

A G R E E M E N T

3292393

THIS AGREEMENT Dated this 8th day of August 1978, by and between WESTERN UNITED MINES, a Utah corporation, and HIKO BELL MINING AND OIL COMPANY, a Utah corporation, jointly hereinafter referred to as Farmors, and UTAH GAS AND OIL CORPORATION, a Utah corporation, hereinafter referred to as Farmee.

W I T N E S S E T H :

WHEREAS, Farmors are the lessees of various oil and gas leases approximating 14,012.10 acres northwest of the Salt Lake City Airport, the description of which is included in Exhibit A attached hereto and by reference incorporated herein, which they desire to test for oil and gas and to produce any oil or gas found in commercial quantities; and

WHEREAS, Farmee proposes to prepare, drill, test and complete wells as hereinafter set forth for the consideration hereinafter provided;

NOW, THEREFORE, the parties hereto agree as follows:

1. Farmee, at its sole expenses, agrees in accordance with good oil field practice to prepare and commence drilling an initial test hole at a location agreeable to both parties and with reasonable diligence thereafter to drill the same to a depth of 4,000 feet or such lesser depth as will produce oil or gas. Farmee further agrees to test all potential production zones encountered in said test hole at its own expense, and if oil or gas in commercial quantities is discovered, to complete said well.

2. Farmee further agrees to commence a second test hole at a location agreeable to both parties within sixty (60) days after completion or abandonment of the first hole upon the same terms as provided in paragraph 1 of this Agreement, and similarly to commence a third hole at a location agreeable to both parties within sixty (60) days after the completion or abandonment of the previous hole. Farmees' obligation to drill said second and third test wells is contingent upon Farmors acquiring approximately 3,000 acres in the general vicinity of the 14,012.10 acres described above from Zions Securities in time for Farmee to meet these drilling requirements.

3. Farmors' representatives shall have free access to the drilling well at all times, and all records pertaining thereto, and Farmors shall be given 24 hours advance notice of Farmee's intention to commence drilling,

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and reasonable notice of any and all tests to be made in said well. It is understood that Farmee will furnish to Farmors or make available to Farmors daily drilling reports, upon request, samples of all cores and cuttings, two copies of all electrical survey logs and other logs which may be taken during the course of testing said well, a copy of the driller's log, and a complete well history showing all tops and formations penetrated and results of all tests run. Farmee shall maintain the services of a qualified geologist at the well and a mud logging unit. Farmee shall make all tests of all formations showing oil and/or gas which would be made by a reasonably prudent operator under the same or similar circumstances, and before drilling into any known producing horizon or making any drill stem test, Farmee shall give Farmors reasonable notice prior to running such tests to permit Farmors to have a representative present to witness such drilling and/or testing if so desired.

4. Farmors shall have full and complete rights to observe and to obtain copies of any and all information excluding financial information pertaining to said well, including the rights to inspect and make copies of any records pertaining to the drilling, completion, deepening, plugging back or recompletion of said well. Farmors will provide Farmee with all geological and geophysical information.

5. Farmors shall have the right to inspect at the well, and, at Farmors' election, the right to take samples of cuttings and fluids encountered in the drilling of said well.

6. The parties further agree that in addition to the royalties reserved to the landowners in the oil and gas leases of which Farmors are lessees, Farmors shall be entitled to twelve and one-half percent (12½%) overriding royalty interest in any production recovered from the wells drilled and Farmee shall be entitled to the balance of said production. Thereafter Farmors and Farmee will participate, on the basis of a 50/50 working interest in the 7/8ths interest remaining after the 1/8 overriding royalty are received to the land owner on any additional wells drilled.

7. After completion by Farmee of the minimum work herein provided for, Farmors agree to assign without warranty of title expressed or implied, the oil and gas leases hereinabove referred to. Farmors further represent that the landowners are not entitled to an overriding royalty in excess of one eighth (1/8) of any production encountered.

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8. Any additional leases acquired by either party within five miles of any of the above described leases will be shared on a 50/50 base at the option of the other party upon the payment of one-half of the acquisition expenses. However Farmee shall not be obligated to pay any portion of the acquisition expenses of the Zions Securities lease referred to in paragraph 2 above but will still share 50/50.

9. Farmee will be the operator on the three wells required by this Agreement. On all wells thereafter, Farmors and Farmee will be joint operators or the operator will be as mutually agreed by both parties. In the event either party desires to continue to drill additional wells or other exploration operations and the other party (herein after called the non-consenting party) does not wish to participate therein the party desiring to continue shall be entitled to continue such drilling or other operations at its own expense and to thereafter recover 200% of such expense prior to and before a 50/50 participation with the non-consenting party in any production recovered thereby.

10. Farmee shall indemnify against and hold harmless Farmor from any and all loss, damage, injury, liability and claims. Farmee shall also carry public liability and automobile liability insurance in amounts and with companies satisfactory to Farmors.

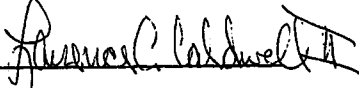
11. The parties agree that this Agreement is preliminary; that such further agreements as are usual in the oil business will be prepared and executed at a later time. Each of the parties agrees to make and execute such further documents or agreements as are usual or necessary or useful to accomplish the purposes of this Agreement.

12. The parties agree that time is of the essence of this Agreement and that in event of default, all costs of enforcing this Agreement, including a reasonable attorney's fee, will be borne by the defaulting party.

DATED on the day and year first above written.

Farmor

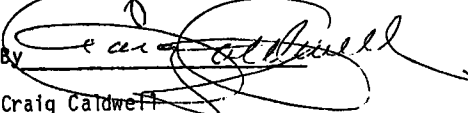
WESTERN UNITED MINES

By 

Lawrence Craig Caldwell II
Its President

Farmor

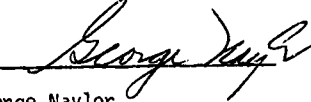
HIKO BELL MINING AND OIL COMPANY

By 

Craig Caldwell
Its President

Farmee

UTAH GAS AND OIL CORPORATION

By 

George Naylor
Its President

EXHIBIT 'A'
NORTH SALT LAKE PROSPECT
RECAPITULATION

I.	Gillmor Fee	6,353.22
II.	Bothwell & Swaner Fee	2,822.82
III.	Peck Fee	233.50
IV.	Walker Bank & Trust Fee	980.00
V.	Swaner Fee	1,040.00
VI.	Irvine Randh & Petroleum Fee	1,958.42
VII.	State of Utah Leases	632.75
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	Approximate Acreage	
	Under Lease	14,012.10
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EXHIBIT 'A'
NORTH SALT LAKE PROSPECT
DESCRIPTIONS

	Lessor	Date of Lease	Description
Oil & Gas	Bothwell & Swaner Co. & Christine Morehouse Pedroncelli	11-29-1973 (5) five yr	Township 1 North, Range 2 West Parts of Sections 17, 18, 20, 32 and 33
Oil & Gas	Walker Bank & Trust Co, Trustee	9-26-1974 (10) ten yr	Township 1 North, Range 2 West Parts of Sections 13, 14, 23 & 24
Oil & Gas	Florence Gillmor Edward L. Gillmor & Siv Gillmor, C. Frank Gillmor & Melba Gillmor	10-26-1973 (5) five yr	Township 1 North Range 1 West Parts of Sections 4, 5, 16, 17, 21 and 22 Township 1 North Range 2 West Parts of Sections 4, 5, 6, 7, 8, 9, 11, 14, 15, 16, 21, 22, 23, 25, 26 & 27 Township 1 North Range 3 West Parts of Sections 1 and 12 Township 2 North Range 1 West Parts of Sections 28, 32 and 33 Township 1 South Range 2 West Parts of Sections 1 and 2
Oil & Gas	Tom Peck	12-1-1975 (10) ten yr	Township 1 North Range 2 West Parts of Section 22
Oil & Gas	Robert B. Swaner Co.	12-1-1975 (10) ten yr	Township 1 North Range 1 West Parts of Sections 5, 6, 9 and 16 Township 2 North Range 1 West Parts of Section 32
Oil & Gas	Irvine Ranch & Petroleum	3-20-1974 (5) five yr	Township 1 North, Range 2 West Parts of Sections 1, 2, 3, 4, 5, 9 and 10
Oil & Gas	State of Utah ML-29731 State of Utah ML-29732 State of Utah	8-16-1973 (10) ten yr 8-16-1973 (10) ten yr 2-4-74 (10) ten yr	Township 3 North Range 1 West Parts of Sections 12, 13 & 36 Township 1 North Range 1 West Parts of Sections 1, 9, 10, 15 and 16 Township 1 South Range 1 West Parts of Section 5 Township 1 South Range 2 West Parts of Sections 1 and 2

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KATIE L. DIXON
RECORDER
SALT LAKE COUNTY
UTAH

JUN 11 2 50 PM '79

REQ OF *Walter Good Oil*
REF *Walter Good Oil*
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