

00161207

Oil & Gas Leases & Agrmt B: 465 P: 872 Fee \$19.00
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#24

Producer's 88- Paid Up
Rev. 5/60

Oil and Gas Lease

This AGREEMENT made and entered into the 9th day of May, 2007, by and between Barbara Ann Lucy Hilton a married woman dealing in her sole and separate property, whose address is 1396 north 500 East, Pleasant Grove, Utah 84062 hereinafter called Lessor (Whether one or more) and Pioneer Oil and Gas whose address is 1206 W. South Jordan Parkway, Unit B, South Jordan, Utah 84095 and International Petroleum, L.L.C. whose address is 4834 S. Highland Drive, #200, Salt Lake City, Utah 84117 hereinafter called Lessee:

WITNESSETH, Lessor, in consideration of Ten and no/100 Dollars (\$10.00), in hand paid, receipt of which is acknowledged, and of the covenants and agreements contained in this lease, including the royalty provisions herein provided, hereby grants, leases and lets exclusively unto Lessee the lands hereinafter described for the purpose of investigating, exploring, prospecting, drilling and operating for and producing and owning oil, gas of whatsoever nature or kind (including gas, well gas, casinghead gas, methane and gas from coal seams, carbon dioxide, and other gas, whether of commercial value or not, hereinafter referred to as "gas"), and together with all associated hydrocarbons produced in a liquid or gaseous form, and sulfur, all such substances are hereinafter referred to as the "leased substances", and for injecting waters and other fluids, gas, air, and other gaseous substances into subsurface strata, laying pipelines, establishing and utilizing facilities for surface and subsurface disposal of salt water or formation water, construction of roads and bridges, digging canals, storing oil, building tanks, power stations, telephone lines, and other structures and facilities thereon to produce, save, take care of, treat, process, store, and transport said leased substances and products manufactured therefrom, and when it relates to operations on or production from the leased premises or lands adjacent thereto, for the housing and care of Lessee's employees, contractors, subcontractors, and agents, said leased premises are located in Sevier, Beaver and Millard Counties, Utah.

See Exhibit "A"

NOTWITHSTANDING any other particular description, it is nevertheless the intention of Lessor to include within this lease and Lessor does hereby lease, let, and demise not only the lands described above, but also any and all future interests and after acquired interests of Lessor, these lands, together with all strips, gores, accretions, relictions, islands, submerged lands, and lands underlying roads, easements and rights-of-way which traverse or adjoin the described lands and which are owned or claimed by Lessor, and all other parcels of land, other than those constituting regular governmental subdivisions, adjoining or contiguous to the described land and owned or claimed by Lessor (all the foregoing lands, together with any lands communitized, unitized, or pooled therewith being hereinafter referred to as "said land" of the leased premises). Lessor agrees to execute any supplemental instrument requested by Lessee for a more complex or accurate description of said land and/or to cure any title defects in said land.

The rights granted Lessee to investigate, explore, and prospect (whether by geophysical, seismic, or other means), to drill, mine for, and produce leased substances, and all other rights of Lessee, shall be exclusive, and no other person shall have the right to conduct similar activities on the lease premises during the term of this lease.

Said lease shall be deemed to contain 10.422.18 gross acres, whether actually containing more or less, for the purpose of calculating any payments due under the terms of this lease.

1. It is agreed that this lease shall remain in force for a primary term of ten (10) years from this date and as long thereafter as leased substances are produced from the leased premises, or drilling operations are continued as hereafter provided. If, at the expiration of the primary term of this lease, leased substances are not being produced on the leased premises, but Lessee is then engaged in drilling or reworking operations thereon, then this lease shall continue in force so long as operations are being continuously prosecuted on the leased premises, and operations shall be considered to be continuously prosecuted if not more than ninety (90) days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well. If after discovery of leased substances on the leased premises, the production thereof should cease for any cause after the primary term, this lease shall not terminate if Lessee commences additional drilling or reworking operations within ninety (90) days from the date of cessation of production or from the date of completion of dry hole. If leased 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 leased substances are produced from the leased premises.

For the purpose of developing coalbed gas, the word "operations" shall mean, in addition to those matters covered elsewhere herein (1) operations of said wells to remove water or other substances from the coalbed, or to dispose of such water or other substances, even though such operations do not result in the production of hydrocarbons in paying quantities, or (2) shutting in or otherwise discontinuing from said wells to allow for surface or underground mining affecting the drillsite or wellbore.

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 releases, and be relieved of any 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 Lessor, free of cost, in the pipe line to which Lessee may connect wells on said land, the equal one-eighth (1/8) part of all oil produced and saved from the leased premises.

2nd. To pay Lessor on gas produced from said land (1) when sold by Lessee, one-eighth (1/8) of the net proceeds realized by Lessee at the well for such sale or (2) when used by Lessee in the manufacture of gasoline or other products, the market value, at the mouth of the well, of one-eighth (1/8) of such gas; Lessor's interest, in either case, to bear one-eighth (1/8) of all post-production costs, including, but not limited to, costs of compressing, dehydrating and otherwise treating such gas to render it marketable or usable and one-eighth (1/8) of the cost of gathering and transporting such gas from mouth of the well to the point of sale or use.

3rd. On all sulfur produced, mined, manufactured and marketed, the royalty shall be One Dollar (\$1.00) for each long ton (2,240 pounds) of sulfur when marketed. Notwithstanding the foregoing provisions, Lessee shall have the right to use, free of cost, any leased substance produced, and any water, except water from Lessor's wells and ponds, from the leased premises for the Lessee's operations, which benefit the leased premises.

4. If during or after the primary term one or more wells on the leased premises are capable of producing gas, but such well or wells are either shut-in or gas therefrom is not being sold or used, such well or wells shall nevertheless be deemed to be producing for purposes of maintaining this lease. If for a period of ninety (90) consecutive days such well or wells are shut-in or gas therefrom is not being sold or used, then Lessee shall pay or tender as royalty to the royalty owners \$1.00/year/net royalty acre then retained hereunder, such payment or tender to be made on or before the anniversary date of this lease during the period such well(s) are shut-in, provided that if this lease is otherwise being maintained by operations, or if gas is being sold or used from another well or wells on the leased premises, no shut-in royalty shall be due until the end of the ninety (90) day period next following cessation of all such operations or production. 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. If said Lessor owns an interest in the leased premises less than the entire and undivided fee simple estate therein, then the rentals and 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. When requested by Lessor, Lessee shall bury Lessee's pipeline below plow depth.
7. No well shall be drilled nearer than 200 feet to the house or barn now on said land without written consent of Lessor.
8. Lessee shall pay for damages caused by Lessee's operations to growing crops on said land.
9. Lessee shall have the right at any time to remove all machinery and fixtures placed on said land, including the right to draw and remove casing.
10. The rights of the Lessor and Lessee hereunder may be assigned in whole or in part as to any mineral or horizon and shall inure to the benefit of the parties hereto, their respective heirs, successors, devisees, assigns and successive assigns. 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 of 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.

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 said land and as to any one or more of the formations hereunder, to pool, unitize, or communitize 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 and gas, or separately for the production of either, when in Lessee's judgment it is lease with other land, lease or leases in the immediate vicinity for the production of oil and gas, 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 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 or gas, may be reformed to exclude such nonproducing 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 reworking

EXHIBIT "A"

Attached to and made a part of that certain Oil and Gas Lease dated the day and year last above written, by and between Barbara Ann Lucy Hilton, as Lessor Pioneer Oil and Gas and International Petroleum, L.L.C. as Lessee.

MILLARD COUNTY

Township 25 South, Range 9 West, SLM

Section 31: S/2 (320 acres, more or less)

Section 32: All (640 acres, more or less)

Section 33: N/2 (320 acres, more or less)

Township 25 South, Range 10 West, SLM

Section 35: E/2 (320 acres, more or less)

BEAVER COUNTY

Township 26 South, Range 9 West, SLM

Section 19: Lot 1 (42.72 ac), Lot 2 (42.75 ac), E2NW; NE. (325.47 acres, more or less)

Township 26 South, 10 West, SLM

Section 14: S/2 (320 acres, more or less)

Section 15: W/2 (320 acres, more or less)

Township 27 South, Range 10 West, SLM

Section 2: Lot 1 (49.26 ac), Lot 2 (49.12 ac), Lot 3 (49.00 ac), Lot 4 (48.86 ac), S2N2; S2 (676.24 acres, more or less)

Section 23: N/2 (320 acres, more or less)

Section 33: SE/4SE/4; NW/4SW/4 (80 acres, more or less)

Section 34: LOT 5 (40.19 ac), Lot 7 (41.34 ac), and Lot 8 (40.48 ac), SW1/4; S1/2 NW1/4 (362.01 acres, more or less)

Section 35: SE; W2NE (240 acres, more or less)

Section 36: W1/2SE1/4; S1/2NW1/4; N1/2SW1/4 (240 acres, more or less)

Township 28 South, Range 10 West, SLM

Section 3: LOT 4 (51.50 ac), SE1/4 NE1/4; SE1/4; S1/2 NW1/4; N1/2 SW1/4 (411.50 acres, more or less)

Section 4: Lot 1 (43.21 ac), Lot 2 (43.11 ac), Lot 3 (43.01 ac), S/2S/2 (289.33 acres, more or less)

Section 9: S1/2 N1/2; N1/2 SW1/4; SE1/4 SW1/4; NW1/4 SE1/4 (320 acres, more or less)

Section 10: S2SE; N2NE (160 acres, more or less)

Section 13: S/2 (320 acres, more or less)

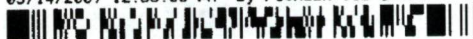
Section 14: N/2 (320 acres, more or less)

Section 15: Lot 4 (44.74 ac); E2W2; W2SE; SWNE; NENE; NWNE; E/2SE/4, SE/4NE/4 (524.74 acres, more or less)

Section 16: E1/2 NW1/4; W1/2 NE1/4; SE1/4 NE1/4; E1/2 SE1/4; NW1/4 SE1/4 (320 acres, more or less)

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BEAVER COUNTY "CONTINUED"

Township 28 South, Range 10 West, SLM

Section 17: E/2NE/4 (80 acres, more or less)

Section 18: E/2NE/4 (80 acres, more or less)

Section 21: S/2NE/4 (80 acres, more or less)

Section 22: Lots 3 (42.79 ac), 4 (42.82 ac), E2SW, NENE (208.40 acres, more or less)

Section 27: Lot 1(44.01 ac), Lot 2 (44.03 ac), Lot 3 (44.05 ac) and Lot 4 (44.07 ac); E1/2 W1/2; and W1/2 SE1/4 (416.16 acres, more or less)

Section 34: E1/2 SW1/4, W1/2 SE1/4; NE1/4; Lot 4 (42.80 ac) and South 708 Feet of Lot 3 (362.80 acres, more or less)

Township 29 South, Range 10 West, SLM

Section 3: Lot 3 (53.87 ac), Lot 4 (50.20 ac) (104.07 acres, more or less)

SEVIER COUNTY

Township 22 South, Range 3 East, SLM

Section 2: Lot 1 (39.12), Lot 2 (40.00) 79.12 acres more or less. Parcel (4:152:37); (4:152:7); SW1/4, W1/2 SE1/4, SE1/4 SE1/4, S1/2 NW1/4, SW1/4 NE1/4. 400 acres, more or less. Parcel (4:152:13), (4:152:14), (4:152:34), (4:152:33), (4:152:22), (4:152:40), (4:152:16), (4:152:15), (4:152:17), (4:152:30), (4:152:19), (4:152:18)

Township 22 South, Range 4 East, SLM

Section 4: All. 643.84 acres, more or less. Parcel (4:163:1)

Section 5: NE1/4 SW1/4 AND SW1/4 SE1/4. 80 acres, more or less. Parcel(4:164:9), (4:164:17)

Section 8: N1/2 NW1/4; SW1/4 NE1/4; NE1/4 SW1/4; SW1/4 SW1/4. 200 acres, more or less. Parcel(4:154:7), (4:154:8); SW/4SE/4. 40 acres, more or less. Parcel (4:164:12)

Section 9: All. 640 acres, more or less. Parcel (4:163:4), (4:163:3)

Section 16: All. 640 acres, more or less. Parcel (4:166:2)

Section 17: All. 640 acres, more or less. Parcel (4:167:15), (4:167:1), (4:167:13)

Section 20: NW1/4; NE1/4 NE1/4; SW1/4 NE1/4; N1/2 SW1/4; SW1/4 SW1/4. 360 acres, more or less. Parcel (4:167:9), (4:167:11), (4:167:10), (4:167:14)

Section 21: E1/2 NE1/4, 80 acres, more or less. (4:166:3); SW1/4 NW1/4; NW1/4 SW1/4. 80 acres, more or less. (4:166:3)

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