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This document prepared by:
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DOC # 00348179

Oil and Gas Leases and Agreement B: 0574 P: 0494
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OIL AND GAS LEASE

Producers 88-PAID-UP UT Rev 2006 EWC

This agreement is made and entered into this 17th day of May, 2007, by and between **WESTERN DEVELOPMENT COMPANY, a Utah Corporation**, whose address is 1042 E. Quail Vista Court No. B, Salt Lake City, UT 84117, hereinafter called Lessor (whether one or more) and **ENERGY WEST CORPORATION, P.O. BOX 1441, DENVER, CO 80201-1441**, hereinafter called Lessee. Lessor, for and in consideration of ten dollars (\$10.00) and other valuable consideration, the receipt of which is hereby acknowledged, and the covenants and agreements hereinafter contained, has granted, demised, leased and let, and by these presents does grant, demise, lease and let exclusively to Lessee, the land hereinafter described, with the exclusive right for the purpose of mining, exploring by geophysical and other methods, and operating for and producing therefrom oil and all gas of whatsoever nature or kind, with rights of way and easements for laying pipe lines, power lines and other utilities, erection of structures thereon to produce, save and take care of said products, all that certain tract of land situated in the County of Sevier, State of Utah, described as follows:

See Exhibit A to Oil and Gas Lease attached hereto and made a part hereof for the legal description of lands covered by this Lease and additional provisions to this Lease.

and containing 6,400.18 acres, more or less.

1. It is agreed that this lease shall remain in force for a term of five (5) years, with the option to extend (see attached Exhibit A) from this date and as long thereafter as oil or gas of whatsoever nature or kind is produced from said leased premises or on acreage pooled or unitized 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 reworking 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 one hundred eighty (180) 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 reworking operations within one hundred eighty (180) days from date of cessation of production or from date of completion of a 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. 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.
3. Lessee covenants and agrees: 1st. To deliver to the credit of Lessor, free of cost, in the pipeline to which Lessee may connect wells on said land, 12.5% ("Lessor's Share") of all oil produced and saved from the leased premises. 2nd. To pay Lessor on gas and casinghead gas produced from said land (1) when sold by Lessee, Lessor's Share of the net proceeds derived from such sale, or (2) when used by Lessee off said land or in the manufacture of gasoline or other products, the market value, at the mouth of the well, the Lessor's Share of such gas and casinghead gas. The Lessor's Share, in either case, shall bear its proportionate share of the cost of compressing, dehydrating and otherwise treating such gas or casinghead gas to render it marketable or usable and its proportionate share of the cost of gathering and transporting such gas and casinghead gas from the mouth of the well to the point of sale or use. 3rd. 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 Lessor's Share of the proceeds, at the mouth of the well, payable monthly at the prevailing market rate.
4. Where oil or gas from a well capable of producing oil or gas is not sold or used, Lessee may pay or tender as royalty to the royalty owners Two Dollar (\$2.00) per year per net royalty acre retained hereunder, such payment or tender to be made on or before the anniversary date of this lease next ensuing after the expiration of ninety (90) days from the date such well is shut in and thereafter on or before the anniversary date of this lease during the period such well is shut in. If such payment or tender is made, it will be considered that oil or gas is being produced within the meaning of this lease.
5. If said Lessor owns an interest in the above-described land less than the entire and undivided mineral estate therein, then the royalties (including any shut-in oil or gas royalty) herein provided for shall be paid to the Lessor only in the proportion which Lessor's interest bears to the whole and undivided mineral estate.
6. Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for Lessee's operation thereon.
7. When requested by Lessor, Lessee shall bury Lessee's pipelines below plow depth.
8. No well shall be drilled nearer than 300 feet to the house or barn now on said premises without written consent of surface owner.
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.
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 oil or 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 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 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. If Lessee is prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations on the lease premises, or from producing oil or gas from the lease premises by reason of the scarcity, inability to obtain or use equipment or material, or by operation of "force majeure" (which is defined as an act of God, weather, market conditions, inability to obtain materials or their transportation, war, strikes, lockouts, riots, insurrections or other conditions or circumstances not wholly within the control of Lessee, or by any federal, state or municipal law, order, rule or regulation), then while so prevented, Lessee's obligation to comply with a covenant shall be suspended and Lessee shall not be liable in damages for failure to comply with a covenant. This lease shall be extended while and so long as Lessee is prevented by any force majeure cause from conducting drilling or reworking operations on or producing oil and gas from the lease premises. Should the force majeure occur during the primary term, the time during which the force majeure is in existence shall be added to the primary term of this lease.

14. If, during the primary term of this lease, Lessor receives from a third party a bona fide offer, which Lessor is willing to accept, to purchase a lease on all or any part of the lease premises with such lease becoming effective on the expiration of this lease, Lessor agrees to immediately notify Lessee, in writing, of the offer, including in the notice the name and address of the offeror, the price offered and all of the pertinent terms of the offer. Lessee shall have fifteen (15) days from the date of receipt of Lessor's written notice within which to elect to purchase a new lease on any part of the lands that are subject to this lease at the same price and on the same terms and conditions as specified in the third party offer. All offers made at times up to and including the last day of the primary term of this Lease shall be subject to the terms and conditions of this provision. In the event Lessee elects to purchase the new lease, it shall notify Lessor in writing prior to the expiration of the fifteen (15) day period. Lessee shall promptly furnish Lessor the new lease for execution by Lessor, together with Lessee's payment of the bonus, as specified in the offer, as consideration for the new lease. Upon receipt, Lessor shall promptly execute the new lease and return it to Lessee. Lessee's failure to respond to Lessor's written notice within the fifteen (15) day period shall be deemed an election by Lessee not to purchase the new lease. At that time, Lessor shall be free to execute the new lease in favor of the third party offeror.

15. Lessor 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. The undersigned Lessors, 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 named as Lessor herein 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, and this lease shall cover and bind all interest of the Lessor which may be acquired subsequent to the date of this lease which Lessor may hereafter acquire by way of reversion or otherwise.

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

Western Development Company, a Utah Corporation

David L. Mangum
David L. Mangum, President

STATE OF UTAH)
)ss.
COUNTY OF SALT LAKE)

ACKNOWLEDGMENT - CORPORATE

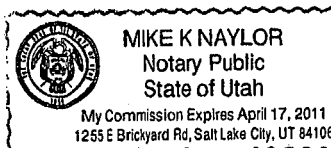
On this 25th day of June, 2007, before me, a Notary Public, personally appeared David L. Mangum to me known, and being duly sworn, did say that he is the President of Western Development Company, a Utah Corporation and that the seal affixed to said instrument was signed and sealed on behalf of said corporation authority of Board of Directors and said David L. Mangum acknowledged said instrument to be a free act and deed of said corporation.

IN WITNESS WHEREOF, I have set my hand and affixed my seal the date above written.

My commission expires APRIL 17/2011

Mike K Naylor
Notary Public for the State of Utah
Residing at SALT LAKE

WHEN RECORDED RETURN TO:
Energy West Corporation
P.O. Box 1441
Denver, CO 80201



DOC # 00348179

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EXHIBIT "A"

Attached to and made a part hereof that certain Oil and Gas Lease dated May 17, 2007, from Western Development Company, a Utah Corporation, as Lessor, to Energy West Corporation, as Lessee.

1. LEGAL DESCRIPTION FOR THIS LEASE:

Township 22 South, Range 3 East, SLM

Section 1: Lots 3 (39.85), 4 (39.95), SWNW, W2SW, (4-125-2, 3, 4)

Section 12: W2NW, SENW, SW, (4-152-24 thru 28, 36, 38, 41)

Section 13: NWNW, (4-155-2)

Section 25: W2NW, SENW, NESW, (4-160-1)

Section 26: N2N2, SENE, (4-160-2, 8)

Township 22 South, Range 4 East, SLM

Section 4: Lots 1 (40.54), 2 (40.82), 3 (41.10), 4 (41.38), S2N2, S2, (4-163-1; 3-198-202 thru 227; 3-195-136 thru 186; 3-196-187A thru 201A, 228 thru 231; 3-197-151 thru 171)

Section 5: SWNW, NESW, SWSE, (4-164-9; 3-201-14 thru 17; 3-202-26 thru 34, 36, 38, 39)

Section 6: Lots 1 (41.05), 3 (40.45), S2NE, SESW, W2SE, (4-164-3, 4, 15, 32, 33)

Section 7: Lot 1 (35.04), NENW, (4-164-6, 27, 28)

Section 8: SWNE, NENW, NESW, SWSW, SWSE, (4-164-10, 12; 3-203-343 thru 349; 3-209-336 thru 342; 3-206-93 thru 100)

Section 9: All (4-163-3, 4; 3-207-1 thru 6, 314, 315, 232, 233, 292 thru 299; 3-210-250 thru 279; 3-208-313; 3-209-235 thru 249; 3-209-280 thru 291)

Section 16: All (4-166-2; 3-211-357, 358, 364, 365, 369, 370, 371, 375, 376, 429 thru 441; 3-212-372 thru 395; 3-213-350 thru 371, 396 thru 414; 3-214-415 thru 428; 3-214-351 thru 355, 361, 362, 363, 366, 367, 442 thru 448)

Section 17: All (4-167-1, 13, 15)

Section 18: NENE, SWNE, NESW, (4-167-5, 6; 3-231-125 thru 132)

Section 21: E2E2, (4-166-3, 4)

Section 28: E2E2, SWSE, (4-168-1)

Section 29: S2NW, NESW, S2SE, (4-169-1)

Section 30: E2NE, SWNE, SENW, (4-169-2)

Section 32: All (4-169-3)

Section 33: NE, N2NW, N2SW, N2SE, SESE, (4-168-2, 3)

Township 23 South, Range 3 East, SLM

Section 1: SWNE, E2SE, (4-255-1)

Section 12: NWNE, SENE, NESE, (4-255-6)

Township 23 South, Range 4 East, SLM

Section 34: NWSW, SESW, NWSE, (4-264-6, 7)

containing 6,400.18 acres, more or less

2. **OPTION TO EXTEND:** Notwithstanding anything contained herein, Lessee is hereby given the option to extend the primary term for five (5) years from the end of the original primary term. This option may be exercised by the lessee at any time during the original primary term by paying a sum equal to Fifty and no/100 Dollars (\$50.00) per net mineral acre to the Lessor or to such parties entitled to receive said option payment. Said option payment shall be based upon the number of net mineral acres then covered by this lease. 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 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. Should this option be exercised as herein provided it shall be considered for all purposes as though this lease originally provided for a primary term of ten (10) years. If at the expiration the original primary term of this lease, operations are being conducted to maintain this lease, then Lessee shall have a period of one hundred eighty (180) days after said operations ceases from which to exercise this option.

3. **PUGH CLAUSE:** Notwithstanding the provisions of this lease to the contrary, this lease shall terminate at the end of the primary term as to all of the leased lands except those tracts within a production or a spacing unit prescribed by law or administrative authority on which is located a well producing, or capable of producing, oil and/or gas or on which Lessee is engaged in drilling or reworking operations. This lease shall not terminate so long as drilling or reworking operations are being continually prosecuted if not more than one hundred eighty (180) days shall lapse between the completion or abandonment of one well and the beginning of operations for the drilling of another well. This lease may otherwise be maintained in force and effect, either in whole or in part, by any other manner herein provided.

4. **DEPTH LIMITATION:** This lease shall terminate at the end of the Primary term as to all formations below the deepest depth drilled.

5. **INDEMNITY AGREEMENT:** Lessee shall indemnify and hold harmless Lessor against all third party claims, suits, liability, loss, cost and expense (including actual attorney's fees, if any, incurred by Lessor) on account of injury to or death of persons or damage to property resulting from operations conducted under the lease by Lessee and caused solely by negligence of Lessee, its employees or agents, without any contributory negligence of others. Lessor shall give Lessee prompt written notice of and Lessee shall have the right to defend any and all suits covered by said indemnity. Liability resulting from operations conducted by others, including but not limited to the Lessor, assignees and/or independent contractors, is expressly excluded from the forgoing indemnity but any successor in interest to Lessee in said lease shall be bound to indemnify Lessor the same as Lessee is bound in the foregoing.

ELM (initials)

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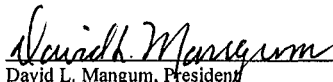
6. This lease covers only oil, gas, coal bed methane, and all other hydrocarbons and/or substances, whether elements, mixtures or compounds in liquid, gaseous or vaporous forms or states, which can or may be produced through the bore of a well producing oil or gas. This lease does not cover coal.

7. Notwithstanding the provisions of this lease to the contrary, the payment of shut-in royalty on any or all gas or oil wells as provided for herein shall not perpetuate this lease, or pooled unit, or pooled acreage, as the case may be, for more than five years beyond the expiration of the primary term of the lease. The shut-in royalty shall be an annual rental of \$2.00 per acre.

8. Lessee covenants and agrees that Lessee shall inform Lessor within 30 days in writing of any occurrence of a force majeure event.

Signed for Identification:

Western Development Company, a Utah Corporation



David L. Mangum, President

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