

OIL AND GAS LEASE

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THIS AGREEMENT, made and entered into this 16th day May, 2007, by and between MIKE D. SHULL and PEGGY J. SHULL, 53004 Weld County Road 100, Grover, Colorado 80729, hereinafter called Lessor (whether one or more) and BLACK RANGE MINERALS COLORADO, LLC, a wholly owned subsidiary of Black Range Minerals Limited, an Australian company whose address is, a wholly owned subsidiary of Black Range Minerals Limited, 110 North Rubey Drive, Suite 201, PO Box 18041, Golden, Colorado 80402, hereinafter called Lessee:

1. WITNESSETH: That the Lessor, for and in consideration of \$10.00 cash in hand paid, receipt of which is hereby acknowledged, and of the covenants and agreements hereinafter contained on the part of the Lessee to be paid, kept and performed, has granted, demised, leased and let and by these presents does grant, demise, lease and let exclusively unto said Lessee, with the exclusive right of mining, exploring by geophysical and other methods and operating for and producing therefrom oil and all gas whatsoever nature or kind, and laying pipe lines, telephone and telegraph lines, housing and boarding employees, building tanks, power stations, gasoline plants, ponds, roadways, and structures thereon to produce, save, market and take care of said products and the exclusive surface and subsurface rights and privileges related in any manner to any and all such operations alone or conjointly with neighboring land for such purposes, all that certain tract or tracts of land situated in the County of Weld, State of Colorado, described as follows, to-wit:

SEE ATTACHED EXHIBIT "A"

and containing 6,685.00 acres, more or less.

2. It is agreed that this lease shall remain in force for a term of ten (10) years from date and so long thereafter as oil or gas, of whatsoever nature or kind, or either of them, is produced from said land or premises pooled therewith or drilling or other operations are commenced and continued as hereinafter provided. If, at the expiration of the primary term of this lease, oil or gas is not being produced on or from said land or said pooled premises, but Lessee is then engaged in drilling, reworking or recompletion operations thereon, then this lease shall continue in force so long thereafter as drilling, reworking or recompletion operations are being continuously prosecuted on said land or on a pooled unit which includes all or part of said land; and drilling, reworking or recompletion operations shall be considered to be continuously prosecuted if not more than ninety (90) days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling, reworking or recompletion of another well. It is understood and agreed by Lessor and Lessee for all purposes of this instrument, that producing, drilling, reworking and recompletion operations shall include the dewatering of coalbed gas wells. If oil or gas shall be discovered and/or produced from any such well or wells drilled, being drilled, reworked or recompleted at or after the expiration of the primary term of this lease, this lease shall continue in force and effect so long thereafter as oil or gas is produced from the leased land or from any such pooled unit which includes all or part of said lands. If, after expiration of the primary term of this lease, production on said land or premises pooled therewith (whether such production was established prior to or after the expiration of the primary term hereof), should cease for any cause, this lease shall not terminate if Lessee commences additional drilling, reworking or recompletion operations within ninety (90) days after such cessation of production.

3. This is a PAID-UP LEASE. In consideration of the down payment, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term. Lessee may, at any time or times during or after the primary term surrender this lease as to all or any portion of said land and as to any strata or stratum by delivering to Lessor or by filing for record a release or releases, and be relieved of all obligation thereafter accruing as to the acreage surrendered.

4. In consideration of the premises the said Lessee covenants and agrees:

(a) To deliver to the credit of Lessor, free of cost in the pipe line to which Lessee may connect his wells, the equal twelve and one-half percent part of all oil produced and saved from the leased premises, or at the Lessee's option, may pay to the Lessor for such twelve and one-half percent royalty, the market price for oil of like grade and gravity prevailing on the day such oil is run into the pipe line or into storage tanks.

(b) To pay Lessor for gas of whatsoever nature of kind produced and sold, or used off the premises, or used in the manufacture of any products therefrom, twelve and one-half percent, at the market price at the well for the gas sold, used off the premises, or in the manufacture of products therefrom. Where oil and/or gas from a well capable of producing oil and/or gas is not produced, sold or used, Lessee may pay or tender as royalty One Dollar per year per net royalty acre retained hereunder, such payment or tender to be made on or before the anniversary date of this lease next ensuing after the expiration of 90 days from the date such well is shut in and thereafter on or before the anniversary date of this lease during the period such well is shut in, to the royalty owners. If such payment or tender is made, it will be considered that oil and/or gas is being produced within the meaning of this lease.

5. Lessee, at its option, is hereby given the right and power at any time and from time to time as recurring right, either before or after production, as all or part of the land described herein and as to any one or more of the formations hereunder, to pool or unitize the leased estate and the mineral estate covered by this lease with other land, lease or leases in the immediate vicinity for the production of oil and gas, or separately for the production of either, when in Lessee's judgment it is necessary or advisable to do so, and irrespective of whether authority or similar to this exists with respect to such other land, lease or leases. Likewise, units previously formed to include formations not producing oil or gas, may be reformed to exclude such non-producing formations. The forming or reforming of any unit shall be accomplished by Lessee executing and filing of record a declaration of such unitization or reformation, which declaration shall describe the unit. Any unit may include land upon which a well has theretofore been completed or upon which operations for drilling have theretofore been commenced. Production, drilling, reworking or recompletion operations or a well shut in for want of a market anywhere on a unit which includes all or part of this lease shall be treated as if it were production, drilling, reworking or recompletion operations or a well shut in for want of a market under this lease. In lieu of the royalties elsewhere herein specified, including shut-in gas royalties, Lessor shall receive on production from the unit so pooled royalties only on the portion of such production allocated to this lease; such allocation shall be that proportion of the unit production that the total number of surface acres covered by this lease and included in the unit bears to the total number of surface acres in such unit. In addition to the foregoing, Lessee shall have the right to unitize, pool, or combine all or any part of the above described lands as to one or more of the formations hereunder with other lands in the same general area by entering into a cooperative or unit plan of development or operation approved by any governmental authority and, from time to time, with like approval, to modify, change or terminate any such plan or agreement and in such event, the terms, conditions, and provisions of this lease shall be deemed modified to conform to the terms, conditions, and provisions of such approved cooperative or unit plan of development or operation and, particularly, all drilling and development requirements of this lease, express or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this lease shall not terminate or expire during the life of such plan or agreement. In the event that said above described lands or any part thereof, shall hereafter be operated under any such cooperative or unit plan of development or operation whereby the production therefrom is allocated to different portions of the land covered by said plan, then the production allocated to any particular tract of land shall, for the purpose of commencing the royalties to be paid hereunder to Lessor, be regarded as having been produced from the particular tract of land to which it is allocated and not to any other tract of land; and the royalty payments to be made hereunder to Lessor shall be based upon production only as so allocated. Lessor shall formally express Lessor's consent to any cooperative or unit plan of development or operation adopted by Lessee and approved by any governmental agency by executing the same upon request by Lessee.



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6. Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for its operation thereon, except water from ditches, ponds, reservoirs, or wells of Lessor.

When requested by the Lessor, Lessee shall bury its pipelines on cultivated portions below plow depth.

No well shall be drilled nearer than 200 feet to the house or barn now on said premises, without the written consent of the Lessor.

Lessee shall pay for damages caused by his operations to growing crops on said lands.

Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

7. If the estate of either party hereto is assigned and the privilege of assigning in whole or in part is expressly allowed, although it is agreed that no change or division in ownership of the land, royalties, however accomplished shall operate to enlarge the obligations or diminish the rights of the Lessee, the covenants herof shall extend to their heirs, executors, administrators, successors or assigns, but no change in the ownership of the land or assignment of royalties shall be binding on the Lessee until after the Lessee has been furnished with certified copies of the recorded documents transferring title from Lessor, and it is hereby agreed in the event this lease shall be assigned as to a part or parts of the above-described lands and the assignor or assignees of such part or parts shall fail or make default in the payment of the proportionate part as to royalties due from him or them, such default shall not operate to defend or affect this lease insofar as it covers a part or parts of said lands as to which the said Lessee or any assignee thereof shall make due payment of said royalties. In the event of death of any person entitled to royalties hereunder, Lessee may pay or tender such royalties to the credit of the deceased or the estate of the deceased until such time as Lessee is furnished with proper evidence of the appointment and qualification of an executor or administrator of the estate, or if there be none, then until Lessee is furnished with evidence satisfactory to it as the heirs or devisees of the deceased.

8. Lessor hereby warrants and agrees to defend the title to the lands herein described, and agreed that the Lessee shall have the right at any time to pay for Lessor, any mortgages, taxes, or other liens on the above-described lands in the event of default of payment by Lessor, and be subrogated to the rights of the holder thereof, and Lessor hereby agrees that any such payments made by the Lessee for the Lessor may be deducted from any amounts of money which may become due the Lessor under the terms of this lease.

9. If said Lessor owns less interest in the above-described land than the entire and undivided fee simple estate therein, then the royalties herein provided shall be paid the Lessor only in proportion, which his interest bears to the whole and undivided fee simple estate therein, from the lands herein described to which the interest of Lessor may be subject shall be deducted from any royalty herein reserved. Production from the lands herein described to which the interest of Lessor may be subject shall be deducted from any royalty herein reserved.

10. Lessee shall comply with all laws and regulations of any Governmental body purporting to exercise taxing authority over the lands covered by this lease or the person of the Lessor herein and in so complying, Lessee shall not be responsible for determining the legality, validity or constitutionality of any such law or regulation enacted or issued by any such Governmental body. In determining the residence of Lessor for purposes of complying with such laws or regulations Lessee may rely upon the address of Lessor herein set forth or upon the last known address of Lessor. Neither any error in the determination of the residence or status of Lessor nor an error in the payment of any sums of money due or payable to Lessor under the terms of this lease which is made during the course of or as a result of Lessee's good faith efforts to comply with any such laws or regulations shall terminate this lease or constitute grounds for any cause of action against Lessee. All of Lessee's obligations and covenants hereunder, whether express or implied, shall be suspended at the time or from time to time as compliance with any thereof is prevented or hindered by or is in conflict with Federal, State, County, or municipal laws, rules, regulations or Executive Order asserted as official by or under public authority claiming jurisdiction, or Act of God, adverse field, weather, or market conditions, inability to obtain materials in the open market or transportation thereof, war, strikes, lockouts, riots, or other conditions or circumstances not wholly controlled by Lessee, and this lease shall not be terminated in whole or in part, nor Lessee held liable in damages for failure to comply with any such obligations or covenants if compliance therewith is prevented or hindered by or is in conflict with any of the foregoing events/conditions. The time during which Lessee shall be prevented from conducting drilling or reworking operations during the primary term of this lease, under the contingencies above stated, shall be added to the primary term of the lease.

11. Should any person, firm or corporation have an interest in the above-described land not leased to Lessee, or should any one or more of the parties named above as Lessors not execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

12. The undersigned lessons for themselves and their heirs, successors, and assigns, hereby expressly release and waive all rights under and by virtue of the homestead exemption laws of said state, insofar as the same may in any way affect the purposes for which this lease is made as recited herein.

13. This lease shall terminate at the end of the Primary Term as to all of the leased lands except those tracts of land included in each 160-acre spacing unit on which there is then located a well producing or capable of producing oil and/or gas or a well on which dewatering operations have commenced unless Lessee is then engaged in drilling or reworking operations in accordance with the provisions of this lease. In the event that Lessee is engaged in said drilling or reworking operations at the expiration of the Primary Term, this lease shall continue in full force and effect as to the leased lands so long as a continuous drilling program is maintained whereby not more than 180 days shall elapse from the completion or abandonment of one well to the commencement of actual drilling operations on another well with the bona fide intention to establish production therefrom. Upon failure to maintain said continuous drilling program, this lease shall then automatically terminate as to (i) any lands not included in the 160-acre spacing units on which there then is located a well producing or capable of producing oil and/or gas or a well on which dewatering operations have commenced and (ii) all depths 100 feet below the deepest depth drilled in each such spacing unit.

IN WITNESS WHEREOF, the undersigned execute this instrument as of the day and year first above written.

MIKE D. SHULL

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Peggy J. Shull
Peggy J. Shull

STATE OF COLORADO

COUNTY OF Morgan

On this 18 day of May, 2007, before me personally appeared KEVIN D. SUTELA and ROBERT A. SUTELA, known to be the persons described in and who executed the foregoing instrument, and who acknowledged to me they executed the same as their act and deed, including the release and waiver of the right of homestead, having been by me fully apprised of its rights and effects of releasing and acknowledging the said instrument, in witness whereof, I hereunto set my hand and official seal at the City of New York, State of New York.

毛澤東同志與夏曉華

My commission expires 04-14-2008

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EXHIBIT "A"

Attached to and made a part of that certain Oil and Gas Lease dated May 16, 2007, by and between
MIKE D. SHULL and PEGGY J. SHULL, Lessor, and
BLACK RANGE MINERALS COLORADO, LLC,
a wholly owned subsidiary of Black Range Minerals Limited, Lessee

Township 8 North, Range 59 West, 6th P.M.
Section 19: N2SW, W/2SE 160

Township 9 North, Range 59 West, 6th P.M.
Section 30: Lots 1 (41.35), 2 (41.10), 3 (40.84), 4 (40.59), E/2W/2, W/2E/2 1605
Section 31: Lots 1 40.40), 2 (40.29), 3 (40.17), 4 (40.26), E/2W/2, W/2E/2, SESE

Township 9 North, Range 60 West, 6th P.M.
Section 3: SW, W/2SE 1440
Section 9: NE
Section 10: W/2NW
Section 25: E/2, E/2NW, SWNW, SW
Section 26: SESE
Section 35: N/2

Township 9 North, Range 62 West, 6th P.M.
Section 1: W/2NW, W/2SW 700
Section 2: E/2NE, E/2SE
Section 12: NW, E/2SW, W/2SE
Section 13: E/2NW, W/2NE

Township 10 North, Range 60 West, 6th P.M.
Section 17: E/2SE, SENE 1360
Section 20: SE, S/2NE, NENE
Section 28: NW
Section 29: N/2, SW
Section 30: S/2SE, SESW
Section 31: NWNE
Section 32: SW

Township 10 North, Range 62 West, 6th P.M.
Section 5: SWSW
Section 6: NWNW, SENW, SWNW, NESW, SWSE, SESE
Section 7: SE, NENE, NWNE, SENE
Section 8: W/2NW, S/2 1160
Section 17: All
Section 25: SE

Weld County, Colorado
Containing 6,685.00 acres, more or less.

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