollar (\$1.00) for each acre of land then covered by this lease. Lessee shall make like payments or tenders at or before the end of each anniversary of the expiration of said ninety day period if upon such anniversary this lease is being continued in force solely by reason of the provisions of this paragraph. Each such payment or tender shall be made to the parties who at the time of payment would be entitled to receive the royalties which would be paid under this lease if the wells were producing. Any payment hereunder may be made by check or draft of lessee deposited in the mail or delivered to the party entitled to receive payment on or before the last date for payment. Nothing herein shall impair lessee's right to release as provided in paragraph 13 hereof. In the event of assignment of this lease in whole or in part, liability for payment hereunder shall rest exclusively on the then owner or owners of this lease, severally as to acreage owned by each.

5. If said Lessor owns a less interest in the above-described land than the entire and undivided fee simple estate therein, then the royalties (including any shut-in gas royalty) herein provided for shall be paid the Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee.

6. Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for Lessee's operation thereon, except water from the wells of Lessor.

7. When requested by Lessor, Lessee shall bury Lessee's pipeline below plow depth.

8. No well shall be drilled nearer than 200 feet to houses, barns, or other facilities, including Lessor's water facilities now on said premises without written consent of Lessor.

9. Lessee shall pay for damages caused by Lessee's operations to growing crops on said land.

10. 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.

11. The rights of Lessor and Lessee hereunder may be assigned in whole or part. 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 notice, 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 leasehold owner shall be liable for any act or omission of any other leasehold owner. If all or any part of this lease is assigned by lessee reasonable notice (30 days) shall be made to Lessor of such assignment.

12. 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, as to all or any part of the land described herein and as to any one or more of the formations hereunder, 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 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 declaration shall describe the unit. Any unit may include land upon which a well has theretofore been completed or upon which operations for drilling have theretofore 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 specified, 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 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, 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 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 operation and, particularly, all drilling and development requirements of this lease, express or implied, shall be satisfied by compliance with the operation and, particularly, all drilling and development requirements of this lease, express or 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 during 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 of land 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 agency by executing the same upon request of Lessee.

13. Lessee may at any time and from time to time execute and deliver to lessor or file for record a release or releases of this lease as to any part or all of said land or of any mineral or horizon thereunder, and thereby be relieved of all obligations as to the released acreage or interest.

14. 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.

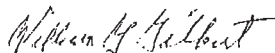
15. Lessor hereby warrants and agrees to defend the title to the lands herein described, and agrees that the Lessee shall have the right at any time to redeem for Lessor, by payment, any mortgages, taxes or other liens on the above described lands, in the event of default of payment by Lessor and be subrogated to the rights of the holder thereof, and the undersigned Lessor's, for themselves and their heirs, successors and assigns, hereby surrender and release all 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 lease is made, as recited herein.

16. Should any one or more of the parties hereinabove named as Lessor fail to execute this lease, it shall nevertheless be binding upon all such 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.

17. Prior to the expiration of the primary term of this lease, or if operations are being conducted on said lease or land pooled therewith at the expiration of the primary term in such manner as to maintain this lease in force, within thirty (30) days after the completion of a dry hole resulting from such operations, lessee may extend the primary term of this lease as to all or any part of acreage then covered hereby, for an additional five (5) years beyond the initial primary term by written notification of action taken and by making payment to lessor or to lessor's successor in interest, or to the credit of lessor or such successor in interest in any depository bank named herein or in any amendatory instrument in the sum of \$26.89618 for each net acre as to which the lease is so extended. If this option is exercised by lessee, the lease as extended will thereafter be treated as if the original primary term had been five (5) years longer.

18. Lessee will give 30 day notice to Lessor if drilling were to commence as to all or any part of the land described herein.

IN WITNESS WHEREOF, this instrument is executed as of the date first above written



William G. Gilbert, Surviving Trustee of the  
Gilbert Family Trust, dated 1<sup>st</sup> day May, 1992

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INDIVIDUAL NOTARY

STATE OF CALIFORNIA

COUNTY OF San Bernardino

BEFORE ME, the undersigned authority, on this day personally appeared **William G. Gilbert, Surviving Trustee, of the Gilbert Family Trust, dated the 1<sup>st</sup> day May, 1992**, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE THIS 22nd day of May, 2006

My commission expires:

September 27, 2007

V. Diana Hernandez  
Notary Public

Address 1622 Fire Hollow Dr.  
Diamond Bar, CA 91765



Prepared by: Mike Chase, 435-851-1747

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Exhibit "A"

This Exhibit "A" is attached to and made a part thereof a certain Oil, Gas and Mineral leased dated May 18, 2006 by and between William G. Gilbert, Surviving Trustee, of the Gilbert Family Trust, dated the 1<sup>st</sup> day of May, 1992, individually, as Lessor and DK Land Services, LLC, as Lessee.

Description of Property:

Township 19 South, Range 4 West, Salt Lake Base and Meridian

Section 18: All of Section 18, Township 19 South, Range 4 West.

Section 19: All of Section 19, Township 19 South, Range 4 West.

Township 19 South, Range 5 West, Salt Lake Base and Meridian

Section 13: The Northeast quarter and the Southeast quarter of Section 13, Township 19 South, Range 5 West.

Section 13: Beginning at the Northeast corner of the Northeast quarter of the Northwest quarter of Section 13, Township 19 South, Range 5 West; thence South 1740 feet, more or less to the West side of the canal; thence Northwesterly along the West side of said canal 2230 feet, more or less to the North boundary of said Section 13, thence East 1370 feet, more or less to beginning.

Section 24: The Southeast quarter of Section 24, Township 19 South, Range 5 West.

Township 20 South, Range 5 West, Salt Lake Base and Meridian

Section 33: The South half of the Northwest quarter of Section 33, Township 20 South, Range 5 West.

Section 33: The North half of the South half of the Northeast quarter of Section 33, Township 20 South, Range 5 West.

Township 21 South, Range 4 West, Salt Lake Base and Meridian

Section 32: The West half of the Southwest quarter of Section 32, Township 21 South, Range 4 West.

Township 21 South, Range 5 West, Salt Lake Base and Meridian

Section 3: Lot 4, and the South half of the Northeast quarter and the South half of the Northwest quarter and the Northeast quarter of the Southwest quarter and the North half of the Southeast quarter of the Southwest quarter and the North half of the Southeast quarter and the Southeast quarter of the Southeast quarter and the North half of the Southwest quarter of the Southeast quarter of Section 3, Township 21 South, Range 5 West.

Section 10: The North half of the Northeast quarter of the Northeast quarter of Section 10, Township 20 South, Range 5 West.

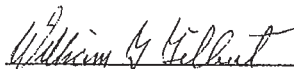
Township 22 South, Range 4 West, Salt Lake Base and Meridian

Section 4: All of Section 4, Township 22 South, Range 4 West.

Section 5: All of Section 5, Township 22 South, Range 4 West.

Lessor does hereby lease and let exclusively unto Lessee all lands and minerals owned or claimed by Lessor in the within named Sections: 18, 19, T21S-R4W, Sections: 13, 24, T19S-R5W, Section: 33, T20S-R5W, Section: 32, T21S-R4W, Sections: 3, 10, T21S-R5W, and Sections: 4, 5, T22S-R4W.

SIGNED FOR IDENTIFICATION

  
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