

# **OCTOBER 2005 CROW TRIBAL LEGISLATURE**

## **JOINT ACTION RESOLUTION NO. JAR05-10**

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 GOLDEN ARROW EXPLORATION, LLC.” “ASHCREEK”**

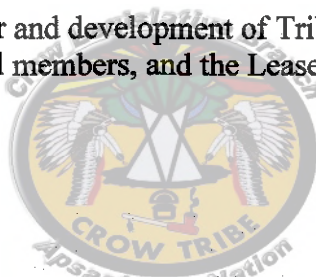
**WHEREAS**, the Chairman of the Executive Branch has authority and responsibility pursuant to the “enumerated powers” in Article IV, Section 3(f) of the Constitution and Bylaws of the Crow Tribe of Indians to “negotiate and approve or prevent any sale, disposition, lease or encumbrance of Tribal lands, 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**, 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 an Oil and Gas Lease Between the Crow Tribe of Indians and Golden Arrow Exploration, LLC, (the “Lease”), for the exploration and production of oil and gas on approximately 440 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





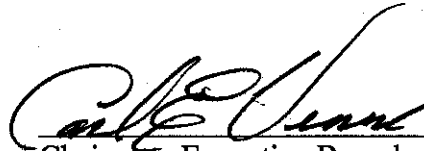
## EXECUTIVE ACTION

I hereby

✓ approve,

       veto

this Joint Action Resolution **"FINAL APPROVAL OF THE OIL AND GAS LEASE  
BETWEEN THE CROW TRIBE OF INDIANS AND GOLDEN ARROW  
EXPLORATION, LLC – ASHCREEK"** 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 and Gas Lease between the  
Crow Tribe of Indians and Golden Arrow Exploration  
L.L.C-Ashcreek.

Bill or Resolution Number JAR 05-10 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 Secretary of the House			
W. Plain Feather Speaker of the House	<input checked="" type="checkbox"/>		
Totals:	<u>13</u>	<u>1</u>	<u>0</u>

Results of Vote:

Passed

Not Passed

Tabled

Veto Override

Signature of Officer: [Signature]

Date: 10/12/05



Contract No. \_\_\_\_\_

Allotment No. : \_\_\_\_\_

**OIL AND GAS LEASE**

**BETWEEN**

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

**AND**

**GOLDEN ARROW EXPLORATION, LLC**

**Ashcreek**

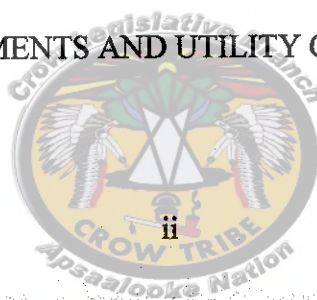


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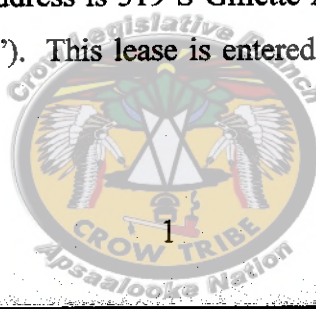
**THE CROW TRIBE OF INDIANS  
OF THE CROW INDIAN RESERVATION**

Lease No. \_\_\_\_\_

Contract No. \_\_\_\_\_

**OIL AND GAS LEASE  
BETWEEN  
THE CROW TRIBE OF INDIANS  
AND  
GOLDEN ARROW EXPLORATION, LLC**

THIS LEASE is made and entered into in quintuplicate this \_\_\_\_ day of \_\_\_\_\_, 2005, by and between the Crow Tribe of Indians of the Crow Indian Reservation, a sovereign government and federally-recognized Indian tribe, whose address is P.O. 159, Crow Agency, MT 59022 (hereinafter referred to collectively as "Lessor"), and Golden Arrow Exploration, LLC, whose address is 319 S Gillette Ave, Suite 269, Gillette, WY. 82716 (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 Planned 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 or volume, but tends to expand indefinitely. It is a substance that exists in a gaseous or rarified state under standard temperature and pressure conditions.

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: (i) 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 "Planned Depth" means the depth where the formation that is the target formation of the well is found, or the planned footage depth of a well, whichever is deeper.

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 marked or used as such. Condensate recovered in lease separators or field facilities is considered to be oil.

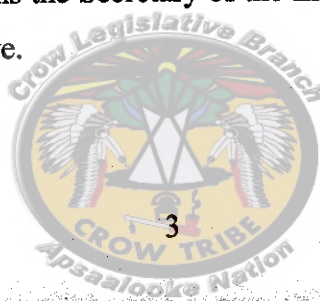
1.8 "Paying Quantities" means a well producing, or capable of producing as provided in Section 6.10, sufficient production to produce income in an amount necessary to (a) operate and maintain the well, (b) maintain the lease, (c) market the product, and (d) result in a reasonable profit.

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 Indian Reservation.

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 Indians of the Crow Indian 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 and 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, and own such products, and performing any required Reclamation Activities, Lessor's mineral interests within the following-described tracts of land situated in the Crow Indian Reservation, Big Horn County, Montana, and more particularly described as follows:

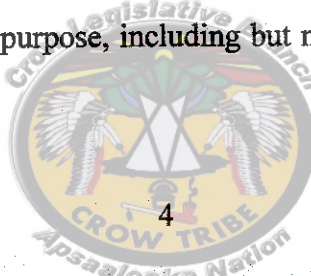
#### **Township 9 South, Range 37 East, M.P.M.**

**Section 26:      N½; N½SE¼; NE¼SW¼**

**containing 440 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 excepts from this agreement and reserves to the Tribe, 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 minerals, soils, sand, and rock by the 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 the Lessee to the use of so much of the surface of the Leased Premises as is necessary for the Lessee to exercise the rights granted under this Lease, to lease, sell, or otherwise dispose of the surface of the Leased Premises under existing law or laws hereafter enacted and to 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 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 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 Five (5) years ("Terms"), 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. 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.

### 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; 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.

### 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 Bonus.



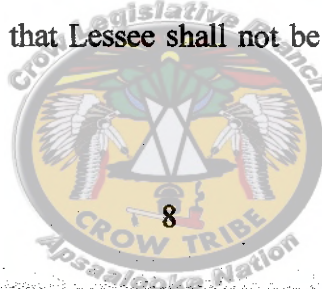
Lessee shall pay to Lessor a cash bonus on or before the Effective Date in the amount of \$10.00 per net mineral acre owned by the Tribe. The Bonus, whole or in part, shall not be credited against royalty, or prorated or refunded for any reason whatsoever. Lessee shall pay an additional bonus of \$10.00 per Tribal net mineral acre upon the spudding of a well on the Leased Premises, said payment being due within thirty (30) days of spudding said well.

## 5.2 Royalty.

In addition to the Bonus and Annual Rental, Lessee shall pay to Lessor a Royalty of **twenty percent (20%)** of the gross 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 or offered (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 field 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, that are derived from treatment of gas, a reasonable allowance for the cost of manufacture shall be made, 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; provided, that Lessee shall not be required to hold such royalty oil in



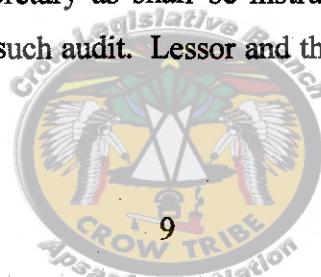
storage longer than thirty (30) days after the end of the calendar month in which such oil is produced; and provided further, that Lessee in no manner shall be responsible for, or held liable for loss or destruction of such oil in storage, unless the loss or destruction is caused by the Lessee's negligence, gross 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 in advance 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 the Lessor and the Secretary monthly statements in such forms 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 the 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 public and restricted Indian lands; and Lessee's books and records, showing manner of operations and persons interested, shall be open at all times for audits relating to the scope, nature, and extent of compliance with the 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.

## 6 WELLS.

### 6.1 Diligent Development.

Lessee shall exercise reasonable diligence 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; 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.

### 6.2 Development Of Horizons.

Lessee shall have ten (10) years from the Effective Date to develop all horizons on the Leased Premises. All horizons above the bottom hole depth of any well producing in Paying Quantities shall be deemed developed. At the expiration of such five (5) 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 five (5) 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.

### 6.3 Drilling And Producing Restrictions.

Lessor and Lessee agree that the Secretary may impose restrictions as to time or times for drilling 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.

### 6.5 Logs.

Lessee shall maintain and provide to Lessor or 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 date of useful water which are developed by the 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 completing of each well, unless Lessee gives written permission to release logs sooner.



#### 6.6 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 well within 200 feet of any 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 used so that no halogeton or other noxious or poisonous plants may be introduced or spread on Reservation lands. Should an infestation of halogeton or other 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.

#### 6.7 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 the 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.

6.8      Unit Operation.

No 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 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.

6.9      Water Well Conditioning.

If so required by the Secretary in writing and with the written consent of the Tribes, Lessee shall condition, under the direction of the Authorized Officer, any wells drilled which do not produce Oil and Gas in Paying Quantities, but which are capable of producing water satisfactory for domestic, agricultural, or livestock use by Lessor, provided that the volume of water produced is in excess of the needs for well operations on the Leased Premises. The reasonable costs for conditioning of the well will be borne by Lessor and Lessor shall provide assurances to Lessee that such costs will be paid. After a well is conditioned as provided for



herein, Lessee shall be relieved from all of its plugging and abandonment responsibilities and such wells shall thereafter be the sole responsibility of Lessor.

6.10 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, no Gas or gas-condensate therefrom is sold or used off the Leased Premises or for the manufacture of gasoline or other produces, and the lease is not otherwise being maintained, nevertheless such shut-in well shall be deemed to be a well on the Leased Premises producing Gas in Paying Quantities and this lease will continue in force during all of the time or times while such well is so shut-in if the Lessee remits to the Lessor those shut-in payments called for herein. Lessee, with due diligence as a prudent operator, shall make reasonable efforts to open markets for such production but is under no obligation to market production except pursuant to prudent terms and conditions. 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 in the same manner as Annual Rentals are computed:

- A.) As to each year of the first three years from the date of first production 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 first production a total amount equal to Five Dollars (\$5.00) per acre;



- B.) As to each year after the first three years from the date of first production in excess of the 30-day period above stated, or for a cumulative period in excess of 90-day period stated, Lessee shall pay or tender to Lessor within forty-five (45) days after the next ensuing anniversary date of the first production a total amount equal to Ten Dollars (\$10.00) per acre.

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.

## 7 WATER USE AND FACILITIES.

### 7.1 Water Injection.

The Tribes shall provide and Lessee shall obtain a water permit for each well drilled or reentered on the Leased Premises. The water permit fee shall be \$500.00 per well. Water permits shall allow the Lessee to utilize water of the Tribes for all drilling related operations, excluding such water as may be used in any enhanced hydrocarbon recovery system. Any water obtained off the Leased Premises from the Tribes and used for enhanced hydrocarbon recovery operations, except water that is produced in conjunction with Oil and Gas from a hydrocarbon producing formation, shall be purchased by Lessee from Lessor at a rate to be determined at the time such water is required. Nothing in this section shall relieve Lessee from compliance with federal and tribal laws and regulations for water use.

### 7.2 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 on all wells

capable of producing water, 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.

8      PROPERTY BELONGING TO LESSEE.

If Lessor shall so elect in writing within ninety (90) days from the termination or expiration of this lease, it may purchase any or all of the buildings, structures, materials, tools, machinery, appliances, and equipment, including casing in wells on the Leased Premises ("Equipment") placed in or upon the Leased Premises by Lessee and shall pay to Lessee such sum as may be agreed to by the parties or, if the parties cannot reach agreement, 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, 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.

9      ASSIGNMENT, SUBLEASE, OR TRANSFER.

Lessee shall not assign this lease or any interest therein, 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. 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.

This Section shall not apply to a mortgage, security interest, or other encumbrance of the lease for purposes of financing development of 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 the 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.

Agreements creating overriding royalties or for payments out of production shall not be considered as an interest, assignment, sublet or transfer of an interest in the lease as used and prohibited in this section. Agreements creating overriding royalties or for payments out of production or agreements designating operators to be paid out of production are hereby authorized, but such agreements shall be subject to the condition that nothing in such agreement shall be construed as modifying the obligations of Lessee herein. Such agreements shall be filed with the Lessor and the Superintendent.

## 10 INDEMNIFICATION AGREEMENT.

### 10.1 Indemnification.

#### 10.1.1 Losses

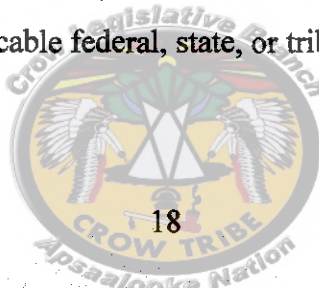


Lessee agrees to indemnify, protect, release, and hold harmless Lessor and the Secretary from and against all losses, liabilities, damages, costs, investigations, obligations, claims, penalties, causes of action, monitoring, costs, and expenses (including but not limited to reasonable attorney fees, 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 the Lease or in any certificates or other instruments delivered by or on behalf of the 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 remediation 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.

#### 10.1.2 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 federal, state, or tribal 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 cost of such Remedial Work, approved in advance in writing by Lessor. 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 10.1.1 above. It is agreed and understood that such indemnification shall not extend to losses incurred by Lessor in connection with Section 10.1.1 (i) to (v) and resulting from Lessor's sole negligence, gross negligence and/or willful misconduct.

#### 10.2 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, the Lessee shall be entitled, upon its selection, by written notice given to the 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 the Lessee (without prejudice to the right to 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 the Lessor's property or assets, the 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





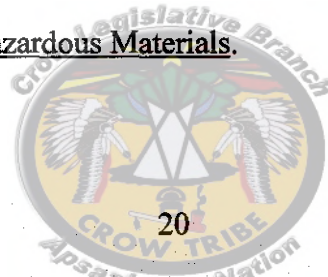
control the defense of itself in any litigation instituted against it without prejudice to its rights to be indemnified hereunder or to participate in such action, if not named as a party.

If the 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). The 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. If the Lessee fails to assume the defense or prosecution of any such claim or litigation, the 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.

#### 10.3 Payment Of Losses.

Each Loss determined to be payable by Lessee under the terms hereof shall be paid in cash 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.

#### 10.4 Identification Of Hazardous Materials.





If at any time either party shall become aware of, or have reasonable cause to believe, that any Hazardous Materials, except Hazardous Materials brought onto the Leased Premises by Lessee or naturally occurring on the Leased Premises and routinely used in the development and production of Oil and Gas, have come to be located in, on, under, or about the Leased Premises, the 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 or about 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 Materials 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 or about 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 with, 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.

#### 10.5 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 sublessees, 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 Tribes, the United States, or their officers, agents, or employees.



#### 10.6 Pre-Existing Conditions.

In no event shall the provisions of this Section apply to the discovery or release by Lessee of a Hazardous Material placed on the Leased Premises by the Tribes or any third party not under the direct control of the Lessee, provided the Lessee complies with the provisions of Section 10.4 and Lessee's actions after discovery do not constitute negligence, gross negligence, and/or willful misconduct with respect to such discovery or release.

#### 10.7 Survival Of Section.

The provisions of this Section shall survive the expiration or termination of the Lease.

### 11 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 non-responsibility notices on Lessor's 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.

### 12 BONDS.

#### 12.1 Performance Bonds.

In order to ensure the performance of any and all obligations of Lessee under this lease, Lessee shall post, on or before the Effective Date, a performance bond in an amount equal to \$75,000.00 which bond shall be deposited with the Secretary and shall remain in force for the

full term of this lease, at the discretion of Lessor and 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 shall be subject to adjustment 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 should Lessor and the Secretary in their reasonable discretion deem themselves insecure, and Lessee hereby agrees to comply with such request.

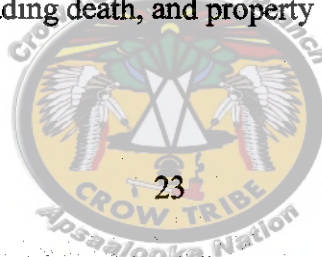
#### 12.2 Cash In Lieu Of Performance Bond.

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 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 over 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 therefrom 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 INSURANCE.

#### 13.1 Public Liability Insurance.

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



13.2 Fire And Damage Insurance.

Lessee shall, from the Effective Date of this lease, carry vandalism insurance and fire and damage insurance with extended coverage endorsements covering the full replacement value of all improvements placed on the Leased Premises by the Lessee.

13.3 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 are now in force or as 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.

13.4 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 Lease Premises, excluding the policies under Section 13.3. A copy of every policy shall be furnished Lessor and the Secretary. Lessee shall pay all premiums and other charges payable with respect to such insurance, and shall deposit with Lessor and the Secretary the receipt for each premium or other charge as paid, or satisfactory evidence thereof.

13.5 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 the Lessor and the Secretary and the Lessor and the Secretary shall approve such self-insurance program, which approval shall not be unreasonably withheld.

#### 13.6 Periodic Review of Insurance.

Lessor or the Secretary may make a periodic review, at not less than three (3) year intervals, of all 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 insurance coverage or the amounts of any coverage whenever in the discretion of Lessor and the Secretary may 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.

In the event compliance with any express or implied covenant in this lease or the commencement of drilling or reworking operations, Actual Drilling, reworking or producing operations by Lessee on the Leased Premises is prevented, delayed, or interrupted by force majeure, it is agreed that, upon Lessee's giving notice to the Lessor and the Secretary and reasonably full particulars in writing of the cause of such delay, prevention, or interruption within a reasonable time after the occurrence of the cause relied upon; then the time for the

commencement of drilling or reworking of such well, or the Actual Drilling thereof or production therefrom, shall be suspended during the continuance of the inability so caused and the time limitations provisions herein provided, including expiration of the Term, shall be extended accordingly; provided further that this provision shall not suspend nor delay the time for the payment of any payments payable under the provisions of this lease. The term "force majeure" as used herein shall mean and include war, flood(major); or scarcity of or the inability of Lessee to procure, obtain or use casing or other equipment or material or the services of a drilling or other contractor to drill, rework, complete, or produce said well or wells; or the inability of Lessee to procure permits to conduct such operations; or any law, order, action, inaction, rule or regulation of any governmental authority, including the pendency of the issuance of any necessary or required permit or permits.

16 LIENS, TAXES, ASSESSMENTS AND UTILITY CHARGES.

16.1 Taxes.

Lessee shall comply with all Tribal tax and reporting requirements, provided however, the Tribe shall not impose any tax on the production under this Agreement which exceeds the rate of tax 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 tax, and in the event the tax 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 tax rate currently in effect. 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. 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.





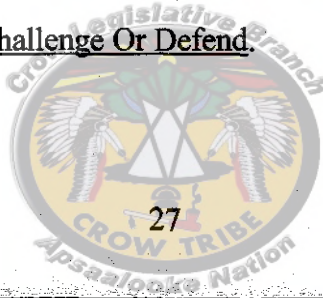
16.2 Lessee To Discharge Liens And Taxes Prior To Enforcement Or Delinquency.

Lessee shall pay before delinquent all applicable taxes, assessments, licenses, fees, and other like charges levied during the 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 the 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 to 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 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. 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 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 the lease surrendered, the 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.

Any dispute between the parties which is contractual in nature, whether as to the construction or operation of this Lease or the respective rights and liabilities of the parties hereunder, shall be subject to arbitration under this Section.



### 18.1.2 Initiation Of Arbitration; 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, either party may refer the matter 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, either nominee shall be entitled to ask the American Arbitration Association to name the third arbitrator. The arbitrator(s) shall be qualified by training and experience to resolve the dispute, and a sole or third arbitrator shall be impartial.

### 18.1.3 Arbitration Procedures.

The arbitrators shall 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 rules for commercial arbitration shall be utilized. A court reporter shall make a transcript of any hearing. The parties and the arbitrator shall use their best efforts to conclude any hearing within ten (10) business days; no continuances shall be granted by the arbitrator without the agreement of all parties. The arbitrator 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, but in any event no later than sixty (60) days following the conclusion of the hearing. The arbitrator 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 arbitrators. 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.

18.3 Recourse To Other Remedies.

Exercise of any of the remedies outlines 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 the 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 the 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 their commencement may constitute a breach of this lease at the election of the 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 10.

#### 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 Tribes 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 Indian Reservation, and that the Tribal Court of the Crow Indian Reservation has jurisdiction to the extent provided by law. 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 acknowledgement 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 Indians of the Crow Indian Reservation, and the laws of the United States, now in effect, or amended or enacted hereafter, as applicable. In the event that tribal laws or laws of the United States do not address any particular issue or dispute then the laws of the State of Montana shall apply in determining a resolution to such dispute, provided however, this provision shall not be construed as a waiver of the Tribe's sovereign immunity as to the courts of the State of Montana. 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      SOVEREIGN IMMUNITY.

As more particularly set forth in Resolution No. JAR05-\_\_\_\_, the Crow Tribe has authorized a limited waiver of the Tribe'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 Tribe specifically surrenders its sovereign immunity, as to and only as to Golden Arrow, 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 Tribe'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 Tribe pursuant to this waiver of sovereign immunity shall be limited to specific performance to require the Tribe to perform its obligations under this Agreement, and to damages not to exceed reimbursement of out-of-pocket losses sustained by Golden Arrow as a result of the Tribe's breach; and in no event shall the Tribe 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 the Lessee or its intention to attempt to assert against Lessee or its parent corporation, through administrative proceedings, courts, or other lawful proceedings, the right to collect or enforce any lien, tax, or assessment; to exercise any regulatory authority by a state; or to assert any claim which may effect either directly or indirectly, the sovereignty of the Crow Tribe, Lessee agrees that it will immediately notify Lessor of such attempts. In such event, the defense of such claims shall use the procedures provided for in 10.2, provided that Lessor shall have the option of deciding whether or not to contest such an assertion of authority on behalf of themselves and Lessee. Lessor shall have the right to control the conduct of the prosecution or defense. Lessee agrees to cooperate with Lessor in any such contest, and to render all assistance in its power towards procuring a favorable decision therein. 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      PREFERENCE FOR INDIANS.

Lessee agrees to give employment preference to Indians in accordance with the Tribal Employment Rights Ordinance.

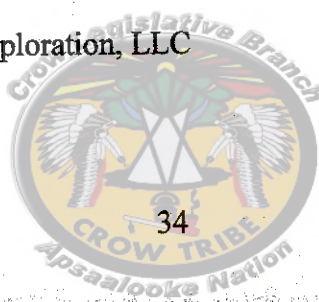
25      NOTICES.

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 deposited in 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:      Chairman of the Crow Tribe  
                         P.O. 159  
                         Crow Agency, Montana 59022

If to Secretary:   Bureau of Indian Affairs  
                         Regional Office  
                         Billings, Montana

If to Lessee:      Golden Arrow Exploration, LLC



319 S. Gillette Ave, Suite 269  
Gillette, Wyoming 82716

26      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.

27      LESSEE'S OBLIGATIONS TO THE UNITED STATES OF AMERICA.

While the Leased Premises are in trust of 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.

28      DELIVERY OF PREMISES.

At the termination of this lease, Lessee will peaceably and without legal process deliver up the possession of the Leased Premises in good condition.

29      RESTRICTION OF LEASE INTERESTS.

No member of, or delegate to Congress, or Resident Commissioner, shall be admitted to any share or part of this lease or to any benefit that may arise herefrom but this provision shall not be construed to extend to this lease if made with a corporation or company for its general benefit.



30      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.

31      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.

32      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.

33      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.

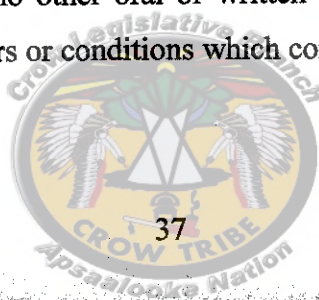
34      HEADINGS.

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.

35      ENTIRE AGREEMENT.

35.1      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, unless environmental warranties are also required under separate document entered into in connection herewith. 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.

35.2 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.

36 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.

37 SECRETARIAL 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.







STATE OF \_\_\_\_\_ )  
:ss.  
County of \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2005, by LESLIE R. ZAHROWSKI and M. GREG CARLSON, Managing Members, as and on behalf of the GOLDEN ARROW EXPLORATION, LLC, a Wyoming limited liability company.

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Print or type name

(Seal)

Notary Public for the State of \_\_\_\_\_

Residing at: \_\_\_\_\_

My Commission expires: \_\_\_\_\_

THE FOREGOING OIL AND GAS LEASE BETWEEN THE CROW TRIBE OF INDIANS  
AND GOLDEN ARROW EXPLORATION, LLC, APPROVED AND AGREED TO:

DATE: \_\_\_\_\_

## Keith Beartusk

Bureau of Indian Affairs

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

