

AGREEMENT

For ten dollars (\$10) and other considerations this Agreement is made this 6th day of October 1981 between Harold Bates and J & B Producing Co., a partnership.

Whereas, J & B Producing Co. is the holder of oil and gas leases from the surface down 2,000 feet on the described lands (a copy of the leases and the assignment of those leases to J & B Producing Co. is attached to the Agreement and incorporated by reference.) and

Whereas, J & B Producing Co. has contracted with Montana-Dakota Utilities Co. to supply up to 500 MCF of Natural Gas and have installed a pipeline for that purpose (a copy of the contract between Montana-Dakota Utilities Co. is attached to this contract and incorporated by reference.) and

IT IS HEREBY AGREED:

I. Exclusive Right to Explore and Duration of Contract

Harold Bates shall have the exclusive right to drill for oil and gas on the property leased by J & B Producing Co. This contract and exclusive rights will expire July 15, 1982.

II. Number of Exploratory Wells

Harold Bates agrees to drill five exploratory wells to a minimum depth of 200 feet or a total of 1,500 feet on the property described in the leases on or before April 15, 1982 or this contract will terminate and have no further force and effect.

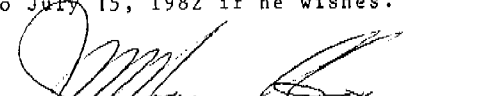
III. Producing Wells Less Than 2,000 Feet Below The Surface

It is further agreed in the event that Harold Bates discovers a well capable of producing oil and gas, which is less than 2,000 feet below the surface, that J & B Producing Co. will bring the pipeline to that well at the expense of J & B Producing Co. All monies from the well will be equally divided between Harold Bates and J & B Producing Co. except that Harold Bates will recover all costs associated with only that particular well prior to the division.

Harold Bates will not be responsible for J & B Producing Co.'s debts and J & B Producing Co. will not be responsible for Harold Bates' debts.

If this contract is met and there are no producing wells Harold Bates has an option to July 15, 1982 if he wishes.

  
Harold Bates

  
J & B Producing Co.

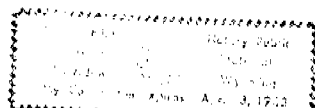
  
J & B Producing Co.

  
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J & B Producing Co.

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J & B Producing Co.



STATE OF Montana  
COUNTY OF Salt Lake

This instrument was acknowledged before me, the undersigned this 7th day of October, 1981, by Harold Bates and J & B Producing Co.  
Harold Bates and James A. Bennett  
My commission expires 4/3/83.