

OCTOBER 2005 CROW TRIBAL LEGISLATURE

JOINT ACTION RESOLUTION NO. JAR 05-09

INTRODUCED BY CARL E. VENNE, CHAIRMAN
CROW TRIBAL EXECUTIVE BRANCH

JOINT ACTION RESOLUTION OF THE CROW TRIBAL LEGISLATURE AND
THE CROW TRIBAL EXECUTIVE BRANCH ENTITLED:

“FINAL APPROVAL OF THE OIL AND GAS LEASE BETWEEN THE CROW TRIBE OF INDIANS AND GPE ENERGY INC.”

WHEREAS, the Chairman of the Executive Branch has authority and responsibility pursuant to the “enumerated powers” in Article IV, Section 3(f) of the Constitution and Bylaws of the Crow Tribe of Indians to “negotiate and approve or prevent any sale, disposition, lease or encumbrance of Tribal lands, interests in lands or other Tribal assets, including buffalo, minerals, gas and oil with final approval granted by the Legislative Branch,” and in Article IV Section 3(k) to “negotiate and approve limited waivers of sovereign immunity when such a waiver is necessary for business purposes in accordance with Article V, Section 2(f) of [the] Constitution,” and

WHEREAS, GPE Energy Inc. has worked with PIC Production, Inc., on evaluating the prospects for oil and gas production on an 1840-acre area of the Crow Reservation in which the Tribe holds mineral rights, pursuant to certain Oil and Gas Mining Leases approved by the U.S. Secretary of the Interior on March 6, 2000, which leases have now expired; and

WHEREAS, the Chairman of the Executive Branch, with the delegated assistance of the Oil and Gas Committee headed by the Secretary of the Executive Branch, has negotiated a new Oil and Gas Lease Between the Crow Tribe of Indians and GPE Energy Inc. (the “Lease”), for the exploration and production of oil and gas on approximately 1,840 acres within the Crow Reservation, a copy of which is attached hereto and incorporated by reference; and

WHEREAS, the Legislative Branch has authority and responsibility pursuant to its “powers and duties” in Article V, Section 2(d) of the Constitution “to grant final approval or disapproval of items negotiated by the Executive Branch of Government pertinent to the sale, disposition, lease or encumbrance of Tribal lands, interests in lands or mineral assets,” and in Article V, Section 2(f) to “grant final approval or disapproval of limited waivers of sovereign immunity by the Executive Branch when waivers are necessary for business purposes;” and

WHEREAS, at the time this Joint Action Resolution was submitted to the Legislature in order to comply with Article V, Section 7 of the Constitution, the parties had reached agreement on the substantive terms of the Lease, and were in the process of finalizing the legal terms of the Lease, and the final Lease attached hereto has been submitted to and reviewed by the Legislature; and

WHEREAS, exploration for and development of Tribal oil and gas resources is in the best interests of the Tribe and Tribal members, and the Lease provides for such exploration and development on a fair, environmentally responsible, and commercially sound basis, and the limited waiver of the Tribe's sovereign immunity in the Lease is necessary for business purposes; and

WHEREAS, after approval by the Legislature and Executive Branch of the Crow Tribe, the Lease is subject to approval by the Secretary of the Interior or her designee, pursuant to the Indian Mineral Development Act of 1982 (25 U.S.C. § 2101, *et seq.*) and other applicable Federal law;

NOW THEREFORE, BE IT RESOLVED BY THE LEGISLATURE AND THE EXECUTIVE BRANCH OF THE CROW TRIBE:


Section 1. That the "Oil and Gas Lease Between the Crow Tribe of Indians and GPE Energy Inc.", including the limited waiver of sovereign immunity contained therein, attached hereto and incorporated by this reference, is hereby granted final approval pursuant to Article V, Sections 2(d) and 2(f) of the Constitution and Bylaws of the Crow Tribe.

Section 2. That the Chairman of the Executive Branch is authorized to sign and execute the above-referenced Lease on behalf of the Crow Tribe, and to take such further actions as are necessary to implement and administer the Lease.

Section 3. That the final approval granted herein is effective on the date of approval of this Resolution, and is subject only to such further approvals as are required by Federal law.

CERTIFICATION

I hereby certify that this Joint Action Resolution granting final approval of the Oil and Gas Lease between the Crow Tribe and GPE Energy Inc. was duly approved by the Crow Tribal Legislature with a vote of 12 in favor, 2 opposed, and 1 abstained and that a quorum was present on this 12th day of October, 2005.


Speaker of the House
Crow Tribal Legislature

ATTEST:


Secretary, Crow Tribal Legislature

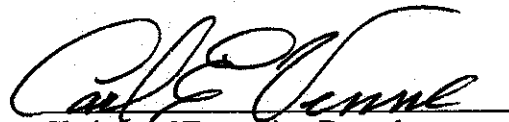
EXECUTIVE ACTION

I hereby

✓ approve,

 veto

this Joint Action Resolution granting final approval of the Oil and Gas Lease between the Crow Tribe and GPE Energy Inc. pursuant to the authority vested in the Chairman of the Crow Tribe by Article V, Section 8 and Article IV, Sections 3(f) and 3(k) of the Constitution and Bylaws of the Crow Tribe of Indians on this 28 day of Oct, 2005.



Chairman, Executive Branch
Crow Tribe of Indians

Final Approval of the Oil & Gas Lease
between the Crow Tribe of Indians and GPE Energy, Inc.

Bill or Resolution Number JAR 05-09 Introduced by: Executive Date of Vote October 12, 2005
Representative

	Yes	No	Abstain
B. Cloud	<input checked="" type="checkbox"/>		
C. Goes Ahead	<input checked="" type="checkbox"/>		
O. Costa	<input checked="" type="checkbox"/>		
V. Crooked Arm	<input checked="" type="checkbox"/>		
R. Iron	<input checked="" type="checkbox"/>		
J. Stewart	<input checked="" type="checkbox"/>		
E. Fighter	<input checked="" type="checkbox"/>		
L. Costa	<input checked="" type="checkbox"/>		
L. Hogan		<input checked="" type="checkbox"/>	
D. Old Elk			<input checked="" type="checkbox"/>
K. Real Bird	<input checked="" type="checkbox"/>		
E. Pease		<input checked="" type="checkbox"/>	
S. Medicine Horse	<input checked="" type="checkbox"/>		
L. Not Afraid			
P. Real Bird			
D. Wilson			
J. Stone <i>Secretary of the House</i>	<input checked="" type="checkbox"/>		
W. Plain Feather <i>Speaker of the House</i>	<input checked="" type="checkbox"/>		
Totals:	<u>12</u>	<u>2</u>	<u>1</u>

Results of Vote:

Passed

Not Passed

Tabled

Veto Override

Signature of Officer: [Signature]

Date: 10/12/05



Crow Country

LEGISLATIVE BRANCH OF THE CROW TRIBAL GOVERNMENT

P.O. Box 309 – MAKAWASHA Avenue

Crow Agency, Montana 59022

Phone: (406) 638-2023/2025/2238

Fax: (406) 638-2030

Legislative Branch

Prvor:

Arrow Creek

Benjamin Cloud, III

Oliver Costa

Carlson Goes Ahead

Big Horn:

Valley of the Give

Away

Vincent Crooked Arm

Ralph Iron, Jr.

Willie Plainfeather,

Speaker of the House

Dunmore:

Black Lodge

Jared Stewart

Larry Costa

Ertis Fighter, Sr.

Reno:

Center Lodge

Lloyd Hogan, Jr.

Daniel Old Elk, Sr.

Kennard Real Bird

Lodge Grass:

Valley of the Chief

Eloise W. Pease

Scott Medicine Horse

Leroy Not Afraid

Wyola:

Mighty Few

Plus Real Bird

Dana Wilson

J.D. Stone,

Secretary of the House

Staff

Jackie Blacksmith,
Administrator

Freda J. Knows Gun,
Adm. Assistant/
Accounts Payable

Thomas J. Half,
Interpreter/Office Assistant

Nellie Moccasin,
Office Assistant

Kenny Pretty On Top
Maintenance/Custodian

Ronald Ameson, Esq.,
Attorney At Law

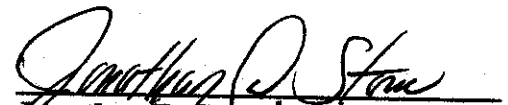
OFFICIAL CERTIFICATE OF DELIVERY

I, Jonathan D. Stone, Secretary of the Legislative Branch of the Crow Tribal Government hereby this Transitional Action do deliver a True and Correct Official copy Of the Final Approval for the following Bill:

JOINT ACTION RESOLUTION "FINAL APPROVAL OF THE OIL AND GAS LEASE BETWEEN THE CROW TRIBE OF INDIANS AND GPE ENERGY INC."

Bill No. JAR05-09 to _____ in the
Position of: Joanie Rowland for the
Crow Tribal Executive Branch.

Done and dated this 28th day of OCT, 2005 @ 12:35 a.m./p.m.


Jonathan D. Stone
Secretary of the House
Legislative Branch of the
Crow Tribal Government

Served by:

Legislative Branch Staff

Delivered on this _____ day of _____, 2005 @ _____ a.m./p.m.

Cc: file

REVISED 9/26/05

Contract No. _____

Allotment No. : _____

OIL AND GAS LEASE

BETWEEN

THE CROW TRIBE OF INDIANS

AND

GPE ENERGY INC.

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CROW TRIBE OF INDIANS OF THE CROW INDIAN RESERVATION

**U.S. DEPARTMENT OF THE INTERIOR
Bureau of Indian Affairs
Crow Agency, Montana 59022**

Contract No. : _____
Allotment No. : _____

**OIL AND GAS LEASE BETWEEN THE CROW TRIBE OF INDIANS
AND GPE ENERGY INC.**

THIS LEASE is made and entered into in quintuplicate this ____ day of _____, 2005, by and between the Crow Tribe of the Crow Reservation, a sovereign government and federally recognized Indian tribe, whose address is P.O. Box 159, Crow Agency, Montana 59022 (hereinafter referred to as "Lessor"), and GPE Energy Inc., a Nevada corporation, whose address is 9800 Mount Pyramid Court, Suite 400, Englewood, Colorado 80112, (hereinafter referred to as "Lessee"). This lease is entered into pursuant to the Indian Mineral Development Act of 1982 (25 U.S.C. § 2101 et seq.), the Federal Oil and Gas Royalty Management Act of 1982 (30 U.S.C. § 1701 et seq.), other applicable federal laws and regulations, including but not limited to 43 C.F.R. Part 3160, Onshore Oil and Gas Operations: General, and 30 C.F.R. Part 200, Royalty Management, and the laws of the Crow Indian Reservation, including all amendments to all of the above.

1. DEFINITIONS

1.1 "Actual Drilling" means spudding in a well on the Leased Premises and continuing diligent drilling practices to the Minimum Depth.

1.2 "Authorized Officer" means any entity or individual authorized by the Secretary to perform duties with respect to this Lease or the regulations applicable hereto.

1.3 "Effective Date" means the first day of the month following the date of approval of this Lease by the Secretary.

1.4 "Gas" means any fluid, either combustible or noncombustible, hydrocarbon or nonhydrocarbon, which is extracted from a reservoir and which has neither independent shape nor volume, but tends to expand indefinitely. It is a substance that exists in a gaseous or rarified state under standard temperature and pressure conditions. Gas does not include gaseous substances derived, produced, or manufactured from coal, oil shale, tar sands, or hydrocarbons classified as synthetic fuels. Gaseous substances produced or manufactured from coal (coalbed gas) means gas composed primarily of methane and which is created as a byproduct of coal formation and is stored in coal by (a) being absorbed onto the surface of the micropore system of the coal or is present in the macropore system (or cleats) of the coal either as a free gas or dissolved in water. Any gas produced from a sandstone, limestone, shale, or other conventional gas formation shall be presumed not to be coalbed methane gas.

1.5 "Hazardous Materials" means any substance, material, or waste, excluding Oil and Gas, now or hereafter determined by any federal, state, or tribal governmental authority to pose an actual risk of injury to health, safety, or property and including, but not limited to, any substance, material, or waste: (1) containing asbestos or Radioactive Materials, but excluding any preexisting naturally occurring Radioactive Materials; (ii) now or hereafter defined as a "hazardous waste," "hazardous material," "hazardous substance," "extremely hazardous waste," or "restricted hazardous waste" under any provision of applicable federal, state, or tribal law; (iii) now or hereafter defined as "hazardous waste" pursuant to § 1004 of the Resource Conservation and Recovery Act ("RCRA"), 42 U.S.C. § 6903; or (iv) now or hereafter defined as a "hazardous substance" pursuant to § 101 of the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), 42 U.S.C. § 9601 et seq. Hazardous Materials shall not include materials used routinely in the development and production of Oil and Gas.

1.6 "Minimum Depth" means for (a) a wildcat, or step out well a depth sufficient to test the Tensleep Formation; or (b) a development well a depth sufficient to test the known producing formations. A wildcat or step out well shall mean a well completed at a distance of not less than two (2) miles from existing or previous production.

1.7 "Oil" means a mixture of hydrocarbons that existed in a liquid phase in natural underground reservoirs and remains liquid at atmospheric pressure after passing through surface separating facilities and is marketed or used as such. Condensate recovered in lease separators or field facilities is considered to be oil. Oil does not include liquid substances derived, produced, or manufactured from coal, oil shale, tar sands, or other hydrocarbons classified as synthetic fuels.

1.8 "Paying Quantities" means a well producing, or capable of producing as provided in Section 7.6, sufficient Oil and Gas to produce income in an amount necessary to (a) operate and maintain the well, (b) maintain this Lease, (c) market the product, and (d) result in a reasonable profit.

1.9 "Radioactive Materials" means any material which exhibits the phenomenon of spontaneously emitting radiation resulting from changes in the nuclei of atoms of the element.

1.10 "Reclamation Activities" shall mean those actions required under applicable law to close each well or unit, including, but not limited to, plugging or abandoning of wells, or those actions required to close Lessee's activities in and on the entire leasehold in compliance with applicable laws and regulations, as the context requires.

1.11 "Reservation" means those lands encompassed within the exterior boundaries of the Crow Reservation, of Montana.

1.12 "Secretary" means the Secretary of the Interior of the United States of America or his duly authorized representative.

1.13 "Tribal Minerals Department" means the Minerals Department of the Tribe.

1.14 "Tribe" means the Crow Tribe of the Crow Reservation.

2. LEASED PREMISES

2.1 Lease of Premises

For and in consideration of the payments to Lessor herein provided and the covenants of Lessee herein contained, Lessor hereby grants, leases, and lets exclusively unto Lessee for the purposes of investigating, exploring, prospecting, drilling, mining for, and producing Oil and Gas, including all associated hydrocarbons produced in liquid or gaseous form, laying pipe lines, building roads, tanks, power stations, telephone lines, and other structures thereon to produce, save, take care of, treat, transport, market and own such products, and performing any required Reclamation Activities, Lessor's mineral interests on the following-described tracts of land situated in the Reservation, and more particularly described as follows:

Township 3 South, Range 31East, M.P.M.

Tract No. MT 97-C – SE1/4, Sec. 22, SW1/4, Sec. 23

Tract No. MT 277-E – SE1/4, Sec. 27

Tract No. MT 278-C – N1/2, SW1/4, Sec. 27, SE1/4NE1/4, SE1/4, Sec. 28

Tract No. MT 2029-B – E1/2NW1/4, Sec. 34

Tract No. MT 2030-F – W1/2NW1/4, Sec. 34

Tract No. MT 3276-B – W1/2NE1/4, NW1/4, NW1/4SW1/4, Sec. 26

Tract No. MT 3623 – W1/2NE1/4, S1/2NW1/4, Sec. 23

Tract No. T 6002 – W1/2SE1/4, Sec. 23

containing 1,840 acres, more or less, (hereinafter referred to as "Leased Premises").

2.2 Limitation On Use Of Leased Premises: Additional Purposes

The Leased Premises shall not be used by Lessee for any purpose or purposes other than those specified above, or specifically granted elsewhere in this Lease, and Lessee agrees to use the Leased Premises only for these purposes. However, Lessee may use the Leased Premises for any additional lawful purpose, including but not limited to seismic work, injecting Gas, water, and other fluids and air into subsurface areas, when specifically authorized hereafter by written consent of Lessor and the Secretary, which consent may be withheld, granted, or granted upon conditions, in the reasonable discretion of Lessor and the Secretary.

2.3 Reservations

2.3.1 Mineral Estate

The Tribe expressly except from this agreement and reserve to themselves, all minerals of every kind and character in, on, and under the Leased Premises, other than the Oil and Gas as herein defined. However, the movement or use of soils, sand, and rock by Lessee for the purpose of constructing and improving the Leased Premises as required by this Lease shall be permitted and shall not be construed as mining.

2.3.2 Surface Estate

The Lessor reserves the right, subject to the superior right of Lessee to use so much of the surface of the Leased Premises as is necessary for Lessee to exercise the rights granted under this Lease, to lease, sell; or otherwise dispose of the surface of the Leased Premises. Lessor may use said land and the surface thereof to investigate, explore, prospect, drill, and mine for, and produce all such other minerals, including but not limited to the right to construct, operate, and maintain works, buildings, plants, waterways, roads, communication lines, pipelines, reservoirs, tanks, pumping stations, wells, offices, utilities, and other structures necessary or convenient for enjoyment of the rights excepted and reserved hereunder.

3. CONDITION OF LEASED PREMISES

3.1 Examination of Leased Premises: No Warranties

Lessee has examined and knows the Leased Premises. No warranties or representations, express or implied, as to the title, condition or status of the Leased Premises have been made by Lessor or any agent of Lessor prior to or at the time of execution of this Lease. Lessee warrants that it has not relied on any warranty or representation made by or for Lessor, but has relied solely upon Lessee's independent investigation.

3.2 Access to Leased Premises

Lessor hereby grants to Lessee the non-exclusive right for continuous ingress and egress by motor vehicles (including trucks) and on foot over the lands of Lessor from any established highway or secondary road to the perimeter of the Leased Premises as may be reasonably necessary to carry on the work authorized herein; provided, that Lessor shall not be required to make any expenditure of money to construct or maintain any such route. Such ingress and egress shall be by the least damaging route to the Leased Premises and construction of permanent roadways shall be subject to the prior approval of the Tribe. Lessee shall be responsible for repairing any material damage done or caused to be done to Lessor's land by Lessee in exercising this right and Lessee shall bear the cost and expense of such repair.

4. TERM

4.1 Term

The term of this Lease shall be three (3) years ("Term"), beginning on the Effective Date of this Lease, and shall continue so long thereafter as oil or gas is produced in Paying Quantities from the Leased Premises, subject to the provisions of Section 6.1, with a preferential right in Lessee to renew this Lease for a successive period of three (3) years upon such reasonable terms and conditions as may be agreed to by the Parties hereto and approved by the Secretary, unless otherwise provided by law, upon the expiration of the Term. There must be production in Paying Quantities of any Oil and Gas at the expiration of the Term in order for this Lease to continue beyond the Term. The environmental releases and indemnifications contained in Section 11 of this Lease shall survive the expiration or termination of this Lease.

4.2 Drilling At Expiration Of The Term.

If at the expiration of the Term, Lessee is engaged in the Actual Drilling of a well on the Leased Premises and there are no other wells on the Leased Premises, or on lands pooled, unitized, or communitized therewith, which are producing in Paying Quantities, this Lease shall not terminate so long as Lessee shall pursue the Actual Drilling of such well with reasonable diligence to completion or abandonment. If such well shall produce in Paying Quantities, the well shall be treated as a well producing in Paying Quantities for purposes of this Lease continuing beyond the Term. If such well shall not produce in Paying Quantities; this Lease shall terminate on abandonment according to the Lease terms.

4.3 Temporary Cessation Of Production.

If at the end of the Term a well on the Leased Premises, or on lands pooled, unitized, or communitized therewith, capable of producing in Paying Quantities, temporarily has ceased to produce due to mechanical problems or because of deepening, plugging back, or other operations and there are no other wells on the Leased Premises, or on lands pooled, unitized, or communitized therewith, which are producing in Paying Quantities, nevertheless such well shall be deemed to be a well on the Leased Premises producing in Paying Quantities and this Lease will continue in

force during all of the time or times this Lease may be held by production. If Lessee does not commence operations upon such well or commence drilling operations on a new well within ninety (90) days from cessation of production and, after commencing operations within said period, if production in Paving Quantities has not resumed within one hundred eighty (180) days from commencing operations, this Lease shall expire.

5. PAYMENTS TO LESSOR

Lessee covenants and agrees to pay to Lessor the following payments ("Lease Payments") for use of the Leased Premises:

5.1 Annual Rental and Bonus

Lessee shall pay to Lessor, on or before the Effective Date and each anniversary thereof, an Annual Rental of Five Dollars (\$5.00) per acre per annum in advance during the continuance hereof. The total annual rental will be \$9,200.00 for 1840 acres. The Annual Rental shall not be credited against Royalty, or prorated or refunded for any reason whatsoever.

In addition, lessee shall pay to Lessor, on or before the Effective Date of this lease, a bonus payment of Five Dollars (\$5.00) per acre. The total bonus payment for this lease is \$9,200.00 for 1840 acres.

5.2 Royalty

In addition to the Annual Rental, Lessee shall pay to Lessor a Royalty of Sixteen and two-thirds percent (16 2/3%) of the value of all Oil and Gas produced, sold, or saved from the Leased Premises, save and except Oil and Gas used by Lessee for development and operational purposes on the Leased Premises which Oil and Gas shall be royalty free. Lessor shall have the right to elect on thirty (30) days written notice to take Lessor's royalty in kind. When paid in value, Royalties shall be due and payable monthly on the last day of the calendar month following the calendar month in which produced, sold, or saved.

"Value" may, in the discretion of the Secretary, be calculated on the basis of the highest price paid (whether calculated on the basis of short-or actual volume) at the time of production for the major portion of the Oil of the same gravity, and Gas, and/or natural gasoline, and/or all other hydrocarbon substances produced, sold, and saved from the area of the Crow Indian Reservation where the Leased Premises are situated, and the actual volume of the marketable product less the content of foreign substances as determined by the Authorized Officer. It is understood that in determining the value for royalty purposes of products such as natural gasoline derived from treatment of Gas, a reasonable allowance for the cost of manufacture shall be made and that such allowances for the costs of manufacturing and transportation of such products shall be no greater than two-thirds of the value of the marketable product.

When Royalty on Oil produced is paid in kind, such royalty Oil shall be delivered, at such time as may be required by Lessor, in Lessee's tanks on the premises where produced as reasonably may be required by Lessor without cost to Lessor, unless otherwise agreed to by the Parties. Lessee shall not be required to hold such royalty Oil in storage longer than thirty (30) days after the end of the calendar month in which such Oil is produced. Lessee in no manner shall be responsible or held liable for loss or destruction of such Oil in storage, unless the loss or destruction is caused by Lessee's negligence and/or willful misconduct. When Royalty on Gas produced is paid in kind, such royalty Gas shall be delivered by Lessee to a mutually acceptable place in the gathering line or pipeline to which the well is connected at no cost to Lessor.

5.3 Payments

All payments due hereunder shall be paid without prior written notice or demand on or before their due date in accordance with applicable laws and regulations. Interest shall be paid on all late payments from the due date to the date of payment, computed on an annual rate three percentage points above the prime rate as set by the Citibank N.A. of New York on the first day of the month in which demand is made by Lessor, provided, that the prime rate for purposes of this subsection shall not be less than six percent (6%) per annum. Lessee shall furnish to Lessor and the Secretary- monthly statements in such form as may be prescribed by the Secretary, and furnish Lessor with any hard copy printout if an automated data processing system is used. Monthly statements shall be filed with Lessor within sixty (60) days of the last day of the month covered by the report.

5.4 Inspections and Audits

Lessee agrees to allow Lessor and its agents or any authorized representative of the Secretary, to enter, from time to time, upon and into all parts of the Leased Premises for the purposes of inspection, and shall further agree to keep a full and correct account of all operations and make reports thereof, as required by the regulations of the Secretary governing operations on the Leased Premises. Lessee's books and records pertaining to the Leased Premises shall be open at all times for audits relating to the scope, nature, and extent of compliance with this Lease or with applicable laws, regulations, or orders by Lessor or such officers of the Secretary as shall be instructed in writing by the Secretary or authorized by regulations to make such audit. Lessor and the Secretary shall provide reasonable notice to Lessee of its intent to audit Lessee's books and records. Lessee shall maintain its books and records and they shall be available for audit for the maximum period required by applicable law or regulations. Duly authorized representatives of the Tribal Minerals Department shall have the right to issue written notices of probable violations of applicable federal and tribal laws and regulations.

5.5 Administrative Fee

Lessee shall pay to Lessor on or before the Effective Date of this Lease, a one time administrative fee of \$7,000.00. The administrative fee shall be a separate payment made directly to the Lessor.

6. WELLS

6.1 Obligation To File APD and Drill Wells.

Lessee will submit an application for a permit to drill (APD) the initial well within 120 days of approval of this lease. This lease shall terminate prior to the expiration of the Term if Lessee does not commence or cause to be commenced Actual Drilling of the initial well on the Leased Premises within sixty (60) days of the APD approval dates and diligently drill such wells to the Minimum Depth. Such well shall be completed as a well producing Oil and/or Gas in Paying Quantities or plugged or abandoned as a dry hole. Completion of a well means completion of all "completion operations" that a reasonable operator would use and employ in a good faith effort to obtain production. A dry hole shall mean a well drilled to the Minimum Depth which does not produce Oil & Gas in Paying Quantities. In the event that the initial well is a success and additional drilling is justified, the lessee will submit an application for a permit to drill the next well within ninety (90) days of release of the completion rig of the successful well. Each successful well will earn the oil and gas rights to the contiguous 160 acre tract within the Leased Premises to be designated by Lessee in which the successful well is located for as long as oil and/or gas is produced from that well, with appropriate consideration for periods of time when the well may not be producing during its commercial life for normal operations events or Force Majeure. In the event an APD is not submitted in the 90 day period described above, all unearned acreage will expire immediately without regard to the remaining Primary Term.

If Lessee has timely commenced and conducted the drilling of a well to the satisfaction of the provisions of this Lease and has otherwise complied with all applicable provisions of this Lease but encounters impenetrable substances or mechanical difficulties preventing Lessee from reaching the objective depth in said well, Lessee shall have the right to abandon said well and drill a substitute well at a mutually agreeable location. The substitute well shall be drilled in the same manner and under the same conditions required for the well for which it is the substitute. Actual drilling of a substitute well will commence within ninety (90) days after the prior well is plugged and abandoned. In the event a substitute well is commenced within such time and is drilled and completed in the manner required herein with due diligence and in a good and workmanlike manner, said substitute well shall be regarded for purposes of this Lease, as the well for which it is the substitute and all terms and conditions hereof shall apply to said substitute well.

6.2 Diligent Development

Lessee shall exercise reasonable diligence, as a prudent operator, in drilling and operating wells for Oil and Gas on the Leased Premises while such products can be secured in Paying Quantities. At the election of Lessee, Lessee may drill and produce wells necessary to diligently develop the Leased Premises: provided, that the right to drill and produce such wells shall be subject to any system of well spacing or production

allotments authorized and approved under applicable law or regulations, approved by the Secretary, and affecting the field or area in which the Leased Premises are situated.

6.3 Development Of Horizons

Lessee shall have three (3) years from the Effective Date to develop all horizons on the Leased Premises. At the expiration of such three (3) year period, Lessee shall have no right to and shall release those horizons below the then deepest horizon producing in Paying Quantities.

If at the end of the three (3) years a well on the Leased Premises capable of producing in Paying Quantities, temporarily has ceased to produce due to mechanical problems or because of deepening, plugging back, or other operations and there are no other wells on the Leased Premises, or on lands pooled, unitized, or communitized therewith, which are producing in Paying Quantities, nevertheless such well shall be deemed to be a well on the Leased Premises producing in Paying Quantities and this Lease will continue in force during all of the time or times this Lease may be held by production; provided, that this Lease shall terminate if Lessee does not commence operations upon such well or commence drilling operations on a new well within ninety (90) days from cessation of production and, after commencing operations within said period, if production in Paying Quantities has not resumed within one hundred eighty (180) days from commencing operations.

6.4 Drilling And Producing Restrictions

Lessor and Lessee agrees that the Secretary may impose restrictions as to time or times for drilling of wells and as to the production from any well or wells drilled when, in his judgment, such action may be necessary or proper for the protection of the natural resources of the Leased Premises and the interests of Lessor. In the exercise of his judgment, the Secretary may take into consideration, among other things, federal and tribal laws and regulations, and lawful agreements among operators regulating either drilling or production. In the event that the Secretary imposes any such time restrictions, the periods of time for drilling wells as set forth in Section 6.1, and the primary term of this lease, shall be extended for the period of such restriction.

7 OPERATIONS.

7.1 Logs

Lessee shall maintain and provide to Lessor and the Secretary upon request a complete set of all seismic data (geological and/or geophysical), any and all data pertaining to core descriptions, lithology logs, electronic logging surveys, LIS digital tapes; all final stack seismic data, and all information pertaining to test data of oil, gas, and/or water (all such information set forth herein is collectively referred to herein as "logs") which are developed by Lessee or at its direction in connection with Lessee's activities on the Leased Premises. When requested by Lessor, Lessee shall show and explain final interpretations to Lessor, but shall not be required to provide copies of such

interpretations to Lessor. All logs shall be made available to a designated representative of Lessor for inspection, if Lessor so requests, not later than forty-eight (48) hours after having been run. Any copies of logs provided to Lessor or the Secretary shall be held confidential and shall not be released or made available to any other Party until six months after completion of each well, unless Lessee gives written permission to release logs sooner.

7.2 Prevention Of Waste

Lessee shall exercise diligence in drilling and operating wells for Oil and Gas on the Leased Premises while such products can be secured in Paying Quantities; carry on all operations in a good and workmanlike manner in accordance with approved methods and practice, having due regard for the prevention of waste of Oil or Gas developed on the Leased Premises, or of the entrance of water through wells drilled by Lessee into the productive sands or Oil or Gas-bearing strata to the destruction or injury of the Oil or Gas deposits, the preservation and conservation of the Leased Premises for future productive operations, and to the health and safety of workmen and employees. Lessee agrees to plug securely all wells before abandoning the same; to shut off effectually all water from the Oil or Gas bearing strata; not drill any new well within 200 feet of any then existing house or barn, on or near the Leased Premises without Lessor's written consent; carry out at Lessee's expense all reasonable orders and requirements of the Authorized Officer relative to prevention of waste, preservation of the Leased Premises, and the health and safety of workmen; bury all pipelines crossing tillable lands below plow depth, as determined by the Authorized Officer, unless other arrangements therefore are made with the Authorized Officer; pay all damages to crops, buildings, and other improvements on the premises occasioned by Lessee's operations; provided, that Lessee shall not be held responsible for delays or casualties occasioned or caused by force majeure.

Lessee must thoroughly clean all vehicles and equipment so that no noxious or poisonous plants may be introduced or spread on Reservation lands. Should an infestation of noxious or poisonous plants be found either on a temporary or permanent base of operations or along access roads or trails used and/or constructed by Lessee. Lessee shall be required; if responsible for the infestation, to provide control measures as directed by the Authorized Officer or Lessor. The Secretary and Lessor shall bear the burden of proof on the issue of Lessee's responsibility for the infestation.

7.3 Drainage

Lessee shall drill and produce all wells necessary to offset or protect the Leased Premises from drainage, including from adjoining lands of Lessor which are under lease to Lessee at a royalty rate less than that called for by this Lease or, in lieu thereof, to compensate Lessor in full each month for the estimated loss of royalty through drainage; provided that during the period of supervision by the Secretary the necessity for offset wells shall be determined by the Authorized Officer after affording Lessor and Lessee a reasonable opportunity to be heard on the issue and payment in lieu of drilling and production shall be with the consent of and in an amount determined by, the Secretary.

7.4 Unit Operation

No agreement, nor amendment to any agreement, for the cooperative or unit development ("pooling") for the field or area affecting the Leased Premises, or any pool thereof, shall be valid or binding without the advance written consent of Lessor and the Secretary. Notwithstanding any other provisions herein, upon the pooling of part of the Leased Premises, this Lease shall be severed and shall be considered as separate and distinct leases for all horizons on (a) the pooled acreage and (b) the rest of the Leased Premises; such severance shall result each time, and from time to time, whenever pooling occurs; and the term of each resulting lease caused by any such severance, and all the rights and obligations of Lessee under each such lease, shall apply separately to the acreage attributable to the particular lease under the foregoing severance, with every resulting lease being considered as separate and independent from every other lease.

7.5 Water Well Conditioning

Within sixty (60) days of the filing of a notice of intent to abandon a well not capable of producing in Paying Quantities, or on reasonable notice for other wells, the Secretary and Lessor may require Lessee to condition any such well suitable for water use by Lessor, provided the water produced is in excess of amounts needed for Lessee's operations on the Leased Premises. The reasonable costs for conditioning the well will be borne by Lessor. After a well is conditioned as provided for herein, Lessee shall be relieved from its plugging and abandonment responsibilities and any such well shall thereafter be the sole responsibility of Lessor.

7.6 Shut-In Gas Wells

If a well capable of producing Gas or Gas and gas-condensate in Paying Quantities located on the Leased Premises, or on lands pooled, unitized or communitized therewith, is at any time shut-in due to market conditions or lack of any available pipeline, so that no Gas or gas-condensate there from is sold or used off the Leased Premises or for the manufacture of gasoline or other products, and this Lease is not otherwise being maintained by another well producing Oil and/or Gas from the Leased Premises in Paying Quantities, this Lease shall nevertheless remain in full force and effect and such shut-in well shall be deemed to be a well on the Leased Premises producing Oil and/or Gas in Paying Quantities so long as Lessee remits to Lessor those shut-in royalty payments called for herein. Lessee, with due diligence as a prudent operator, shall make reasonable efforts to open markets for production obtainable from such shut-in well, but Lessee is under no obligation to market production except pursuant to prudent terms and conditions which will economically benefit both Lessor and Lessee. Lessee shall use due diligence to market Gas or Gas and gas condensate capable of being produced from a shut-in well but shall be under no obligation to market such products under terms, conditions, or circumstances which, in Lessee's reasonable judgment, are unsatisfactory. If a well is shut-in for a continuous period in excess of thirty (30) consecutive days, or during a calendar year for a cumulative period in excess of ninety (90) days, Lessee shall pay or tender to Lessor, in addition to all other Lease

Payments, a shut-in royalty under the conditions and in the amounts hereafter specified, which shut-in royalty shall be computed as follows:

- A) As to each year of the first three years during which a well is shut-in on one or more occasions for a continuous period in excess of the 30-day period above stated, or for a cumulative period in excess of the 90-day period above stated, Lessee shall pay or tender to Lessor within forty-five (45) days after the next ensuing anniversary date of this Lease a total amount equal to Five Dollars (\$5) per acre;
- B) As to each year after the first three years during which a well is shut-in on one or more occasions for a continuous period in excess of the 30-day period above stated, or for a cumulative period in excess of 90-day period above stated, Lessee shall pay or tender to Lessor within forty-five (45) days after the next ensuing anniversary date of this Lease of a total amount equal to Ten Dollars (\$10) per acre; and
- C) All such shut-in payments shall be deemed Royalties under this Lease but shall not be credited against future Royalties once production resumes. No such shut-in Royalty payment shall limit or discharge Lessee from its obligation to develop reasonably the Leased Premises, or serve to extend any Term of this lease, except as provided herein.

8. WATER USE AND FACILITIES

8.1 Water Use

The Tribe shall provide and Lessee shall obtain a water permit for each water well drilled or oil or gas well converted to a water source or injection well on the Leased Premises. The water permit fee shall be One Hundred Seventy-five Dollars (\$175) per well drilled or converted. Water permits shall allow Lessee to use water of the Tribe from the Leased Premises for all drilling related operations. Any water obtained off the Leased Premises from the Tribe, except water that is produced in conjunction with Oil and Gas from a hydrocarbon producing formation under lease to Lessee, shall be purchased by Lessee from Lessor at a rate of five cents (\$.05) per barrel. Nothing in this section shall relieve Lessee from compliance with federal and tribal laws and regulations for water use.

8.2 Water Metering

To facilitate the accounting of water use, Lessee shall maintain accurate and complete records of the sources and amounts of water used on the Leased Premises, shall furnish such records to Lessor on request, and shall install metering or measuring devices capable of measuring produced and injected water from all wells on a monthly basis, other than wells used solely for groundwater monitoring. Any such metering or measuring devices shall be nonresettable and certified for accuracy on an annual basis by an independent technician.

9. PROPERTY BELONGING TO LESSEE

If Lessor shall so elect in writing within ninety (90) days from the termination or expiration of this Lease, Lessor may purchase any or all of the buildings, structures, materials, tools, machinery, appliances, and equipment, including casing in wells ("Equipment") placed in or upon the Leased Premises by Lessee and shall pay to Lessor such sum as may be agreed to by the Parties. If the Parties cannot reach agreement on a purchase price, a reasonable price shall be fixed by a board of three appraisers, one of whom shall be chosen by Lessor, one by Lessee, and one by the two so chosen. Pending such purchase, all Equipment shall remain in normal position. If Lessor elects not to purchase all or a part of the Equipment, Lessee shall remove it within a period of one hundred eighty (180) days following the earlier of the end of the above-referenced ninety (90) day period or actual written notice of Lessor's election not to purchase. If Lessee does not remove the Equipment within the one hundred eighty (180) day period, Lessor shall have the option to remove the Equipment at Lessee's sole cost and risk, or to transfer ownership of the Equipment to Lessor at no cost to Lessor.

10. ASSIGNMENT, SUBLEASE, OR TRANSFER

Lessee shall not assign this Lease or any interest therein by an operating agreement or otherwise, shall not sublet any portion of the Leased Premises, and shall not transfer any interest therein, except with the approval of Lessor and the Secretary, which approval shall not be unreasonably withheld. No sublease, assignment, or transfer shall be valid or binding upon Lessor without Lessor's written approval, and then only upon the condition that the sublessee, assignee, or transferee shall agree in writing to be bound by all provisions of this Lease, including but not limited to the release and indemnification requirements. If this Lease is divided by the assignment, sublease, or transfer of an entire interest in any part, including a stratigraphic horizon, each part shall be considered a separate lease under all the terms and conditions of this original lease, including any modifications or renewals approved in conjunction with the approval of such assignment or transfer. Lessor's approval of one sublease, assignment, or transfer shall not validate a subsequent sublease, assignment, or transfer, and the restrictions of this Section shall apply to each sublease, assignment, or transfer hereunder and shall be severally binding upon each and every sublessee, assignee, transferee, and each and every corporate successor or other successor in interest of Lessee.

Thus Section shall not apply to a mortgage, security interest, or other encumbrance of this Lease for purposes financing operations related to the Leased Premises. This Section shall not apply to any assignment or transfer if the assignment or transfer is to any person, firm, corporation, or other business entity which is owned or controlled by Lessee, in whole or in part, nor by a subsidiary or affiliate of Lessee and which owns or control Lessee, in whole or in part, and of which Lessee is a subsidiary or affiliate, except that Lessee by written notice shall notify Lessor and the Secretary of such

assignment or transfer. The term "control" shall mean the direct or indirect power to direct or cause the direction of the management and policies of Lessee, or its parent corporation, whether through the ownership of voting securities, by contract, or otherwise.

11. INDEMNIFICATION AGREEMENT

11.1 Indemnification

11.1.1 Losses

Lessee agrees to indemnify, protect, release, and hold harmless Lessor and the Secretary from and against all losses, liabilities, damages, costs, investigations, obligations, claims, penalties, causes of action, monitoring, costs, and expenses (including but not limited to reasonable attorney fees, consultant fees and costs, expert fees and costs, laboratory testing, remediation and settlement costs, and claims, including, without limitation, third-party claims, whether for personal injury or real or personal property damage or otherwise, or administrative and informal proceedings)("Losses"), incurred by Lessor and resulting or arising from Lessee's acts or omissions in connection with: (i) any breach of any representation, covenant, or warranty made by Lessee in this Lease or in any certificates or other instruments delivered by or on behalf of Lessee pursuant thereto; (ii) any violation of the Worker Adjustment and Retraining Notification Act, 29 U.S.C. § 2101 et seq., and the regulations thereunder (the "WARN Act"); (iii) the use, non-use, storage, release, disposal, or generation by Lessee, or its agents, employees, contractors, or invitees, of any Hazardous Material in, on, under, or about the Leased Premises; or (iv) any accident, injury to, or death of persons, or loss of or damage to property occurring on or about the Leased Premises or any portion thereof.

The indemnification referred to above shall specifically cover Losses incurred in connection with the investigation or monitoring of site conditions, any cleanup, containment, remedial, removal, or restoration work required by applicable law and performed by any federal, state, or tribal governmental agency or political subdivision, or performed by any nongovernmental entity or person because of the presence or suspected presence or release or threatened or suspected release of any Hazardous Materials in or into the air, soil, groundwater, or surface water at, on, under, or above the Leased Premises, and Losses arising from any claims of third parties for loss or damage due to such presence or release of Hazardous Materials, resulting or arising from Lessee's acts or omissions.

11.1.2 Remedial Work

If any investigation, testing, or monitoring of site conditions or any cleanup, containment, restoration, removal, or other remedial work (collectively the "Remedial Work") is required under any applicable law or regulation, by any judicial order, or by any governmental entity, or is required to comply with any agreements of Lessee affecting the Leased Premises, then Lessee is obligated to indemnify Lessor,

and Lessee shall either perform or cause to be performed the Remedial Work in compliance with such law, regulation, order, agreement, or recommendation, or shall promptly reimburse Lessor for the necessary cost of such Remedial Work. All costs and expenses of such Remedial Work shall be paid either directly, or in the form of reimbursement to Lessor, by Lessee including, without limitation, the charges of the contractor(s) and/or the consulting engineer, and Lessor's reasonable attorney and paralegal fees and costs incurred in connection with monitoring or reviewing such Remedial Work. If Lessee shall fail to timely commence, or cause to be commenced, or fail to diligently prosecute to completion, such Remedial Work, Lessor may cause such Remedial Work to be performed, and all costs and expenses thereof, or incurred in connection therewith, shall be Losses within the meaning of 11.1.1 above. It is agreed and understood that such indemnification shall not extend to losses incurred by Lessor in connection with Section 11.1.1 (i) to (v) and resulting from Lessor's gross negligence and/or willful misconduct.

11.2 Defense Or Prosecution Of Claims

If the facts giving rise to any indemnification provided for herein shall involve any actual or threatened claim or demand by any person other than a Party hereto, Lessee shall be entitled, upon its election, by written notice given to Lessor within fifteen (15) days of receiving notice of such claim or demand [or, in the case of summary proceedings, five (5) days after the date on which notice of the claim or demand is given to Lessee (without prejudice to the right of Lessor to participate at its expense through counsel of its own choosing)] to assume the defense or prosecution of such claim and any litigation resulting therefrom at its expense and through counsel of its own choosing; provided, however, that, if by reason of the claim of such third party, a lien, attachment, garnishment, or execution is placed upon any of Lessor's property or assets, Lessee, if it desires to exercise its right to defend or prosecute such claim or litigation, shall furnish a satisfactory indemnity bond to obtain the prompt release of such lien, attachment, garnishment, or execution; and provided further, that Lessor shall control the defense of itself in any litigation instituted against it without prejudice to its rights to be indemnified hereunder or to participate in such action, if not named as a party.

If Lessee assumes the defense or prosecution of any such claim or litigation, it shall take all steps necessary in the defense, prosecution, or settlement of such claim or litigation and shall hold Lessor harmless from and against all losses caused by or arising out of any settlement thereof or any judgment in connection therewith (other than its expenses for participating in such defense, prosecution, or settlement). Lessee shall not, in the defense or prosecution of such claim or litigation, except with the written consent of Lessor, consent to the entry of any judgment or enter into any settlement that does not include as an unconditional term thereof the giving to Lessor by the third party of a release from all liability regarding such claim or litigation. Lessor shall cooperate in the defense or prosecution of such claim or litigation. If Lessee fails to assume the defense or prosecution of any such claim or litigation, Lessor may defend against or prosecute such claim or litigation in such manner as it may deem appropriate and may settle such claim or litigation, after giving written notice thereof to Lessee, on such terms

as Lessor may deem appropriate; and Lessee will promptly reimburse Lessor for the "losses" incurred as a result of such settlement, together with the amount of all reasonable legal and other expenses incurred by Lessor in connection with the defense, prosecution, or settlement of such claim or litigation. If no settlement of such claim or litigation is made, Lessee shall promptly reimburse Lessor for the amount of any judgment rendered with respect to such claim or such litigation and for all reasonable expenses, legal and other, incurred by Lessor in connection with any such judgment.

11.3 Payment Of Losses

Each Loss determined to be payable by Lessee under the terms hereof shall be paid to Lessor within thirty (30) days after the date on which Lessee is notified in writing of such amount. Each such notice shall contain an itemization of the damages, expense, costs, and liabilities comprising the Loss, certified to be true and correct by Lessor or its legal representative.

11.4 Identification Of Hazardous Materials

If at any time either Party shall become aware of, or have reasonable cause to believe, that any Hazardous Materials have come to be located in, on; under, or about the Leased Premises, the discovering Party shall, immediately upon discovering such presence or suspected presence of Hazardous Materials, give written notice of that condition to the other Party. In addition, each Party shall immediately notify the other, in writing, of: (i) any enforcement, cleanup, removal, or other governmental or regulatory action instituted, completed, or threatened relating to any Hazardous Materials on the Leased Premises; (ii) any claim made or threatened by any person against either Party relating to damages, losses, or injury claimed to result from the presence or threat of Hazardous Material on or to the Leased Premises; and (iii) any reports made to any tribal, state, or federal environmental agency arising out of or in connection with any Hazardous Materials on the Leased Premises, including but not limited to any complaints, notices, warnings, or asserted violations in connection therewith, of which the Party becomes aware. Each Party shall also supply the other as promptly as possible, and in any event within five (5) business days after receiving, such copies of all claims, reports, complaints, notices, warnings, or asserted violations relating in any way to the Leased Premises or use thereof.

The provisions of this Section 11.4 shall not apply to Hazardous Materials brought onto the Leased Premises by Lessee or naturally occurring on the Leased Premises, and used routinely in the development of Oil and Gas. Lessee shall report in writing to the Lessor during December of each year a description of the Hazardous Materials brought onto the Leased Premises by Lessee during the previous twelve months. The report also shall describe the then current location and status of all Hazardous Materials on the Leased Premises.

11.5 Hold Harmless

Neither Lessor or the United States, nor their officers, agents, or employees shall be liable for any loss, damage, death, or injury of any kind whatsoever to the person or

property of Lessee, any sub lessees, or any other person whomsoever which may be caused by Lessee's use of the Leased Premises or by any defect in any structure Lessee may erect thereon, arising from any accident, fire, other casualty on the Leased Premises, or other cause whatsoever, and Lessee hereby releases and agrees to hold harmless Lessor, the United States and their officers, agents, and employees from such liability, except to the extent such loss, damage, death, or injury results from the negligence of the Lessor, the United States, or their officers, agents, or employees.

11.6 Survival Of Section

All provisions of Section 11 shall survive the expiration, or termination, of this Lease.

12. NON-RESPONSIBILITY NOTICES

Prior to the commencement of construction of each improvement on the Leased Premises, any substantial repair or alteration thereto, or substantial work or labor thereon, Lessee shall post notices on Lessors and the Secretary's behalf stating that Lessor and Secretary shall not be responsible for any accident, injury to, or death of persons, or loss of or damage to property resulting from Lessee's activities. The language and size of such notices will be approved by Lessor's attorneys. If such notices are not approved within ten (10) business days of the receipt thereof, the notices shall be deemed approved.

13. BONDS AND INSURANCE

13.1 Performance Bonds

In order to ensure the performance of any and all obligations of Lessee under this Lease, and subject to any further requirements of federal law, Lessee shall post on or before the Effective Date, a performance bond in an amount equal to Thirty Five Thousand Dollars (\$35,000.00), and, before a second well is drilled under this lease, the bond shall be increased to Seventy Five Thousand Dollars (\$75,000.00), which bond shall be deposited with the Secretary and shall remain in force for the full term of this Lease, unless sooner released in the discretion of the Lessor and the Secretary. This bonding requirement may be fulfilled by Lessee complying with federal requirements for public and Indian leases, provided that the minimum requirements of this Section are met or exceeded. The amount of the bond may be adjusted during any Term of this Lease. Should waiver of the bond be granted during any Term of this Lease by Lessor and the Secretary, Lessor and the Secretary reserve the right to request that Lessee furnish a bond at a later date if Lessor and the Secretary, in their reasonable discretion, should themselves insecure, and Lessee hereby agrees to comply with such request.

13.2 Cash In Lieu Of Performance Bond

In lieu of furnishing a performance bond, Lessee may deposit with the Secretary cash, negotiable United States Treasury Bonds, other negotiable Treasury obligations, time certificates of deposit, savings and loan association passbooks, or letters of credit in an amount acceptable to Lessor, together with an appropriate power of attorney appointing and empowering the Secretary, in the event of Lessee's default in any of the provisions of this Lease, to pay from any such cash or equivalent, withdraw the funds from any such savings and loan association account, dispose of any such bond, or make demand upon any such letter of credit, and retain the proceeds derived there from to apply to Lessor's damages subject to Lessee's privilege of curing such default as hereinafter provided. If United States Treasury Bonds are provided, Lessee agrees to make up any deficiency in the value deposited that might occur due to a decrease in the value of the bonds. Interest on any such Treasury bonds or time certificates of deposit in excess of damages provided for in this Lease shall be paid to Lessee.

13.3 Public Liability Insurance

At all times during any Term of this Lease, Lessee shall carry public liability insurance in the primary amount of One Million Dollars (\$1,000,000.00), per claim or incident, with coverage for personal injury, bodily injury, including death and property damage resulting for each incident.

13.4 Fire And Damage Insurance

Lessee shall not be required to carry vandalism, fire and damage insurance covering the improvements placed on the Leased Premises by Lessee.

13.5 Workers' Compensation and Occupational Disease Insurance: Applicable Law

Lessee agrees to carry such insurance covering all Lessee's employees working in, on, or in connection with the Leased Premises as will fully comply with the provisions of the statutes of the State of Montana covering workers' compensation and occupation disease as such statutes are now in force or as they may be amended. Further, Lessee agrees to comply with all the terms and provisions of all applicable laws of Lessor and the United States, as now exist or as may be amended, pertaining to Social Security, unemployment compensation; wages, hours, and conditions of labor; and to indemnify and hold Lessor and the Secretary harmless from payment of any damages occasioned by Lessee's failure to comply with such law.

13.6 Form And Copies Of Policies

Every insurance policy shall be written to protect Lessor, Lessee, and the Secretary jointly and shall provide for sixty (60) days written notification to Lessor and the Secretary prior to its cancellation for any reason including non-payment of premiums. Lessor and Secretary shall be named as an additional insured and loss payees on all insurance policies covering Lessee's activities on the Leased Premises, excluding the policies under Section 13.5. A summary of every policy shall be furnished Lessor and the Secretary on each anniversary of the Effective Date. Lessee shall pay all premiums and other charges payable with respect to such insurance.

13.7 Self-Insurance

Lessee may satisfy the requirements of this Section through self-insurance programs, provided that Lessee shall provide evidence of such self-insurance to Lessor and the Secretary and Lessor and the Secretary shall approve such self-insurance program, which approval shall not be unreasonably withheld.

13.8 Periodic Review of Bonds and Insurance

Lessor or the Secretary may make a periodic review, at not less than three (3) year intervals, of all bonds and insurance policies and coverage amounts held under this Lease. The review shall give consideration to the economic conditions at the time and may result in adjustment of the types of bonds or insurance coverage or the amounts of any coverage whenever in the discretion of Lessor and the Secretary any such adjustment is necessary for the protection of Lessor or the Secretary.

14. COMPANIES BONDING AND INSURING

Every corporate surety bond provided by Lessee in compliance with this Lease shall be furnished by a company holding a certificate of authority from the Secretary of the Treasury as an acceptable surety on federal bonds. Insurance policies shall be furnished by such responsible companies as are rated A-plus or better in the current edition of Best's Insurance Guide or equivalent rating system.

15. FORCE MAJEURE

If Lessee is prevented from drilling or conducting other operations for the purpose of obtaining or restoring production or from producing Oil and/or Gas from the Leased Premises by fire, flood, storm, act of God, or any cause beyond Lessee's control (including but not limited to governmental law, order, or regulation, governmental inaction or delay, labor disputes, war, inability to secure labor, materials, equipment, drilling rigs, or transportation, or inability to secure a market) then the performance of any such operations shall be suspended during the period of such prevention; provided that this provision shall not suspend nor delay the time for the payment of any payments payable under the provisions of this Lease. If a period of Force Majeure is incurred, Lessee shall promptly notify the Lessor, including a description of the circumstances that prevent Lessor's performance, Lessor's plans and efforts to remedy or mitigate the Force Majeure, and an estimate of the expected duration of the period of non-performance. Lessor shall also notify Lessee when a period of Force Majeure has ended. Lessor shall diligently attempt to remedy, as soon as possible, any Force Majeure and to mitigate its effects on the implementation of this Lease.

16. LIENS, TAXES, ASSESSMENTS AND UTILITY CHARGES

16.1 Taxes

Lessee shall comply with all Tribal tax and reporting requirements, provided however, that the Tribe shall not impose any tax on the production under this Agreement which exceeds the rate of production taxes currently imposed by governmental authorities other than the Tribe, including the State of Montana. Lessee will work with the Tribe to achieve the primacy of the Tribal production tax, and in the event the production taxes imposed by governmental authorities other than the Tribe is vacated by reason of the Tribe's tax, the Tribe shall not impose any additional tax on Lessee that is in excess of the otherwise applicable State production tax rate currently in effect. Lessee shall refer to Lessor and to the Authorized Officer any demand by a taxing authority for taxes on Lessor's royalty interest in accordance with Section 23. From time to time, the Parties shall give due consideration to any proposal from the other party regarding tax relief, restructuring, or other forms of incentives in order to obtain values from the premises, including increased production that is limited by dual taxation by the State & Tribe upon presentation of proposed activities or structures that may provide mutual benefits to Lessor and Lessee.

16.2 Lessee To Discharge Liens And Taxes Prior To Enforcement Or Delinquency

Lessee shall pay before delinquent all applicable taxes, assessments, licenses, fees, and other like charges levied during any Term of this Lease upon or against the Leased Premises, any interest therein, and property thereon for which either Lessor or Lessee, as a result of Lessee's action, may become liable. Upon written application, Lessee shall furnish Lessor and the Secretary written evidence, duly certified; that any and all applicable taxes required to be paid by Lessee have been paid, satisfied, or otherwise discharged. Lessee shall not permit to be enforced against the Leased Premises, or any part thereof, any liens arising from any work performed, materials furnished, utility charges, or obligations incurred by Lessee. Lessee has the right to contest any tribal, federal, state or county claim, asserted tax, or assessment against the Leased Premises in any manner that will not result in enforcement of any lien resulting therefrom, subject to applicable law. Lessor shall execute and file any appropriate documents with reference to the applicability of state and local taxes to the Leased Premises when requested by Lessee. In addition to the Lease Payments, taxes, and other charges herein described, Lessee shall pay all charges for water, sewage, gas, electricity, telephone, and other utility services supplied to Lessee on the Leased Premises.

16.3 Lessor May Pay Liens Or Charges Payable to Lessee

Lessor shall have the option to pay any lien or charge payable by Lessee under this Lease; or settle any action therefore, if Lessee, after written notice from Lessor or the Secretary, fails to pay, post bond, or take other action to protect against enforcement. All costs and other expenses incurred by Lessor in so doing shall be paid to Lessor by Lessee upon demand with interest from the date of demand to the date of

payment, computed on an annual rate three percentage points above the prime rate as set by the Citibank N.A. of New York on the fast day of the month in which demand is made by Lessor, provided, that the prime rate for purposes of this subsection shall not be less than six percent (6%) per annum. Failure to make such repayment on demand shall constitute a breach of this Lease.

16.4 Lessee's Right To Challenge Or Defend

Nothing in this Section 16 shall prevent Lessee from challenging or defending against any tax reporting requirement, lien, assessment, license, fee, or charge of any federal, state, tribal, county, or municipal government, or any other entity or person. Lessee shall have full right and power to assert any such challenge or defense; provided that nothing in this Section 16.4 shall increase or decrease the rights and obligations of the Parties set forth in Section 23.

17. SURRENDER

Lessee shall have the right at any time during the term hereof to surrender and terminate this Lease or any part thereof upon the payment of all rentals, royalties, and other obligations then due and payable to Lessor. In the event restrictions have not been removed, upon a showing satisfactory to the Secretary that full provision has been made for conservation and protection of the Leased Premises and the proper abandonment of all wells drilled on the portion of this Lease surrendered, this Lease will continue in full force and effect as to the Leased Premises not surrendered. If this Lease has been recorded, Lessee shall file a recorded release with his application to the Authorized Officer for termination of this Lease.

18. DISPUTES

18.1 Arbitration

18.1.1 Disputes Subject To Arbitration

Either Party may submit any dispute concerning the construction of this Lease or the respective rights and liabilities of the Parties hereunder, to arbitration. Arbitration proceedings shall take place under the procedures set forth in this Article.

18.1.2 Initiation Of Arbitration and Selection Of Arbitrators

If the Parties are unable to negotiate an amicable resolution of any dispute within a reasonable period of time, deemed to be not more than thirty (30) days unless otherwise agreed by the Parties, either Party may refer the matter in dispute to arbitration by providing written notice to the other Party. Within thirty (30) days of the receipt of such written notice, the Parties shall by mutual agreement select an arbitrator to conduct arbitration proceedings. If the Parties can agree within such period upon the nomination of a single arbitrator for the dispute, such person shall serve as sole

arbitrator of the dispute. If the Parties do not agree upon the nomination of a single arbitrator within such thirty (30) day period, each Party shall nominate an arbitrator by serving on the other Party a notice identifying its arbitrator within seven (7) days after the 30th day, and those two arbitrators shall nominate the third to serve with them within fourteen (14) days after the date the latter of them is nominated. In the event the two arbitrators fail for any reason to name the third arbitrator within fourteen (14) days after the nomination of the last nominated one of them, then the third arbitrator shall be chosen by the American Arbitration Association. All arbitrators shall be competent and professionally experienced in the technical and/or legal matters in dispute in the arbitration. The parties agree that none of the arbitrators shall have ever been officers, directors or employees of the parties or any of their affiliates, enrolled members of the Crow Tribe, or advisors, stockholders, or bondholders of Lessee or its approved assigns or any organization affiliated with Lessee or its approved assigns.

18.1.3 Arbitration Procedures

The arbitrator(s) shall, unless otherwise agreed to by the Parties, commence proceedings within sixty (60) days after their appointment and hold proceedings providing each Party a fair opportunity to present its side of the dispute, together with any documents or other evidence relevant to resolution of the dispute. The American Arbitration Association's then-current rules for commercial arbitration shall be utilized. A court reporter shall make a transcript of any hearing. The Parties and the arbitrator(s) shall use their best efforts to conclude any hearing within ten (10) business days and, except for extraordinary reasons or unless otherwise agreed to by the Parties, no continuances shall be granted by the arbitrator(s) without the agreement of all Parties. The arbitrator(s) may render a decision at the close of the hearing, or may request briefs on any and all issues. Any and all such briefs, including reply briefs, shall be filed within the terms and on the schedule set by the arbitrator(s), but in any event no later than sixty (60) days following the conclusion of the hearing. The arbitrator(s) shall render a decision within sixty (60) days from the conclusion of the briefing. If no award is rendered within such time, unless the Parties agree otherwise, a new arbitrator shall be selected as described above, but the new arbitrator shall render a decision solely upon review of the record of the hearing without a further hearing. The arbitration decision shall be signed by the arbitrator(s). The arbitrator(s) shall not have the authority to grant or award indirect or consequential damages, punitive damages or exemplary damages. The arbitration decision shall be final and binding upon the Parties unless, during or following completion of the arbitration proceedings, the Parties have met and arrived at a different settlement of the dispute.

18.2 Cancellation and Noncompliance

The Secretary may cancel this Lease or issue notices of noncompliance in accordance with applicable regulations, provided, however, that in the event the Secretary seeks to cancel this Lease, Lessee shall be provided notice and a reasonable opportunity to cure to the extent allowable under federal law.

18.3 Recourse To Other Remedies

Exercise of any of the remedies outlined in this Lease shall not exclude recourse to any other remedy in law or equity for breach of this Lease.

18.4 Bankruptcy, Dissolution, or Receivership

If proceedings in bankruptcy or for reorganization of Lessee or for the readjustment of Lessee's debts, under the federal Bankruptcy Code, as amended, or any part thereof, or under any other laws, whether state, tribal, or federal, for the relief of debtors, now or hereafter existing, are commenced against Lessee and not discharged within thirty (30) days of commencement, or a receiver or trustee shall be appointed for Lessee or for any substantial part of Lessee's assets, or any proceedings shall be instituted for the dissolution or the full or partial liquidation of the business of Lessee and such receiver or trustee is not discharged within thirty (30) days of its appointment, or such proceedings are not discharged within thirty (30) days of their commencement may constitute a breach of this Lease at the election of Lessor and the Secretary should they deem themselves insecure or deem their rights impaired or infringed. Furthermore, Lessor is hereby declared to be a first preferred creditor. With respect to any such insolvency or bankruptcy proceedings, nothing in this Lease shall constitute a waiver of the barrier of interference with self government, a waiver of the sovereign immunity of Lessor from suit in any court, or any agreement by Lessor that the Bankruptcy Code, Title 11, United States Code, or amendments thereto, applies to Lessor, Lessee, or Lessee's activities on the Reservation.

18.5 Expenses Of Dispute Resolution

The reasonable expenses of dispute resolution regarding this Lease, whether by arbitration or judicial enforcement, including but not limited to attorney fees and expenses, shall be paid by the losing Party, or, in the event each Party is partially successful, shall be apportioned between the Parties in the reasonable discretion of the arbitrators or judge, whichever is applicable. If any such dispute is resolved by settlement between the Parties, each Party shall bear its own expenses. Nothing in this section shall amend or limit the provisions for payment of such costs and expenses contained in Section 11.

19. ANTIQUITIES

In accordance with applicable federal and tribal laws, the Parties hereto agree that any areas within the exterior boundaries of the Leased Premises containing graves, ruins, or other antiquities known to Lessee shall be undisturbed and plainly marked by Lessee and reported immediately to Lessor and the Secretary for appropriate disposition and action. Any areas designated as antiquities shall be placed under reasonable use restrictions in the discretion of Lessor and Lessee agrees to comply with such restrictions. During all phases of site development and construction, a Tribal representative may be on site at Lessor's expense to verify compliance with this Section. Lessee shall provide the Tribe with ten (10) days written notice prior to commencement of any initial excavation or construction on the Leased Premises.

20. TRIBAL JURISDICTION

Lessee, its employees, agents, subcontractors, and assignees acknowledge and agree that this Lease is entered into and will be performed on the Crow Reservation; the Tribal Court of the Crow Reservation has jurisdiction over all civil matters and consensual matters arising or to be performed on the Reservation or which have a proximate effect on persons or property on the Reservation. Lessor and Lessee acknowledge that non-tribal courts may have jurisdiction over Lessee's activities, matters arising under the lease, or reasonably related thereto, provided such acknowledgment shall not constitute Lessor's consent or agreement to such jurisdiction.

21. GOVERNING LAW: CHOICE OF LAW

This lease shall be governed by the laws of the Crow Tribe of the Crow Reservation, and the laws of the United States, now in effect, or amended or enacted hereafter, as applicable. Lessee agrees to abide by and conform to any and all applicable federal and tribal laws and regulations now or hereafter in force relative to this Lease, including but not limited to the conservation, production, or marketing of Oil and Gas. No laws or regulations which become effective after the date of approval of this Lease shall operate to effect the duration of this Lease, rate of royalty, rental, or acreage unless agreed to in writing by all the Parties to this Lease.

22. LIMITED WAIVER OF SOVEREIGN IMMUNITY

As more particularly set forth in Joint Action Resolution No. JAR05-___ the Lessor has authorized a limited waiver of the Lessor's sovereign immunity (1) for purposes of the binding arbitration agreed to by the parties in this Agreement to provide for resolution of disputes in the interpretation and enforcement of this Agreement, (2) to allow the parties to enforce this Agreement and those arbitration provisions in the U.S. District Court for the District of Montana, or if such court does not exercise jurisdiction, in any state court located in the State of Montana. The Lessor specifically surrenders its sovereign immunity as to and only as to Lessee and its approved assigns, to the limited extent necessary to effectuate the terms of this Agreement. This limited waiver of immunity is not intended to constitute a waiver of the Lessor's immunity from damage claims brought against it or its officials by any person or entity that is not a party to this Agreement. Notwithstanding any other provision of this Agreement, remedies allowed against the Lessor pursuant to this waiver of sovereign immunity shall be limited to specific performance to require the Nation to perform its obligations under this Agreement, and to damages not to exceed reimbursement of out-of-pocket losses sustained by Lessee as a result of the Lessor's breach; and in no event shall the Lessor be held liable for any indirect or consequential damages, punitive damages or exemplary damages.

23. CONTESTS AFFECTING SOVEREIGNTY

In the event that any State or the United States takes enforcement action or notifies Lessee of its intention to assert against Lessee or its parent corporation, through administrative, judicial, or other proceedings, the right to collect or enforce any lien, tax, or assessment; or to exercise any regulatory authority by a state; or to assert a claim which may affect, either directly or indirectly, the sovereignty of the Tribe, or lessee challenges federal or state authority based on the sovereignty of the Tribe, Lessee agrees that it will immediately notify Lessor of such attempts. In such event, the defense of such claims shall be governed by the procedures in Section 11.2, provided that Lessor shall have the option of deciding whether or not to contest any assertion affecting the sovereignty of the Tribe. Lessor shall have the right to control the conduct of litigation with respect to such issues. Lessee agrees to reasonably cooperate with Lessor in any such contest. In the event that it is in Lessee's interest to assert in the same proceedings a position on any issue other than whether a state or the United States has authority or power as a matter of Indian law, Lessee shall have the right to participate in the proceedings with respect to that issue, but Lessee shall do so at its own expense and Lessor will have no obligation to provide counsel to represent Lessee with respect to said issue.

24. NOTICES

All notices or demands required or permitted to be given hereunder shall be in writing and shall be (i) delivered by first class, certified or registered mail to the postal service of the United States of America postage prepaid or (ii) hand-delivered by courier or overnight delivery service at the address shown below, or to such other address as such Party may designate by notice as provided herein. All such notices and demands shall be considered to have been given, if in compliance with this Section, on the fifth day after such notice is postmarked by the United States Postal Service, or, if the notice or demand is hand delivered by courier or overnight delivery service on the date of actual delivery to the address of the Party to whom the notice or demand is addressed.

If to Lessor:

Carl E. Venne
Chairman of the Crow Tribe
P.O. Box 159
Crow Agency, MT 59022

With copies to:

Crow Oil and Gas Committee
Attn: Andrew Old Elk, Tribal Secretary
P.O. Box 159
Crow Agency, Montana 59022

and

Crow Tribe Legal Department
P.O. Box 340
Crow Agency, MT 59022

If to Secretary:

Regional Director,
Rocky Mountain Regional Office
Bureau of Indian Affairs
316 North 26th St.
Billings, MT 59101

With copy to:

Superintendent,
Crow Agency
P.O. Box 69
Crow Agency, MT 59022

If to Lessee:

Jack S. Steinhauser, President
GPE Energy Inc.
9800 Mount Pyramid Court, Suite 400
Englewood, CO 80112

25. TERMINATION OF FEDERAL TRUST

Nothing contained in this Lease shall operate to delay or prevent a termination of any federal trust responsibilities with respect to the Leased Premises by the issuance of a fee patent or otherwise during the term of this Lease; however, such termination shall not serve to abrogate this Lease. The owners of the Leased Premises and Lessee and their surety or sureties shall be notified of any such change in the status of the Leased Premises.

26. LESSEE'S OBLIGATION TO THE UNITED STATES OF AMERICA

While the Leased Premises are in trust or restricted status, all of Lessee's obligations under this Lease, and the obligations of its sureties, are to the United States of America as well as to Lessor.

27. DELIVERY OF PREMISES

At the termination of this Lease, Lessee will peaceably and without legal process deliver up the possession of the Leased Premises reclaimed in accordance with law.

28. RESTRICTION OF LEASE INTERESTS

No congressman or employee of the United States government shall acquire any share or part of this Lease or any benefit that may arise herefrom but this provision shall not be construed to apply if this Lease is with a corporation or company for its general benefit.

29. LEASE BINDING

This lease and the covenants, conditions, and restrictions hereof shall extend to and be binding upon the corporate successors, heirs, assigns, personal representatives, and administrators of the Parties hereto.

30. CONFIDENTIALITY

This lease, each of its terms, and all negotiations and proposals relating thereto shall be kept confidential and shall not be disclosed by Lessor or Lessee, or their representatives, to any person or entities except as may be required by law or as necessary in the ordinary course of business, which shall include but not be limited to disclosure of lease information to a Party interested in acquisition of the Leased Premises. In no event shall the terms of this Lease, or negotiations, and proposals relating thereto, be used as a basis for, or referenced in, any other agreement, except agreements between Lessor and Lessee, or as otherwise required by law. Breach of this Section shall not be deemed a breach of this Lease; however, Lessor and Lessee will, in good faith, make every reasonable effort to protect the confidentiality of information pertaining to this Lease. Notwithstanding the foregoing, it is understood that if Lessee or its parent is a public company and as such is required by law to make certain disclosures as determined by Lessee's counsel, such disclosures shall not be deemed a violation of this Section. Further, each party shall use its best efforts to obtain the written consent of the other party, which shall not be unreasonably withheld, prior to making any press releases or public announcements concerning this Lease.

31. DELAY OR OMISSION

No delay or omission to exercise any right, power, or remedy accruing under this Lease shall impair such right, power, or remedy, nor shall it be construed as a waiver of or acquiescence in a breach of or default under the lease. BOTH PARTIES

SPECIFICALLY AND AFFIRMATIVELY AGREE NOT TO CONSTRUE THE CONDUCT, DELAY, OR OMISSION OF THE OTHER PARTY AS ALTERING IN ANY WAY THE PARTIES' AGREEMENTS AS DEFINED IN THIS LEASE. Any waiver, permit, or approval of any breach of or default under this Lease must be in writing, and, because the language of this section was negotiated and intended by both Parties to be binding and is not a mere recital, both Parties hereby agree that they will not raise waiver or estoppel as affirmative defenses so as to limit or negate the clear language and intent of this section. All remedies, either under this Lease, by law or otherwise afforded to either Party shall be cumulative, not alternative.

32. CONSENTS. REASONABLENESS: GOOD FAITH

Neither Party shall unreasonably deny, withhold, or delay any consent or approval required or contemplated for any action or transaction proposed to be taken or made hereunder. The Parties agree to cooperate fully with each other and to act reasonably and in good faith and in a timely manner in all matters hereunder so that each of them may obtain the benefits to which they are entitled hereunder and for which they have negotiated. Both Parties agree to negotiate in good faith and without delay as to all matters requiring negotiation.

33. HEADINGS

The headings to the various sections of this Lease are inserted only for convenience of reference and are not intended, nor shall they be construed, to modify, define, limit, or expand the intent of the Parties.

34. ENTIRE AGREEMENT

34.1 Entire Agreement

This Lease constitutes the entire agreement between the Parties concerning the subjects of this Lease. There are no other oral or written agreements between the Parties and there are no other contingent matters or conditions which constitute a part of this Lease other than as stated herein. The Parties mutually agree that by the execution of this Lease any and all other prior agreements between the Parties concerning the subjects of this Lease are rescinded and held void and unenforceable for the mutual consideration of the Parties.

34.2 No Amendment Except As Provided Herein

The Parties specifically warrant and represent that they shall not cause, either directly or indirectly, this Lease to be altered, amended, modified, canceled, or

terminated, except as provided herein. The Parties herein may by mutual written agreement alter, amend, waive, or modify this Lease agreement.

35. SEVERABILITY

Lessor and Lessee agree that, if any one or more of the provisions of this Lease shall, for any reason, be held invalid, illegal, or unenforceable against either Party hereto by any court of competent jurisdiction, such provision shall be deemed modified to the extent necessary to render it lawful and enforceable, or if such modification is not possible without materially altering the intention of the Parties hereto, then such provision will be severed herefrom. The validity of the remaining provisions of this Lease shall not be affected by such holding and this Lease shall thereafter be construed by Lessor and Lessee, to the greatest extent possible, to give substance and effect to the originally expressed intentions of the Parties.

36. SECRETARY'S APPROVAL

This Lease, and any modification of or amendment to this Lease, shall not be valid or binding upon either Party hereto until approved by the Secretary.

IN WITNESS WHEREOF, the Parties hereto have hereunto set their hands on the date first written above.

**THE CROW TRIBE OF INDIANS OF THE
CROW INDIAN RESERVATION**

(Pursuant to Resolution No. JAR05-___)



Carl E. Venne, Chairman

GPE ENERGY INC.

Jack S. Steinhauser, President & CEO

STATE OF MONTANA)

:ss.

County of Big Horn)

The foregoing Oil and Gas Lease was acknowledged before me this ____ day
of _____, 2005, by Carl E. Venne, as Chairman of The Crow Tribe of
Indians.

(Seal)

Print or type name

Notary Public for the State of Montana

Residing at: _____

My Commission expires: _____

STATE OF _____)

:ss.

County of _____)

The foregoing Oil and Gas Lease was acknowledged before me this ____ day
of _____, 2005, by Jack S. Steinhauser as President and CEO of the
GPE Energy Inc.

(Seal)

Print or type name

Notary Public for the State of _____

Residing at: _____

My Commission expires: _____

THE FOREGOING OIL AND GAS LEASE BETWEEN THE CROW TRIBE OF INDIANS
AND GPE ENERGY INC. APPROVED AND AGREED TO:

Bureau of Indian Affairs

DATE: _____

Pursuant to the provisions of
Pub. L. No. 97-382, 96 Stat. 1938,
25 U.S.C. § 2102.