

E 124713 B 0505 P 0877
REED D HATCH SANPETE COUNTY RECORDER
2005 MAY 12 4:48pm Fee 28.00 LHB
FOR PETRO-HUNT LLC
7-17-36 8-17-36 9-17-36

Petro-Standard - Revised 2004
Producers 88 - Revised 1992
320/640 Horizontal

**PAID-UP
OIL and GAS LEASE**

THIS LEASE AGREEMENT is made and entered into effective the 26th of April, 2005, by and between ENID T. GRASER AKA ENID THORPE GRASER, TRUSTEE OF THE ENID T. GRASER TRUST DATED JUNE 12, 2000, whose mailing address is 247 S Main ST., Ephraim UT 84827, hereinafter called Lessor (whether one or more) and PETRO-HUNT, LLC, whose mailing address is 1601 Elm Street, Suite 3400, Dallas, Texas 75202, hereinafter called Lessee:

WITNESSETH:

1. Lessor, in consideration of Ten and More Dollars (\$10.00 & More) in hand paid, receipt of which is hereby provided and of the agreements of the Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of exploring for, developing, producing, and marketing oil, gas and other substances covered hereby on the leased premises as hereinafter described, or lands pooled or unitized herewith, in primary and/or enhanced recovery. Lessee shall have the right of ingress and egress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to discover, produce, store, treat and/or transport production.

The lands covered hereby, hereinafter called "leased premises", located in the County of Sanpete of the State of Utah are described as follows:

SEE ATTACHED EXHIBIT "A" FOR A COMPLETE LEGAL DESCRIPTION

and containing 86.40 acres, more or less (including any interests therein which Lessor may hereinafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and non-hydrocarbon substances produced in association therewith. The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above described land, this lease and the term "leased premises" also covers accretions and any small strips or parcels of land now or hereafter owned by lessor which are contiguous or adjacent to the above-mentioned land, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any rentals and shut-in royalties hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

2. Terms of Lease. This lease shall be in force for a primary term of five (5) years from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises (or from lands pooled therewith) or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. Paid-Up Lease. This is a paid-up lease. In consideration for 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 or pay any delay rentals.

4. Royalty Payment. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) for oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be one-eighth (1/8th) of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, less a proportionate part of ad valorem taxes and production, severance or other excise taxes and the costs incurred by Lessee in delivering, treating or otherwise marketing such oil or other liquid hydrocarbons, provided that Lessee shall have the continuing right to sell such production to itself or an affiliate at the wellhead market price then prevailing in the same field (or, if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casinghead gas) and other substances covered hereby, the royalty shall be one-eighth (1/8th) of the proceeds realized by Lessee from the sale thereof less a proportionate part of ad valorem taxes and production, severance, or other excise taxes and the costs incurred by Lessee in delivering, processing or otherwise marketing such gas or other substances, provided that Lessee shall have the continuing right to sell such production to itself or an affiliate at the prevailing wellhead market price paid for production of similar quality in the same field (or, if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder; and (c) if during or after the primary term one or more wells on the leased premises or lands pooled therewith are capable of producing oil or gas or other substances covered hereby in paying quantities, but such well or wells are either shut-in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease. If, for a period of 90 consecutive days such well or wells are shut-in or production therefrom is not sold by Lessee, then, Lessee shall pay an aggregate shut-in royalty of one dollar per acre then covered by this lease, such payment to be made to Lessor or to Lessor's credit in or its successors on or before the end of said 90 day period and thereafter on or before each anniversary of the end of said 90 day period during which the well or wells are shut-in or production therefrom is not being sold by Lessee; provided that if this lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the leased premises or lands pooled therewith, no shut-in royalty shall be due until the end of the 90 day period next following the cessation of such operations or production, as the case may be. Lessee may pay or tender any shut-in royalty at any time in advance of its due date to the Lessor then known to Lessee as provided in Paragraph (11) and such payment or tender shall bind all persons then or thereafter claiming any part of such shut-in royalty. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease.

5. Operations. If Lessee drills a well which is incapable of producing in paying quantities (hereinafter called "dry hole") on the leased premises or lands pooled therewith, or if all production (whether or not in paying quantities) permanently ceases from any cause, including a revision of unit boundaries pursuant to the provisions of Paragraph 6 or the action of any governmental authority, then in the event this lease is not otherwise being maintained in force it shall nevertheless remain in force if Lessee commences further operations for reworking an existing well or for drilling an additional well or for otherwise obtaining or restoring production on the leased premises or lands pooled therewith within 90 days after completion of operations on such dry hole or within 90 days after such cessation of all production, or, should the lease be within the primary term, if Lessee commences such further operations or pays rental on or before the next rental payment date (if any) next ensuing after the expiration of said 90-day period, provided that should completion of operations on the dry hole or cessation of all production occur during the last year of the primary term or less than 90 days before the last rental payment date, no rental payments or further operations shall be required to maintain this lease for the remainder of the primary term. If during or after the primary term, this lease is not otherwise being maintained in force, but Lessee is then engaged in drilling, reworking or any other operations reasonably calculated to obtain or restore production therefrom, this lease shall remain in force so long as any one or more of such operations are prosecuted with no cessation of more than 90 consecutive days, and if any such operations result in the production of oil or gas or other substances covered hereby, as long thereafter as there is production in paying quantities from the leased premises or lands pooled therewith. After completion of a well capable of producing in paying quantities hereunder, Lessee shall drill such additional wells on the leased premises or lands pooled therewith as a reasonably prudent operator would drill under the same or similar circumstances to (a) develop the leased premises as to formations then capable of producing in paying quantities on the leased premises or lands pooled therewith, or (b) protect the leased premises from uncompensated drainage by any well or wells located on other lands not pooled therewith. There shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein.

6. Pooling. Lessee shall have the right but not the obligation to pool any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either prior to commencement of or during drilling or recompletion activities, or any completion of the well and may be retroactive to a prior date at Lessee's option, whenever Lessee deems it necessary or

proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. The unit formed by such pooling for an oil well (other than a "horizontal well" and/or a "horizontal completion") shall not exceed 320 acres plus a maximum acreage tolerance of 10%, and for a gas well or a "horizontal well" and/or a "horizontal completion" shall not exceed 640 acres plus a maximum acreage tolerance of 10%. Provided that a larger unit may be formed for an oil or gas well or a "horizontal well" and/or a "horizontal completion" to conform to any well spacing or density pattern that may be prescribed or permitted by the governmental authority having jurisdiction to do so. For purposes of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority having jurisdiction. If no definition is so prescribed, "oil well" means a well with an initial gas/oil ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with an initial gas/oil ratio of 100,000 cubic feet or more per barrel, based on a 24-hour production test conducted under normal production conditions using standard lease separator facilities or equivalent testing equipment; and the term "horizontal well" and/or "horizontal completion" shall be as defined by applicable law or the appropriate governmental authority having jurisdiction. In the absence of such a definition, a "horizontal well" and/or a "horizontal completion" shall be defined as an oil and/or gas well in which the well bore is intentionally deviated from a true vertical direction and extended to a distance of at least one hundred (100) feet of horizontal displacement. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if production, drilling or reworking operation were on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears the total gross acreage in the unit, but only to the extent such proportion of the unit production is sold by Lessee. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority. In making such a revision, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision, which may be retroactive to a prior date at Lessee's option. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion on which royalties are payable hereunder shall thereafter be adjusted accordingly. Lessor shall formally express Lessor's consent to any pooling agreement or operation adopted by Lessee and approved or needed for approval by any governmental authority having jurisdiction to do so, by executing the same upon request of Lessee. In absence of production in paying quantities from a unit, or upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date terminated. Pooling hereunder shall not constitute a cross-conveyance of interests.

7. **Unitization.** Lessee shall have the right but not the obligation to commit all or any part of the leased premises or interests therein to one or more unit plans or agreements for the cooperative development or operation of one or more oil and/or gas reservoirs or portions thereof, if in Lessee's judgment such plan or agreement will prevent waste and protect correlative rights, and if such plan or agreement is approved by the federal, state or local governmental authority having jurisdiction. When such a commitment is made, this lease shall be subject to the terms and conditions of the unit plan or agreement, including any formula prescribed therein for the allocation of production, and Lessor shall formally express Lessor's consent to any cooperative or unit plan of development, or operation adopted by Lessee and approved or needed for approval by any governmental agency by executing the same upon request of Lessee.

8. **Surface Operations.** When requested by Lessor in writing, Lessee shall bury its pipeline below ordinary plow depth on cultivated lands. No well shall be located less than 300 feet from any house or barn now on the leased premises or other lands of Lessor used by Lessee hereunder, without Lessor's consent, and Lessee shall pay for damage caused by its operations to buildings and other improvements now on the leased premises or such other lands, and to commercial timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises or such other lands during the term of this lease or within a reasonable time thereafter. Lessee may use fire, coal, any oil, gas, water and/or other substances produced on the leased premises, except water from Lessor's wells or ponds.

9. **Proportionate Reductions.** If Lessor owns less than the full mineral estate in all or any part of the leased premises, payment of rentals, royalties and shut-in royalties hereunder shall be reduced as follows: (a) rentals shall be reduced to the proportion that Lessor's interest in the entire leased premises bears to the full mineral estate in the entire leased premises, calculated on a net acreage basis; and (b) royalties and shut-in royalties for any well on any part of the leased premises or lands pooled therewith shall be reduced to the proportion that Lessor's interest in such part of the leased premises bears to the full mineral estate in such part of the leased premises.

10. **Ownership Changes.** The interest of either Lessor or Lessee hereunder may be assigned, devised or otherwise transferred in whole or in part, by area and/or by depth or zone, and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns. No change in Lessor's ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until 60 days after Lessee has been furnished the original or duly authenticated copies of the documents establishing such change of ownership to the satisfaction of Lessee or until Lessor has satisfied the notification requirements contained in Lessee's usual form of division order. In the event of the death of any person entitled to rentals or shut-in royalties hereunder, Lessee may pay or tender such rentals or shut-in royalties to the credit of decedent or decedent's estate in the depository designated above. If at any time two or more persons are entitled to rentals or shut-in royalties hereunder, Lessee may pay or tender such rentals or shut-in royalties to such persons or to their credit in the depository, either jointly or separately in proportion to the interest which each owns. If Lessee transfers its interest hereunder in whole or in part, Lessee shall be relieved of all obligations thereafter arising with respect to the transferred interest, and failure of the transferee to satisfy such obligations with respect to the transferred interest shall not affect the rights of Lessee with respect to any interest not so transferred. If Lessee transfers a full or undivided interest in all or any portion of the area covered by this lease, the obligation to pay or tender rentals and shut-in royalties hereunder shall be divided between Lessee and the transferee in proportion to the net acreage interest in this lease then held by each.

11. **Release of Lease.** Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases less than all of the interest or area covered hereby, Lessee's obligation to pay or tender rentals and shut-in royalties shall be proportionately reduced in accordance with the net acreage interest retained hereunder.

12. **Regulation and Delay.** Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction, including restrictions on the drilling and production of wells, and regulation of the price or transportation of oil, gas and other substances covered hereby. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or order, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this lease shall not terminate because of such prevention or delay, and at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any express or implied covenants of this lease when drilling, production or other operations are so prevented, delayed or interrupted.

13. **Breach or Default.** No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default within such period. In the event the matter is litigated and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or canceled in whole or in part unless Lessee is given a reasonable time after said judicial determination to remedy the breach or default and Lessee fails to do so. This paragraph shall not apply to erroneous payment of rental.

14. **Warranty of Title.** Lessor hereby warrants and agrees to defend title conveyed to Lessee hereunder, and agrees that Lessee at Lessee's option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the leased premises. If Lessee exercises such option, Lessee shall be subrogated to the rights of the party to whom payment is made, and in addition to its other rights, may reimburse itself out of any rentals, royalties or shut-in royalties otherwise payable to Lessor hereunder. In the event Lessee is made aware of any claim inconsistent with Lessor's title, Lessee may suspend the payment of rentals, royalties and shut-in royalties hereunder, without interest, until Lessee has been furnished satisfactory evidence that such claim has been resolved.

15. **Option.** Lessor hereby grants to Lessee an option, which if exercised will extend the primary term hereof for a period of five (5) years from the expiration of the original primary term and so long thereafter as, drilling, redrilling, deepening, repairing and reworking or producing operations on the leased land continue without cessation for more than 90 consecutive days. This option may be exercised by Lessee, its successors or assigns as to all or any portion of the leased premises, at any time during the original primary term by paying or tendering to Lessor or to Lessor's credit at the address listed above, or its successors, which shall continue as the depository regardless of changes in ownership, the sum of Three Hundred and 00/100ths Dollars per net mineral acre, then extended, which shall operate to extend the primary term provided in this lease (or the portion or portions thereof to which the option has been exercised) for five additional years and it shall be considered for all purposes as though this lease, or any applicable portion thereof, originally provided for a primary term of ten (10) years. Any payment hereunder may be made by check or draft deposited in the mail or delivered to Lessor or to said depository bank on or before the last date for payment. In the event this lease is being maintained by any provision hereof at the expiration of the original term, Lessee shall have a period of thirty (30) days from the date this lease ceases to be maintained within which to exercise this option.

IN WITNESS WHEREOF, this lease is executed to be effective as of the date first written above, but upon execution shall be binding on the signatory and the signatory's heirs, devisees, executors, administrators, successors and assigns, whether or not this lease has been executed by all parties herein above named as Lessor.

LESSOR (WHETHER ONE OR MORE):

Enid T. Graser
Enid T. Graser aka Enid Thorpe Graser

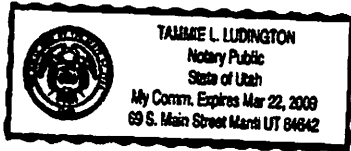
ACKNOWLEDGMENT

STATE OF
COUNTY OF UTAH

)
) §. INDIVIDUAL
) (For use in all states)

On this 21st day of April, 2005, before me, the undersigned Notary Public in and for said county and state, personally appeared Enid T. Graser aka Enid Thorpe Graser, Trustee of the Enid T. Graser Trust Dated June 12, 2000 known to me to be the person(s) whose name(s) is subscribed to the foregoing instrument, and she acknowledged that the same was executed and delivered as her free and voluntary act for the purposes therein set forth. In witness whereof I hereunto set my hand and official seal as of the date hereinabove stated.

SEAL



Tallie L. Ludington
Notary Public
My Commission Expires 3-22-2009

RECORDING INFORMATION

EXHIBIT "A"

Attached hereto and made a part of that certain Oil, Gas and Mineral Lease dated April 26, 2005, by and between, ENID T. GRASER AKA ENID THORPE GRASER, as Lessors, and PETRO-HUNT GROUP, LLC, as Lessee:

T17S R 3E
SECTION 7
SECTION 8
SECTION 9

Parcel 6051 BEG NE COR NW1/4 SEC 7-17-3E W 20.20 C,S 4.50 C,E 20.20 C,N 4.50 C TO BEG CONT 9.10 AC

Parcel 6084 BEG 14.08 C S NE COR NE1/4 SEC 8-17-3E W 23.40 C,S 14.52 C,E 9.95 C,N 5.22 C,E 13.13 C,N 9.54 C TO BEG CONT 27.29 AC

Parcel 6087 BEG 12.11 C N,4.15 C W,SE COR NE1/4 SEC 8-17-3E N 5.24 C,W 10.10 C,S 5.23 C,E 10.25 C TO BEG CONT 5.35 AC

Parcel 6090 BEG 7 C N,4.50 C W,SE COR NE1/4 SEC 8-17-3E N 5.13 C,W 20.03 C,S 5.40 C,E TO BEG CONT 10.05 AC

Parcel 6101 BEG 2 C S,NE COR SW1/4 SEC 8-17-3E W 5 C,S 5.16 C,E 5.75 C,N 5.07 C TO BEG ALSO BEG 2 C S,NW COR SE1/4 SEC 8-17-3E E 5.18 C,S 5.07 C,W 4.37 C,N 5.07 C TO BEG CONT 5.16 AC

Parcel 6131 BEG 2 C S,5 C W,NE COR SW1/4,SEC 8-17-3E S 5.16 C,W 10.70 C,N 5.16 C,E 11 C TO BEG CONT 5.60 AC

Parcel 6132 BEG 4.75 C W,SE COR NW1/4 SEC 8-17-3E N 3.16 C,W 10.97 C,S 3.37 C,E 11.03 C TO BEG ALSO BEG 4.75 C W NE COR SW1/4 SEC 8-17-3E S 1.86 C,W 11.03 C,N 1.50 C,E 11.03 C TO BEG CONT 1.85 AC TOTAL 5.37 AC

Parcel 6134 BEG 15.78 C W,3.37 C N,SE COR NW1/4 SEC 8-17-3E W 11.75 C,N 5.52 C,E 11.59 C,S 5.51 C TO BEG ALSO BEG 2.05 C E,4.15 C N,SW COR NW1/4 SEC 8-17-3E E 10.58 C,N 5.16 C,W 10.70 C,S 5.16 C TO BEG CONT 11.90 AC

Parcel 778 BEG 13.08 C S,NW COR W1/2 NW1/4 SEC 9-17-3E E 7.15 C,S 4.52 C,W 6.87 C,N 4.48 C TO BEG 3.14 AC INSIDE CITY ALSO BEG 17.38 C N,SE COR NE1/4 SEC 8-17-3E E 6.59 C,N 5.45 C,W 6.87 C,S 5.06 C TO BEG CONT 6.58 AC


Enid T. Graser aka Enid Thorpe Graser