

OIL, GAS, THERMAL, and MINERAL LEASE

AGREEMENT, Made and entered into the 7 day of Oct, 2010, by and between Helena Lundberg and Gary F Lundberg 231 No 500 West hereinafter called Lessor, (whether one or more) and **XERON OIL AND GAS, LLC**, whose Logan UT address is 20 N Main Street, Suite 301, St. George, UT 84770, hereinafter called Lessee: 84321

WITNESSETH, That the Lessor, for and in consideration of \$420 - Four Hundred
Twenty Dollars paid by a bank draft drawn on Lewiston State Bank, Lewiston, Utah, the receipt and sufficiency of which are 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 unto the said Lessee, the land herein described, with the exclusive right for the purpose of mining, exploring by geophysical and other methods, and operating for and producing therefrom oil, gas, and other hydrocarbons and geothermal and all other minerals or substances, whether similar or dissimilar, for all purposes incident to the exploration for and production, ownership, possession, storage and transportation of said minerals and the right to dispose of salt water produced from the Leased Premises with the right of Ingress and Egress to and from said land at all times for such purposes, including the right to construct, maintain and use roads and pipelines thereon that may be produced from any well drilled under the terms of this lease, with rights of way and easements for laying pipeline and servicing or drilling other wells in the vicinity of said lands, and erection of structures thereon to produce, save and take care of said products, all that certain tract of land, together with any reversionary, remainderment, and executory rights therein, situated in Cache County, Utah, described as follows, to-wit:

See Exhibit A

Ent 1073838 Bk 1736 Pg 816
Date: 18-Oct-2012 09:06 AM Fee \$21.00
Cache County, UT
Michael Gleed, Rec. - Filed By GC
For XERON OIL & GAS LLC

84.44

and containing 84 acres, more or less.

1. It is agreed that this lease shall remain in force for a term of Five (5) years from this date and as long thereafter as oil, gas, or geothermal of whatsoever nature or kinds is produced from said leased premises or on acreage pooled therewith, or drilling operations are continued as hereinafter provided. If oil, gas, and other hydrocarbons and geothermal and all other minerals or substances 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, gas, geothermal and all other minerals are 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 release, and be relieved of all obligation thereafter accruing as to the acreage surrendered.

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

1st. To deliver to the credit of the Lessor, the equal of one-eighth (1/8th) part Lessor royalty interest of all oil, gas, geothermal, and all other minerals produced and saved from the leased premises.

2nd. To pay Lessor one-eighth (1/8) of the market value at the well for gas produced and sold from any oil well.

3rd. To pay to Lessor one-eighth (1/8) of the net proceeds for geothermal from any well and used off the premises: Ent 1073838 Bk 1736 Pg 817

4th. To pay Lessor one-eighth (1/8) of the proceeds received from the sale of any substance covered by this lease, which Lessee may elect to produce, save, and market from the leased premises.

4. Where gas from a well capable of producing gas is not sold or used, Lessee may pay or tender as royalty to the royalty owners One Dollar 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 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 gas is produced within the meaning of this lease.

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, geothermal 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 pipe line below plow depth.

8. No well shall be drilled nearer than 200 feet to the house or barn 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 or 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, gas and geothermal, 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, gas, or geothermal, 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 re-working 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 re-working 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 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 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.

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13. 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, and such Law, Order, Rule or Regulation.

14. 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 Lessor hereby agrees that any such payments made by Lessee for the Lessor may be deducted from any amounts of money which may become due the Lessor under the terms of this lease. 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.

15. 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.

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16. At the expiration of the primary term of this lease, the Lessee, its heirs, successors or assigns, shall have the option and right to renew this lease and extend the primary term an additional five (5) years commencing on the expiration date of the primary term of this lease, by making payment to Lessor herein above shown on or before such expiration date in the sum of two dollars (\$2.00) per acre. Should drilling or reworking operations be in the progress on lands covered hereby or pooled therewith on the expiration date of this primary term of this lease, which operations result in a dry hole, then, in such event, Lessee shall have the option and right to renew this lease and extend the primary term an additional five (5) years by making payment of the sum of two dollars (\$2.00) per acre.

It is agreed that if the Lessor owns an interest in said land less the entire fee simple estate, then the bonus consideration to be paid for the renewal and extension of the primary term of this lease shall be reduced proportionately.

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

For Lessor:

For Lessee:

Robert Lundberg
Jean F. Lundberg

Robert Yuker

ACKNOWLEDGMENT

STATE OF UTAH
COUNTY OF CACHE

The foregoing instrument was acknowledged before me this 7 day of ^{Oct.} ~~July~~, 2010, by

Heberg & Jean F. Lundberg of *Utah*, on behalf of himself or the entity named herein.

My Commission Expires: 3/8/12

Jodi G. Lundberg
Notary Public

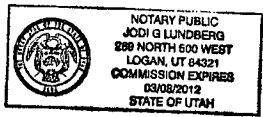


Exhibit A

1. **Surface Usage Compensation.** Lessee agrees to pay Lessor the annual amount of Eight Hundred Dollars (\$800.00) per acre that is used by Lessee's drilling, production, and storage operations on the land leased as mentioned in Section 3 of this Agreement.

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2. **Legal Description.** Lessor's Property in Cache County Utah (if not provided in the main agreement) is described as follows, to wit:

05-053-0012

The Northeast half of Section 30, Township 12 North, Range 1 East of the Salt Lake Base and Meridian, beginning 2 rods North of the Southwest corner of Lot 2 Block 10 Plat C Logan Hayland Survey, North 39 rods to the intersection of the center of Benson BR of the Oregon Short Line Railroad, with West line Lot 2 Southeasterly along said track to the intersection with South line of Lot 1, 62 rods East of southwest corner 2 West to the point, 6 rods West of Southwest corner of said Lot Northwesterly to the point of beginning. Containing 7.77 acres, more or less.

12-042-0006

All of Lot 25 Section 36, Township 12 North, Range 1 West of the Salt Lake Base and Meridian. Containing 4.09 acres, more or less.

12-042-0007

Beginning 240 feet East of point 23.91 chains North of point 33 feet East of the West Quarter corner of Section 36, Township 12 North, Range 1 West of the Salt Lake Base and Meridian; and running thence East 5.43 chains; thence North 3 chains to South Line County Road; thence South 71°34' East 11 chains; thence South 21.88 chains; thence North 26°17' West 100 feet; thence North 38°36' West 1,760 feet to the point of beginning. Containing 18.26 acres, more or less.

12-042-0010

All of Lot 30 in Section 36, Township 12 North, Range 1 West of the Salt Lake Base and Meridian, excepting that part sold to up and L. Containing 54.32 acres, more or less.