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OIL AND GAS LEASE

THIS AGREEMENT, made this 7th day of July, 2006 between Sandoval Land & Cattle Company, Inc. 7810 County Rd. 85.5, Trachera CO 81081, hereinafter called Lessor, and Energy Oil & Gas, Inc., PO Box 910 Niwot, CO 80544 hereinafter called Lessee, does witness:

(1) That lessor, for and in consideration of the sum of ten dollars ($10) or more in hand paid and of the covenants and agreements hereafter contained to be performed by the lessee, has this day granted, leased, and let and be these presents does hereby grant, lease, and let exclusively unto the lessee the hereinafter described land, and with the right to unitize this lease or any part thereof with other oil and gas leases as to all or any part of the lands covered thereby as hereinafter provided, for the purpose of carrying on geological, geophysical and other exploratory work, including core drilling, and the drilling, mining, and operating for, producing, and saving all of the oil, gas, casinghead gas, casinghead gasoline and all other gasses and their respective constituent vapors, and for construction roads, laying pipelines, building tanks, storing oil, building power stations, telephone lines and other structures thereon necessary or convenient for the economical operation of said land alone or conjointly with neighboring lands, to produce, save, take care of, and manufacture all of such substances, and for housing and boarding employees, said tract of land with any reversionary rights therein being situated in the County of Los Animas, State of Colorado, containing (approximately) 4,000 acres, more or less and described as follows: Townships 33 & 34 South Ranges 61 & 62 West, see additional terms in EXIBIT "A" & "B".

(2) It is agreed that this lease shall remain in full force for a term of three (3) years from the date of this lease, and as long thereafter as oil or gas, or either of them, is produced from said land (or from lands with which said land is consolidated) or the premises are being developed or operated.

(3) In consideration of the premises the said lessee covenants and agrees:
To deliver to the credit of lessor, free of cost, in the pipeline to which lessee may connect his wells, the equal one-eighth (1/8) part of all oil produced and saved from the leased premises.

(4) The lessee shall monthly pay lessor as royalty on gas marketed from each well where gas only is found, one-eighth (1/8) of the proceeds if sold at the well, or if marketed by lessee off the leased premises, then one-eighth (1/8) of its market value at the well. The lessee shall pay the lessor: (a) one-eighth (1/8) of the proceeds received by the lessee from the sale of casinghead gas, produced from any oil well; (b) one-eighth (1/8) of the value, at the mouth of the well, computed at the prevailing market price, of the casinghead gas, produced from any oil well and used by lessee off the leased premises for any purpose or used on the leased premises by the lessee for purposes other than the development and operation thereof. If Lessee builds a pipeline to market gas, lessor may incur gas processing expense.

Where gas from a well or wells, capable of producing gas only, is not sold or used for a period of one year, lessee shall pay or tender as royalty, an amount equal to the delay rental as provided in paragraph (5) hereof, payable annually on the anniversary date of this lease following the end of each such year during which such gas is not sold or used, and while said royalty is so paid or tendered this lease shall be held as a producing property under paragraph (2) hereof.

(5) If operations for the drilling of a well for oil or gas are not commenced on said land on or before twelve (12) months, from the date of this lease, this lease shall terminate as to both parties, unless the Lessee shall on or before said date pay or tender to the Lessor or for the lessor's credit in the sum of $5.00 per acre which shall operate as a rental and cover the privilege of deferring the commencement of operations for drilling for a period of twelve (12) months from said date. In like manner and upon like payments or tenders, the commencement of operations for a drilling may further be deferred for like periods successively. All payments or tenders may be made by check or draft of lessee or any assignee thereof, mailed or delivered on or before the rental paying date, either direct to lessor or assigns, and it is understood and agreed that the consideration first recited herein, the down payment, covers not only the privilege granted to the date when said first rental is payable as foresaid, but also the lessee's option of extending that period as foresaid and any and all other rights conferred. Lessee may at any time execute and deliver, or place of record, a release or releases covering any portion or portions of the above described premises and thereby surrender this lease to such portion, or portions and be relived of all obligations as to the acreage surrendered, and thereafter the rentals payables hereunder shall be reduced in the proportion that the acreage covered hereon is reduced by said release or releases.

(6) Should the first drilled on the above describe land be a dry hole, and in that event, if a second well is not commenced on said land within 12 months of expiration of the last rental period for which has been paid, this lease will terminate as to both parties, unless the lessee on or before expiration of said twelve months shall resume the payment of rentals in the same amount and in the same matter as hereinbefore provided. And it is agreed upon the presumption of payment of rentals, as above provided, that the last preceding paragraph hereof, governing the payment of rentals and the effect thereof shall continue in force just as though there had been no interruption in the rental payments.

(7) If said lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties and rentals herein provided shall be paid the lessor only in the proportion which his interest bears to the whole and undivided fee. However, such rental shall be increased at the next succeeding rental anniversary after any reversion occurs to cover the interest so acquired.

(8) The lessee shall have the right to use, free of cost, gas, oil and water found on said land for its operations therein, except water from the wells of the lessor. When required by the lessor the lessee shall burry its pipelines bellow plow depth and shall pay for damage caused by its operations to growing crops on said land. No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of the lessor. Lessee shall have the right at any time during, or after the exploration of, this lease to remove all machinery, fixtures, houses, buildings, and other structures placed on said premises, including the right to draw and remove all casing. Lessee agrees, upon the completion of any test as a dry hole or upon the abandonment of any producing well, to restore the premises to their original contour as near as practicable and to remove all installations within a reasonable time.

(9) If the estate of either party hereto is assigned (and the privilege of assigning in whole or in part is expressly allowed), the covenants hereof shall extend to the heirs, devisees, executors, administrators, successors, and assigns, but no change of ownership in the land or in the rentals or royalties or any sum due under this lease shall be binding on the lessee until it has been furnished with either the original recorded instrument of conveyance or a duly certified copy thereof or a certified copy of the will of any deceased owner and of the probate thereof, or certified copy of the proceedings showing appointment of an administrator for the estate of any deceased owner, whichever is appropriate, together with all original recorded instruments of conveyance or duly certified copies thereof necessary in

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showing a complete chain of title back to lessor to the full interest claimed, and all advanced payments of rentals made hereunder before receipt of said documents shall be binding on any direct or indirect assignee, grantee, devisee, administrator, executor, or heir of lessor.

(10) It is hereby agreed that in the event this lease shall be assigned as to a part or as to parts of the above described land and the holder or owner of any such part or parts shall make default in the payment of proportionate part of the rent due from him or them, such default shall not operate to defeat or affect this lease insofar as it covers a part of said land upon which the lessee or any assignee thereof shall make due payment of said rentals.

(11) Lessor hereby warrants and agrees to defend the title to the land herein described and agrees that the lessee, at its option, may pay in discharge in whole or in part any taxes, mortgages, or other liens existing, levied, or assessed on or against the above described lands and, in event it exercises such option, it shall be subrogated to the rights of any holder or holders thereof and may reimburse its self by applying to the discharge of any such mortgage, tax or other lien, any royalty or rentals accruing hereunder.

(12) Notwithstanding anything in this lease contained to the contrary, it is expressly agreed that if lessee shall commence operations for drilling at any time while this lease is in force, this lease shall remain in force and its terms shall continue so long as such operations are prosecuted and, if production results therefrom then as long as production continues.

If within the primary term of this lease production on the lease premises shall cease from any cause, this lease shall not terminate provided operation for the drilling of a well shall be commenced before or on the next ensuing rental paying date; or, provided lessee begins or resumes the payment of rentals in the manor and the amount hereinbefore provided. If, after the expiration of the primary term of this lease, production on the leased premises shall cease from any cause, this lease shall not terminate provided lessee resumes operations for reworking or drilling a well within sixty (60) days from such cessation and this lease shall remain in force during the prosecution of such operations and, if production results therefrom, then as long as production continues.

(13) Lessee is hereby given the right at its option, at any time and from time to time, to pool or unitize all or any part or parts of the above described land with other land, lease, or leases in the immediate vicinity thereof, such pooling to be into units not exceeding the minimum size tract on which a well may be drilled under laws, rules, or regulations in force at the time of such pooling or unitization: provided, however, that such units may exceed such minimum by not more than ten (10) acres if such excess is necessary in order to conform to ownership subdivisions or lease lines. Lessee shall exercise said option, as to each desired unit, by executing and recording an instrument identifying a unitized area. Any well drilled or operations conducted on any part of any such unit shall be considered a well drilled or operations conducted under this lease, and there shall be allocated to the portion of the above described land included in any such unit such portion of the actual production from all wells on such unit as lessor's interest, if any, in such portion, computed on an acreage basis, bears to the entire acreage of such unit. And it is understood and agreed that the production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production from the portion of the above described land included in such unit in the same manor as though produced from the above described land under the terms of this lease.

(14) This lease and all its terms, conditions and stipulations shall extend to, and be binding on each of the parties who sign this lease, regardless of whether such lessor is named above and regardless of whether it is signed by any of the other parties herein named as lessors. This lease may be signed in counterparts, each to have the same effect as the original.

IN WITNESS WHEREOF, the undersigned have executed this instrument on the date appearing above.

Signed and acknowledged in the presence of

X_____
Printed Name of Witness

X_____ 7/7/06
Signature (Carlos Sandoval) Date

Social Security #_____

STATE OF COLORADO)
COUNTY OF LAS ANIMAS)SS:
)

On this, the 7TH day of July, 2006, before me, a Notary Public, the undersigned officer, personally appeared Carlos R. Sandoval known to me (or satisfactorily proven) to be the persons whose names are subscribed to the within instrument, and acknowledged that they executed the same for the purposes therein contained.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

My Commission Expires:

NOTARY PUBLIC
SISTO J. MAZZA
MY COMMISSION EXPIRES
JUNE 11, 2008

Sisto J Mazza
Notary Public

Exhibit "B"
Legal Description of Leased Land

Las Animas County
Township 33 S, Range 62 W
All Minerals owned by Sandoval Land & Cattle Co. in the following Sections:

SE ¼ Section 27
S ½ of Section 26
SW ¼ of Section 25, W ½ NE ¼, W ½ SE ¼
SE ¼ Section 32
SE ¼ Section 33
* **Section 34** SW SW
E ½ Section 35

Las Animas County
Township 34 S, Range 62 W
All Minerals owned by Sandoval Land & Cattle Co. in the following Sections:

Section 1 NE ¼
Section 2 Partial Interest 5 Acre Lot and 10 Acre Lot
Section 2 W ½ of W ½, SE/SW, SW/SE- 240 acres
* **Section 4 All except NE/NE- 600 acres**
Section 5 All except w ½ NW ¼, N ½ SW ¼-480 acres
Section 6 All – 640 acres
Section 8 N ½, SW ¼ -480 acres
Section 9 N ½, N ½ SW ¼ - 400 acres
* **Section 10 NW ¼, N ½ SW ¼ - 240 acres**

LAS ANIMAS COUNTY CO.

TWP 33 Southe Range 62 West

ALL MINERALS OWNED BY SANDOVAL LAND AND CATTLE IN THE FOLLOWING ADDITIONAL ACREAGE.

SECTION # 31 SW 160 acres

SECTION # 3 240 acres

5135 Total Gross Acres

Exhibit "A"

Sandoval Land & Cattle Company Lease

A. This lease covers all lands and mineral rights owned by the Sandoval land & Cattle Company, Inc. located east of Trinidad Colorado in Townships 33 and 34 South, Ranges 61 & 62 West in Los Animas County, Colorado, see Exhibit "B" for land description.

B. Lessee shall pay surface damages to lessor before commencing drilling a well, $1000.00 for non-irrigated land and $1,500 for irrigated land. If other conditions are encountered such as frozen ground or crop growing, a mutually agreed upon price would be decided upon, not unreasonably withheld.

C. Pipeline right of ways:
Lessee shall pay $1.65 per rod of pipeline (16.5-feet) right of way on lessors land. Lessee shall bury pipeline below plow depth, lessor will be reimbursed for any damages after pipeline is installed.

D. Road Construction:
Lessee shall not build any new roads without lessor approval. Approval shall not be reasonably withheld.

E. Wells excluded from this lease:
Wells that are presently producing and used for ranch or home heat are excluded. 3 wells drilled by Mountain Pacific Oil & Gas will become property of Energy Oil & Gas, Inc., and the same royalty as in said lease will be paid to lessor. All other oil and gas wells are included

G. If EOGI drills a well within 1320' of an existing well, that is used by Lessor, (Sandoval Land & Cattle Co) and this well reduces existing flow now used for heating buildings, Lessee will supply an equal amount of gas to replace lost gas from said new well.

Addendum to Sandoval Land & Cattle Company Oil & Gas Lease

Lands included in the oil and gas lease signed by Sandoval Land & Cattle Co. and Energy Oil & Gas, Inc. dated the 7th of July 2006, is to include the following lands and well:

Township 34S, Range 62W in Las Animas County Colorado
Section 3 – W ½ of W ½ of the SE/SW, SW/SE
240 acres more or less

Carlos Sandoval
President
Sandoval Land & Cattle Co.

Duane D. Bacon
President
Energy Oil & Gas, Inc.