

OIL, GAS, THERMAL, and MINERAL LEASE

THIS AGREEMENT, Made and entered into the ^{October} ~~2nd~~ day of ~~September~~ 2012, by and between Simmonds Brothers Dairy LLC, a Utah Limited Liability Company, whose address is 47 West 1200 North Trenton UT 84338, hereinafter called Lessor, (whether one or more) and XERON OIL AND GAS, LLC, whose address is 20 N Main St. Ste 301, St. George, UT 84770, hereinafter called Lessee:

WITNESSETH, That the Lessor, for and in consideration of Six Hundred Thirty-Six and 30/100 Dollars (\$636.30), paid by check, 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 substance, whether similar or dissimilar, for purposes incident to the exploration for and production, ownership, possession, storage, and transportation, of said minerals and the right to dispose of water produced from the leased premises, with the reasonable 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:

Parcel Tax ID # 14-027-0007	38.18 acres	Parcel Tax ID # 14-029-0009	9 acres
Parcel Tax ID # 14-029-0004	35.05 acres	Parcel Tax ID# 14-029-0010	8 acres
Parcel Tax ID # 14-029-0006	9 acres	Parcel Tax ID# 14-029-0014	12.33 acres
Parcel Tax ID # 14-029-0007	9 acres	Parcel Tax ID# 14-029-0015	4.47 acres
Parcel Tax ID # 14-029-0008	1 acres	Parcel Tax ID# 14-029-0037	1.23 acres

and containing 127.26 acres more or less and further described in detail in Exhibit A which is attached and by reference made a part hereof.

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 or geothermal and all other minerals are produced from the leased premises or on acreage pooled therewith.

2 In consideration of the premises the said Lessee covenants and agrees to deliver to the credit of the Lessor, the equal of one-eighth (1/8th) part royalty interest of all oil, gas, geothermal, and all other minerals produced and saved from the leased premises.

3 For the surface use of Lessor's land for Lessee's operations, Lessee shall pay an annual payment equal to the higher of (1) the customary rate to annually leased acreage in the area or (2) the

economic value of crops taken out of production on said land as agreed to and stipulated in Exhibit A, attached hereto and made part thereof by specific reference. If the drilling area and access roads to the drilling area are no longer used, Lessee shall restore the drilling area and roads to their original condition as much as possible.

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4. When requested by Lessor, Lessee shall bury Lessee's pipe line below plow depth.
5. No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of Lessor.
6. 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 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.
7. 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.
8. 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.
9. 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.
10. 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.
11. 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 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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12. 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.

13. 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.

14. 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.

15. This is a PAID-UP LEASE. In consideration of the cash down 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.

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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 five dollars (\$5.00) 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 five dollars (\$5.00) 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:

Wesley L. Simmonds - Member

ACKNOWLEDGMENT

STATE OF UTAH
COUNTY OF CACHE

The foregoing instrument was acknowledged before me this 2nd day of ~~September~~ October, 2012, by

Wesley L. Simmonds on behalf of Simmonds Brothers Dairy LLC, the entity named herein.

My Commission Expires: 3/29/13

Marcene Bennett
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 referenced 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:

Parcel Tax ID # 14-027-0007: The East 630 feet of the Northeast Quarter of Section 20, Township 14 North, Range I West of the Salt Lake Base and Meridian. Subject to a right of way. Containing 38.18 acres, more or less. Including water rights evidenced by WR No. 25-6627 (3 cfs for 61.1 acres) and WR No. 25-6628 (3 cfs for 23.5 acres)

Parcel Tax ID # 14-029-0004: Beginning 265.6 feet North and 2 rods East of the Northwest corner of the Southwest Quarter of the Northwest Quarter of Section 22, Township 14 North, Range 1 West and thence East 158 rods; thence South 265.6 feet; thence West 74 rods; thence South 39 rods 7.5 feet to Cornish Corp. limits; thence West 84 rods to a point South of beginning; thence North 916.6 feet to beginning. Less the OSL Railroad right of way.

Less the following: Beginning at a point 1344 feet South of the Northwest corner of Section 22, Township 14 North, Range 1 West, Salt Lake Base and Meridian and running thence East 272 feet, thence South 160 feet, thence West 272 feet, thence North 160 feet to the point of beginning. Less any portion lying within the state road. Containing 35.05 acres net, more or less.

Parcel Tax ID # 14-029-0006: Beginning 37 rods West of the Northeast corner of the South half of the Northwest Quarter of Section 22, Township 14 North, Range 1 West of the Salt Lake Base and Meridian, thence West 37 rods; thence Southeasterly 651 feet to corp. limits line; thence East 37 rods; thence North to the point of beginning. Containing 9 acres, more or less.

Parcel Tax ID # 14-029-0007: Beginning 2 rods North and 37 rods West of the center of Section 22, Township 14 North, Range 1 West of the Salt Lake Base and Meridian, running thence West 35 rods; thence North 9.50 chains to corp. limits; thence East 37 rods; thence South 9.50 to the point of the beginning. Containing 9 acres, more or less.

Parcel Tax ID # 14-029-0008: Part of the South half of the Northwest Quarter of Section 22, Township 14 North, Range 1 West and beginning at a point eighteen and one-half (18 1/2) feet North of the South Quarter section line, and running thence North along the O.S.L. Railroad right-of-way fence, seventeen (17) rods and eleven (11) feet, thence East nine (9) rods; thence South seventeen (17) rods and eleven (11) feet; thence West nine (9) rods to the place of beginning. Containing 1 acre, more or less.

Parcel Tax ID # 14-029-0009: Beginning at the Northeast corner of the South half of the Northwest Quarter of Section 22, Township 14 North, Range 1 West of the Salt Lake Base and Meridian, running thence, West 37 rods; thence South 39 rods 7.5 feet; thence East 37 rods; thence North 39 rods 7.5 feet to the point of beginning. Containing 9 acres, more or less.

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Parcel Tax ID # 14-029-0010: Beginning 18.5 feet North and 345 feet West of the center of Section 22, Township 14 North, Range 1 West of the Salt Lake Base and Meridian, running thence North 622.28 feet; thence West 70 feet; thence South 622.28 feet; thence West 195.50 feet; thence North 39 rods 7.50 feet; thence East 37 rods; thence South 39 rods 7.50 feet; thence West 345 feet to the point of beginning. Containing 8 acres, more or less.

Parcel Tax ID # 14-029-0014: That part of the following outside Trenton Corp. Limits: Beginning at a point in the North line of the County Highway 25 feet North of the Southwest corner of the Northeast Quarter of Section 22, Township 14 North, Range 1 West of the Salt Lake Base and Meridian, thence North 1781 feet to brow of hill forming Bear River -Hollow; thence Easterly 700 feet; thence Southerly to the following brow of hill to intersection with the North line of county highway; thence Southwesterly 365 feet to the point of beginning. Containing net 12.33 acres, more or less.

Parcel Tax ID # 14-029-0015: Beginning at a point in the North line of county highway 25 feet North of the Southwest corner of the Northeast Quarter of Section 22, Township 14 North, Range I West of the Salt Lake Base and Meridian, running thence North 1781 feet to brow of hill forming Bear River Hollow; thence Easterly 700 feet; thence Southerly following said brow of hill to intersection with the North line of a county highway; thence Southwesterly 365 feet to the point of beginning. Containing 4.47 acres

Parcel Tax ID # 14-029-0037: Beginning 74 rods West and 39 rods 7.5 feet South of the Northeast corner of the Southeast Quarter of the Northwest Quarter of Section 22, Township 14 North, Range 1 West and thence South 21 rods 13 feet; thence West 9 rods to the OSL Railroad right of way; thence Northwesterly along right of way 21 rods 13 feet, more or less to a point West of beginning; thence East 9 rods to beginning. Containing 1.23 acres, more or less.