

OIL AND GAS LEASE

ORIGINAL

PAID UP

THIS AGREEMENT, made and entered into as of the 14th day of April, 1986, by and between  
Kenneth E. Andersen and Sandra E. Andersen, husband and wife  
1490 E. 8th. Street  
Greeley, CO 80631

hereinafter called "Lessor" (whether one or more) and Sunshine Valley Petroleum Corporation, 950 Stafford,  
Casper, Wyoming 82609 hereinafter called "Lessee", WITNESSETH:

1. Lessor, for and in consideration of the sum of Ten and more DOLLARS (\$ 10.00 +),  
in hand paid, of the royalties herein provided, and of the agreements of Lessee herein contained, hereby grants, demises, leases and lets exclusively unto Lessee the  
land hereinafter described, for the purpose of investigating, exploring and drilling for, producing, saving, taking, owning, transporting, storing, handling and treating oil  
and gas, together with all rights, privileges and easements useful for Lessee's operations hereunder on said land and on lands in the same field, including but not  
limited to the following rights: to lay pipe lines; to build roads; and to construct tanks, pump and power stations, power and communications lines, and other structures  
and facilities. The phrase "oil and gas", as used in this lease, shall embrace all hydrocarbons, as well as other substances produced therewith. The said land included  
in this lease is situated in the County of Weld, State of Colorado, and is described as follows, to-wit:

Township 5 North, Range 65 West, 6th. P.M.  
Section 3: All that part of the W $\frac{1}{2}$ SW $\frac{1}{4}$ SW $\frac{1}{4}$  lying South of  
the Ogilvy Canal.

See Exhibit A attached hereto and, by this reference, made a part hereof.

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F 1953 MARY ANN FEUERSTEIN CLERK & RECORDER WELD CO, CO

Including all oil and gas underlying lakes, streams, roads, easements and rights-of-way which traverse or adjoin said land; and including all lands owned or claimed by  
Lessor as a part of any tract above described; and containing 18.00 acres of land, more or less, hereby releasing and waiving  
all rights under and by virtue of the homestead exemption laws of this state. This lease shall cover all the interest in said land now owned by or hereafter vested in Lessor.  
For the purpose of calculating any payments based on acreage, Lessee, at Lessee's option, may act as if said land and its constituent parcels contain the acreage above  
stated, whether they actually contain more or less. Lessee may inject water, gas or other substances into any zone or stratum underlying said land and not productive of  
fresh water.

2. Subject to the other provisions herein contained, this lease shall remain in force for a period of one (1) year from the date hereof,  
called "primary term", and thereafter so long as oil or gas is produced from said land hereunder, or Lessee is engaged in drilling or reworking operations on said land  
hereunder.

3. Royalties to be paid Lessor are: (a) on oil, one-eighth (1/8) of that produced and saved from said land, to be delivered at the wells or to the credit of Lessor into the pipe  
line to which the wells may be connected; Lessee may from time to time purchase any royalty oil, paying therefor the market value in the field where produced on the day it  
is run to the pipe line or storage tanks; (b) on gas, including casinghead gas or other gaseous substance, produced from said land and sold or used, the market value at the  
well of one-eighth (1/8) of the gas so sold or used, provided that on gas sold at the well the royalty shall be one-eighth (1/8) of the amount realized from such sales; (c) on other  
substances produced with oil or gas, and covered by this lease, one-eighth (1/8) of their value at the well. Where gas from a well capable of producing gas is not sold or used,  
Lessee may pay or tender as royalty the sum of One Dollar (\$1.00) per acre per year on the acreage then held by Lessee hereunder, such payment or tender to be made on  
or before the anniversary date of this lease next ensuing after the expiration of ninety days (90) after 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 is made, it will be considered that gas is being produced within the meaning of this lease. Lessee  
may use, free of royalty, oil, gas, and water developed from said land by Lessee for all operations hereunder.

4. 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.

5. If at any time or times after the primary term or within three (3) months before expiration of the primary term, all operations and all production hereunder shall cease for  
any cause, this lease shall not terminate if Lessee shall commence or resume drilling or reworking operations or the production of oil or gas within three (3) months after  
such cessation.

6. Lessee shall pay for damages caused by Lessee's operations to growing crops, buildings, irrigation ditches, feed lots and fences. When required by the surface owner,  
Lessee will bury pipe lines below ordinary plow depth when crossing cultivated land. No well shall be drilled within two hundred (200) feet of any residence or barn now on  
said land without the consent of the surface owner. Lessee shall have the right at any time to remove all Lessee's property and fixtures, including the right to draw and  
remove all casing. Lessee shall drill any well which a reasonably prudent operator would drill under the same or similar circumstances to prevent substantial drainage from  
said land by wells located on adjoining land not owned by Lessor, when such drainage is not compensated by counter drainage. No default of Lessee hereunder with  
respect to any well or portion of said land shall impair Lessee's rights with respect to any other well or portion of said land.

7. The rights of Lessor and Lessee hereunder may be assigned in whole or in 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, and Lessee may continue to make payments precisely as if no change had occurred. 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 Lessee's operations may be conducted without regard  
to any such division. If all or any part of the Lessee's interest hereunder shall be assigned, no leasehold owner shall be liable for any act or omission of any other leasehold  
owner.

8. Whenever, as a result of any cause beyond Lessee's control (such as fire, flood, windstorm or other Act of God; law, order or regulation of any governmental agency; or  
inability to secure men, material or transportation) Lessee is prevented from complying with any obligation of this lease, Lessee shall not be liable for damages or forfeiture  
of this lease and Lessee's obligations shall be suspended so long as such cause persists. If by any such cause, all operations and all production hereunder are prevented  
after the expiration of the primary term, Lessee may at any time or times and at Lessee's election pay Lessor as royalty (in addition to any royalties based on actual  
production) a sum equal to One Dollar (\$1.00) per acre on the acreage then held by Lessee hereunder, whereupon it shall be considered for all purposes of this lease that oil  
or gas is being produced hereunder for a period of three months from the date such payment is made.

9. Lessee may at any time or times utilize this lease and the lands covered hereby, in whole or in part, or as to any stratum or strata, with other lands and leases in the same  
field, so as to constitute a unit or units, whenever, in Lessee's judgment, required to promote or encourage the conservation of natural resources by facilitating an orderly  
or uniform well spacing pattern; a cycling, pressure maintenance, re-pressuring or secondary recovery program; or any cooperative or unit plan of development or  
operation approved by the Secretary of the Interior of the United States. The size of any such unit may be increased by including acreage believed to be productive, and  
decreased by excluding acreage believed to be unproductive, or the owners of which fail or refuse to join the unit, but any increase or decrease in Lessor's royalties  
resulting from any such change in any such unit, shall not be retroactive. Any such unit may be established, enlarged, or diminished, and, in the absence of production  
therefrom, may be abolished and dissolved, by filing for record an instrument declaring, a copy of which shall be delivered to Lessor. Drilling or reworking operations upon  
or production of oil or gas from any part of such unit shall be treated and considered, for all purposes of this lease, as such operations upon or such production from this  
lease. Lessee shall allocate to the portion of this lease included in any such unit a fractional part of all production from any part of such unit, on one of the following bases:  
(a) the ratio between the participating acreage in this lease included in such unit and the total of all participating acreage included in such unit; or (b) the ratio between the  
quantity of recoverable production underlying the portion of this lease included in such unit and the total of all recoverable production underlying such unit; or (c) any other  
basis approved by State or Federal authorities having jurisdiction thereof. Upon production from any part of such unit Lessor herein shall be entitled to the royalties in this  
lease provided, on the fractional part of the unit production so allocated to that portion of this lease included in such unit, and no more.

10. Lessor warrants and agrees to defend the title to said land. The royalties herein above provided are determined with respect to the entire mineral estate in oil and gas  
and if Lessor owns a lesser interest, the royalties to be paid Lessor shall be reduced proportionately. Lessee at its option may purchase or discharge in whole or in part any  
tax, mortgage or other lien upon said land, or may redeem the same from any purchaser at any tax sale or adjudication, and may reimburse itself from any royalties accruing  
hereunder and shall be subrogated to such lien with the right to enforce same.

11. This lease shall be binding upon all who execute whether or not they are named in the granting clause and whether or not all parties named in the granting clause execute this lease. All the provisions of this lease shall inure to the benefit of and be binding upon the heirs, executors, administrators, successors and assigns of Lessor and Lessee.

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F 1954 MARY ANN FEUERSTEIN CLERK & RECORDER WELD CO, CO

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

LESSOR SIGN HERE

Sandra E. Andersen  
Sandra E. Andersen

Kenneth E. Andersen  
Kenneth E. Andersen

LESSEE:

SUNSHINE VALLEY PETROLEUM CORPORATION

by: William G. Crews  
William G. Crews, Attorney-in-Fact

Soc. Sec. No.  
or Tax I.D. No.

STATE OF Colorado  
COUNTY OF Weld } ss. ACKNOWLEDGMENT FOR INDIVIDUAL

Before me, the undersigned, a Notary Public, within and for said county and state, on this 24th day of April June, 1986,  
personally appeared Kenneth E. Andersen  
and Sandra E. Andersen

to me personally known to be the identical person they who executed the within and foregoing instrument and acknowledged to me that they  
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 official seal the day and year last above written.

My commission expires October 23, 1989

Janet L. Hapner  
Notary Public  
Address

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_ } ss. ACKNOWLEDGMENT FOR INDIVIDUAL

Before me, the undersigned, a Notary Public, within and for said county and state, on this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_,  
personally appeared \_\_\_\_\_  
and \_\_\_\_\_

to me personally known to be the identical person \_\_\_\_\_ who executed the within and foregoing instrument and acknowledged to me that \_\_\_\_\_  
executed the same as \_\_\_\_\_ free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year last above written.

My commission expires \_\_\_\_\_

\_\_\_\_\_  
Notary Public  
Address

STATE OF Colorado  
COUNTY OF Weld } ss. ACKNOWLEDGMENT FOR CORPORATION

On this 14th day of April, A.D., 1986, before me, the undersigned, a Notary Public  
in and for the county and state aforesaid, personally appeared William G. Crews Attorney-in-Fact  
to me personally known to be the identical person who signed the name of the maker thereof to the within and foregoing instrument as its  
~~maker~~ and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the  
free and voluntary act and deed of said corporation, for the uses and purposes therein set forth.

Given under my hand and seal the day and year last above written.

My commission expires 3/7/88

Lynda M. Hapner  
Notary Public  
Address

EXHIBIT A

OIL AND GAS LEASE DATED APRIL 14, 1986

KENNETH E. ANDERSEN AND SANDRA E. ANDERSEN, LESSORS

SUNSHINE VALLEY PETROLEUM CORPORATION, LESSEE

THIS EXHIBIT shall supersede and modify the printed Oil and Gas Lease. In the event of a conflict between the printed form and this Exhibit, the provisions of this Exhibit shall prevail.

A. Without the prior written consent of Lessors, Lessee shall not conduct any operations upon the leased premises and no surface rights are granted herein.

B. Lessors make no warranty of title, express or implied.

C. This Lease covers only oil and gas and no other minerals except hydrocarbons associated with oil and gas.

D. All reference to one-eighth (1/8) royalty in the printed form is hereby changed to read one-sixth (1/6).

E. Lessors shall have access to all records pertaining thereto. Lessors shall have the right to obtain any and all information pertaining to the wells, including the right to inspect and make copies of any records relating to the drilling, completion, deepening, plugging, or recompleting of any wells. Confidential information shall not be given by Lessors to any third parties without Lessee's written consent.

F. Lessee shall not unitize, pool, or combine the leased premises with other lands for oil or gas production except to form a unit comprised of the S $\frac{1}{4}$ SW $\frac{1}{4}$  of said Section 3.

G. The shut-in gas royalty amount set forth in Paragraph (3) of the printed form are hereby deemed to be changed to read \$250 per acre per year instead of \$1.00 per acre per year. It is agreed that no shut-in gas royalty shall under any circumstances become due during the first six (6) months following expiration of the primary term, provided that a well shall have been commenced hereunder during said primary term. It is agreed that such six-month period shall be a reasonable time to complete such well and effect a pipeline hookup. This lease may be extended by shut-in gas royalty payments as are set forth above for a period of not more than two years after the well is shut in. However, if any well on the leased premises shall be connected to a pipeline and Lessee shall be a party to a valid and enforceable contract for the purchase of gas produced from such well, this Lease may be extended for such period as the gas purchase contract remains in effect (except as hereinafter provided), and if gas produced from any well on the property is subject to such contract and gas is not being sold from such well solely as a result of the gas purchaser's refusal to take such gas and Lessee is making a good, faithful effort to sell the gas, then this lease shall continue in full force and effect during such refusal period and no payment of shut-in royalty shall be due; provided, however, notwithstanding anything contained above, if there is no actual production and payment for such production at any time for two (2) years after a well is shut in, this Lease shall be conclusively deemed to be cancelled and terminated unless Lessee resumes the annual payment of \$250.00 per acre described above from that time forward. The amounts which may become payable as shut-in gas royalty shall not be proportionately reduced should Lessor own less than the entire undivided fee estate in oil and gas in and to the leased premises.

H. All royalty payments due Lessors shall be paid monthly beginning within one hundred eighty (180) days after the well is completed, notwithstanding anything else herein contained. In the event payment is not so made, Lessors shall have any and all legal or equitable remedies, including terminating this Lease

I. The provisions of Paragraph (8) of the printed form shall not extend this lease for more than two (2) years after any interruption of production unless approved in writing by Lessors. The amount payable under the provisions of said Paragraph (8) is hereby deemed to be changed from One Dollar (\$1.00) per acre to Two Hundred Fifty Dollars (\$250.00) per acre covered by the Lease.

Notwithstanding anything else herein contained, if there is no actual production and payment for such production at any time two (2) years after production ceases, this Lease shall be conclusively deemed to be cancelled and terminated unless Lessee resumes the annual payment of \$250.00 per acre described above from that time forward.

J. In the event there is production from any well ("marker well") within one-half (1/2) mile of the perimeter of lands pooled with the leased premises in formations which are below the deepest producing formation from any of Lessee's wells on lands pooled with the leased premises, then if Lessee fails to drill a well on lands pooled with this lease into such deeper formations within one (1) year after production is commenced from the marker well, then Lessee agrees to immediately release all formations not producing under the terms of this Lease which are below the deepest producing formation.

K. The oil and gas lease shall be construed pursuant to the laws of the State of Colorado and the implied covenants of development and production thereof shall be applicable hereto.

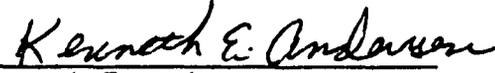
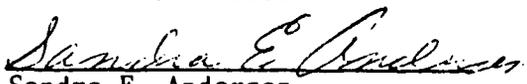
L. If requested by Lessor, copies of assignments of this lease shall be provided to Lessor at no cost.

LESSEE:

SUNSHINE VALLEY PETROLEUM CORPORATION

by   
William G. Crews, Attorney-in-Fact

LESSORS:

  
Kenneth E. Andersen  
  
Sandra E. Andersen