



November 21, 2024

City of Sidney
115 2nd Street Southeast
Sidney, MT 59270

RE: *Offer to Lease Mineral Interest – Richland County, Montana*

Township 23 North, Range 59 East, Richland County, M.P.M.
Section 34: SWNW

Gross Acres: 40
Net Mineral Acres: 7.55

Dear City of Sidney:

Phoenix Capital Group Holdings LLC (“Phoenix”) is interested in acquiring an oil and gas lease covering your above captioned mineral interests. Enclosed please find an oil and gas lease covering said interest for your consideration. The terms we are offering for your execution of the enclosed lease are as follows:

18.752
BONUS: \$400.00 per net mineral acre
ROYALTY: 17.00%
TERM: 3 Year Primary Term
OPTION: 2 Year Option to Extend at 100% original bonus

If you are in agreement with the above terms, please execute the memorandum and lease where indicated in the presence of a notary public, sign and date this letter where indicated, and return all documents to Phoenix Capital Group, 18575 Jamboree Road, Suite 830, Irvine, CA 92612. **IMPORTANT: This Offer Letter must be fully executed and returned in its entirety to be considered received.** Upon Phoenix’s approval & receipt thereof and upon verification of title and interest as further outlined below, Phoenix will issue payment in the amount of **\$3,020.00** directly to you via ACH deposit or check mailed to the above address.

This offer is valid until 5:00 PM PST December 19, 2024. In addition, this offer is subject to title and verification of your above captioned interest. In the event it is determined your ownership interest differs from that of the above captioned it is understood and agreed the consideration amount referenced herein shall be proportionately reduced or increased. The Closing of this lease, as contemplated by this agreement, shall take place on a date selected by Phoenix which is on or before forty-five (45) business days from Phoenix’s receipt of this executed offer letter. **The executed Oil and Gas Lease and Memorandum of Oil and Gas Lease must be properly executed, of recordable quality and returned in its entirety and must be provided to Phoenix prior to this Closing Date.** Furthermore, the consideration as detailed herein shall constitute full consideration for your execution of the enclosed lease covering your entire mineral interest under the above captioned lands.

Should you have any questions or further points of discussion, please do not hesitate to contact me by using the contact information below.

Sincerely,

J.R. Fuller
Senior Minerals Specialist
Phone – 469-865-1989
Email – jfuller@phxcapitalgroup.com



If City of Sidney is agreeable to the terms and conditions herein, please signify by executing and sending this Offer to Lease to Phoenix Capital Group at 18575 Jamboree Road, Suite 830, Irvine, CA 92612.

Offer to Lease accepted this _____ day of _____, 20__

Lessor: City of Sidney

BY: City of Sidney

ITS: Manager

Lessee: Phoenix Capital Group



BY: Lindsey Wilson

ITS: Manager & COO

OIL AND GAS LEASE

(2024 PHX STD)

THIS AGREEMENT, Made and entered on November 21, 2024, by and between **City of Sidney**, whose mailing address is **115 2nd Street Southeast, Sidney, MT 59270**, hereinafter called Lessor, (whether one or more), and **Phoenix Capital Group Holdings LLC**, whose address is **18575 Jamboree Road, Suite 830, Irvine, CA 92612**, hereinafter called Lessee:

WITNESSETH, That the Lessor, for and in consideration of Ten (10) dollars and other valuable consideration cash in hand paid, the receipt of which is hereby acknowledged, and the covenants and agreements hereinafter contained, has granted, demised, leased and let, and by these presents does grant, demise, lease and let exclusively unto the said Lessee, the land hereinafter described, with the exclusive right for the purpose of mining, exploring by geophysical and other methods, and operating for and producing therefrom oil and all gas of whatsoever nature or kind, specifically including helium, carbon dioxide, and coalbed methane and any and all substances produced in association therewith from coal-bearing formations, together with ingress and egress for rights of way and easements for roads, laying pipe lines, water wells, disposal wells, injections wells, pits, electric and telephone lines and erection of structures and other facilities thereon to produce, save and take care of said products, all that certain tract of land situated in the County of Richland, State of Montana described as follows, to-wit:

Township 23 North, Range 59 East, Richland County, M.P.M.
Section 34: SWNW

Containing 40 acres, more or less. (the "leased premises")

In addition to the land described above, lessor hereby grants, leases and lets exclusively unto Lessee, to the same extent as if specifically described, lands which are now owned or claimed by lessor by one or any of the following reasons: (1) all lands and rights acquired or retained by lessor by avulsion, accretion, reliction or otherwise as the result of a change in the boundaries or centerline of any river or stream traversing or adjoining the lands described above; (2) all riparian lands and rights which are or may be incident, appurtenant, related or attributed to lessor in any lake, stream or river traversing or adjoining the lands described above by virtue of lessor's ownership of the land described above; (3) all lands included in any road, easement or right-of-way traversing or adjoining the lands described above which are or may be incident, appurtenant, related or attributed to lessor by virtue of lessor's ownership of the land described above; and (4) all strips or tracts of land adjacent or contiguous to the lands described above owned or acquired by lessor through adverse possession or other similar statutes of the state in which the lands are located. It is the specific intent of Lessor and Lessee herein, that Lessor hereby leases and lets unto Lessee under all the provisions of this lease all the mineral interest owns together with any reversionary rights and after-acquired interest in the Lands described above, whether or not properly described herein.

1. It is agreed that this lease shall remain in force for a term of **Five (5) years** from this date (herein called "primary term") and as long thereafter as oil or gas of whatsoever nature or kind is produced from said leased premises or on acreage pooled therewith, by Lessee or any third party, or drilling or reworking operations by Lessee or any third party, are continued on leased premises or on acreage pooled therewith as hereinafter provided. If, at the expiration of the primary term of this lease, oil or gas is not being produced on the leased premises or on acreage pooled therewith but Lessee, or any third party is then engaged in drilling or reworking operations thereon, then this lease shall continue in force so long as operations are being continuously prosecuted on the leased premises or on acreage pooled therewith; and operations shall be considered to be continuously prosecuted if not more than one hundred and eighty (180) days shall elapse between 1) the finished construction of a well pad and the arrival on-site of a drilling Rig capable of reaching the desired depth as defined by an approved Application for

Permit to Drill; 2) the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well. If after discovery of oil or gas on said land or on acreage pooled therewith, the production thereof should cease from any cause after the primary term, this lease shall not terminate if Lessee commences additional drilling or re-working operations within one hundred and eighty (180) days from date of cessation of production or from date of completion of dry hole. It is understood that this lease may also be maintained, and Lessee shall not be liable for delays or defaults in its performance of this Lease for reasons of Force Majeure, being defined herein as Acts of God or Nature. If oil or gas shall be discovered and produced as a result of such operations at or after the expiration of the primary term of this lease, this lease shall continue in force so long as oil or gas is produced from the leased premises or on acreage pooled therewith. Whenever used in this Lease, the words "operations" or "commence operations" (or their variants) shall include but not be limited to, any of the following activities: well pad excavation, grading and construction, drilling, testing, stimulating, completing, venting, reworking, recompleting, deepening, plugging back, or repairing a well in search or in an endeavor to obtain production of oil and gas, whether or not in paying quantities.

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

3. Lessee covenants and agrees to pay royalty to Lessor as follows:

1st. To deliver to the credit of Lessor, free of cost, in the pipeline to which Lessee may connect wells on the leased premise, the equal 17.00% part of all oil produced and saved from the leased premises.

2nd. To pay Lessor 17.00% of the gross proceeds each year, payable quarterly, for the gas from each well where gas only is found, while the same is being used off the premises, and if used in the manufacture of gasoline a royalty of 17.00%, payable monthly at the prevailing market rate for gas.

3rd. To pay Lessor for gas produced from any oil well and used off the premises or in the manufacture of gasoline or any other product, a royalty of 17.00% of the proceeds, at the wellhead, payable monthly at the prevailing market rate.

4. Any interest in production from the lands herein described to which the interest of lessor may be subject shall be deducted from the lessor's royalty herein reserved.

5. Where gas from a well capable of producing gas is not sold or used, Lessee may pay or tender as royalty to the royalty owners 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. If such payment or tender is made, it will be considered that gas is being produced within the meaning of this lease.

6. If said Lessor owns a less interest in the above-described land than the entire and undivided fee simple estate therein, then the royalties (including any shut-in royalty) herein provided for shall be paid the Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee.

7. Lessee shall have the right to use, free of cost, gas, oil, and water produced on said land for operation thereon, except water from the wells of Lessor.

8. Lessee shall bury Lessee's pipelines below plow depth.

9. No well shall be drilled nearer than 500 feet to the house or barn now on said premises without written consent of Lessor.

10. Lessee shall pay for reasonable amounts for all damages caused by Lessee's operations to growing crops on said land.

11. 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.

12. The rights of Lessor and Lessee hereunder may be assigned in whole or part. No change in ownership of Lessor's interest (by assignment or otherwise) shall be binding on Lessee until Lessee has been furnished with notice, consisting of certified copies of all recorded instruments or documents and other information necessary to establish a complete chain of record title from Lessor, and then only with respect to payments thereafter made. No other kind of notice, whether actual or constructive, shall be binding on Lessee. No present or future division of Lessor's ownership as to different portions or parcels of the said land shall operate to enlarge the obligations or diminish the rights of Lessee, and all Lessee's operations may be conducted without regard to any such division. If all or any part of this lease is assigned, no leasehold owner shall be liable for any act or omission of any other leasehold owner.

13. Lessee, at its option, is hereby given the right and power at any time and from time to time as a recurring right, either before or after production, as to all or any part of the land described herein and as to any one or more of the formations hereunder, to pool, or unitize the leasehold estate and the mineral estate covered by this lease with other land, lease or leases in the immediate vicinity for the production of oil and gas, or separately for the production of either, when in Lessee's judgment it is necessary or advisable to do so, and irrespective of whether authority similar to this exists with respect to such other land, lease or leases. Likewise, units previously formed to include formations not producing oil or gas may be reformed to exclude such 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 or reworking operations or a well shut in for want of a market anywhere on a unit which includes all or a part of this lease shall be treated as if it were production, drilling, or reworking 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 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 computing 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 of Lessee. Notwithstanding anything contained in this Lease to the contrary, any production from or drilling or reworking operations conducted on the leased premises or on acreage pooled therewith, shall perpetuate this Lease as if Lessee itself obtained such production or conducted such drilling or reworking operations, even though such production is obtained or such drilling or reworking operations conducted by a third party, irrespective of whether the Lessee executes an operating agreement or elects to participate in a well with a third party.

14. All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules or Regulations, and this lease shall not be terminated, in whole or in part, nor Lessee held liable in damages, for failure to comply therewith, if compliance is prevented by, or if such failure is the result of, any such Law, Order, Rule or Regulation.

15. Lessor hereby warrants and agrees to defend the title to the lands herein described, and agrees that the Lessee shall have the right at any time to redeem for Lessor, by payment, 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 the undersigned Lessors, for themselves and their heirs, successors and assigns, hereby surrender and release all right of dower and homestead in the premises described herein, insofar as said right of dower and homestead may in any way affect the purposes for which this lease is made, as recited herein.

16. Should any one or more of the parties hereinabove named as Lessor fail to execute this lease, it shall nevertheless be binding upon all such parties who do execute it as Lessor. The word "Lessor," as used in this lease shall mean any one or more all of the parties who execute this lease as Lessor. All the provisions of this lease shall be binding on the heirs, successors and assigns or Lessor and Lessee.

17. This oil and gas lease may be executed in any number of counterparts each of which shall be deemed an original and all of which taken together shall constitute one and the same and which shall become effective only when and if all parties referenced herein have executed an original or counterpart.

18. No litigation shall be initiated by Lessor for damages, forfeiture or cancellation with respect to any alleged breach or default by Lessee hereunder, for a period of at least ninety (90) days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default within such period. In the event a matter is litigated, such litigation shall be to the court, Lessor waiving its right to a jury. Further, in the event a final judicial determination is made that a breach or default has occurred, this lease shall not be forfeited or cancelled in whole or in part unless Lessee fails to commence to remedy the breach or default after a reasonable time after said judicial determination. In addition to the foregoing, any alleged breach of this lease through improper royalty deductions or improper royalty payments shall be resolved solely through binding arbitration by a single impartial arbitrator selected by the parties conducted under the commercial arbitration rules of the American Arbitration Association within one hundred twenty (120) days after formal submission.

19. When operations or production are delayed or interrupted by any cause, whether foreseeable or unforeseeable, beyond Lessee's reasonable control including, without limitation, labor disputes, acts of God, any federal or state or local law, or of some order, rule, regulation, requisition or necessity of any government or governmental authority, or any official acting thereunder, action or inaction by any federal, state, or local agencies which delays or prevents the issuance of granting of any approval or authorization required to conduct operations (including applicable permits); lease stipulations; fire, explosions, earthquake, storm, flood, drought or other adverse weather conditions; rig availability; war, rebellion, insurrection or riot; delay or failure by suppliers or transporters of materials, parts, supplies, services or equipment or by contractors or subcontractors; shortage of or inability to obtain at reasonable cost, labor, transportation, materials, machinery, equipment, supplies, utilities or services or the inability to mobilize or demobilize the same at reasonable cost; accidents; breakdown of equipment, machinery or facilities; actions by environmental groups, or other special cause, whether similar or dissimilar to the foregoing, the time of such delay or interruption shall not be counted against Lessee and this lease shall remain in force during such delay or interruption and ninety (90) days thereafter, anything in this lease to the contrary withstanding.

20. If, during any time this lease is in force and effect, Lessor receives any bona fide offer, which Lessor is willing to accept from any party offering consideration to Lessor for a lease (top lease) covering any or all of the substances covered by this lease or covering all or a portion of the leased premises, with the top lease becoming effective upon the expiration of this lease, Lessor hereby agrees to immediately notify Lessee in writing of said offer, setting forth the proposed Lessee's name, bonus consideration and royalty to be paid for such lease, and Lessor shall include a copy of the lease form to be utilized which form shall reflect all pertinent and relevant terms and conditions of the top lease. Lessee shall have thirty (30) days after receipt from Lessor, of a complete copy of any such offer to advise Lessor in writing of its election to enter into an oil and gas lease or extend the primary term of this lease with Lessor on equivalent terms and conditions as made in the top lease. If Lessee fails to notify Lessor

within the aforesaid thirty (30) day period of its election to meet any such bona fide offer, Lessor shall have the right to accept said offer. It is understood that any top lease acquired by Lessee herein pursuant to this provision, shall not limit the term or otherwise affect the validity of this lease. Any top lease granted by Lessor to a third party without prior notification to Lessee, as set out above, shall be null and void.

21. Lessee has the optional right, but not the obligation, to extend this lease for an additional **Three (3) years** beyond the primary term, including any time earned under the continuous drilling provision and/or force majeure clause contained in the lease (the "Expiration Date"), by tendering to Lessor on or before the Expiration Date, an amount equal to **100%** of the original bonus paid to Lessor, its successors or assigns, on a per net mineral acre basis on any or all of the lands which the Lessor owns an interest in and which Lessee elects to exercise under its option. Unless otherwise notified by Lessor in writing of a new mailing address, Lessee's tender to Lessor of the monies referenced herein to the mailing address set out above shall be deemed as effective for all purposes and received by Lessor. If Lessee exercises this option to extend, Lessee is granted the right to file a Notice of Option to Extend in the Deed Records of the County where the lands are located.

(REMAINDER OF THIS PAGE LEFT INTENTIONALLY BLANK)

IN WITNESS WHEREOF, this instrument is EFFECTIVE as the date first above written but EXECUTED as of the date in the acknowledgement.

LESSOR: City of Sidney

BY: City of Sidney
ITS: Manager

STATE OF _____

ACKNOWLEDGMENT

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 20____, by **City of Sidney, as Manager of City of Sidney**, to me known to be the identical person(s) described herein, and who executed the within and foregoing instrument of writing and acknowledgment to me that he / she duly executed the same as his / her free and voluntary act and deed for the uses and purposes therein set forth.

Witness my hand and official seal.

Notary Public in and for the State of _____

Please return to:
Phoenix Capital Group Holdings, LLC
18575 Jamboree Road, Suite 830
Irvine, CA 92612

MEMORANDUM OF OIL AND GAS LEASE

STATE OF MONTANA

§
§
§

COUNTY OF RICHLAND

Lessor: City of Sidney
115 2nd Street Southeast
Sidney, MT 59270

Lessee: Phoenix Capital Group Holdings, LLC
18575 Jamboree Road, Suite 830
Irvine, CA 92612

Lease Date: November 21, 2024 (“Effective Date”)

Notice is hereby given that Lessor named above, executed and delivered to Lessee, named above, an Oil and Gas Lease (the “Lease”) in which Lessor granted, leased and let to Lessee all of Lessor’s oil, gas and other minerals produced in conjunction therewith, in the lands (the “Leased Premises”) located in the county and state named above more particularly described as:

Township 23 North, Range 59 East, Richland County, M.P.M.
Section 34: SWNW

Containing 40 acres, more or less.

The Oil and Gas Lease provides for a primary term of Five (5) years from the Effective Date, with the option to extend said Oil and Gas Lease for an additional term of Three (3) years and so long thereafter as oil and/or gas is being produced from the Leased Premises, or lands pooled therewith, or so long thereafter as operations are being conducted thereon, as therein provided.

Reference is hereby made to executed copies of said Oil and Gas Lease in possession of Lessor and Lessee, respectively, for all of the provisions thereof, and by this reference same are incorporated herein and made a part hereof in all respects as though fully set forth herein.

IN WITNESS WHEREOF, Lessor and Lessee have caused this Memorandum of Oil and Gas Lease to be duly executed as of the date hereinabove stated.

LESSOR: City of Sidney

BY: City of Sidney
ITS: Manager

STATE OF _____

ACKNOWLEDGMENT

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 20____, by **City of Sidney, as Manager of City of Sidney**, to me known to be the identical person(s) described herein, and who executed the within and foregoing instrument of writing and acknowledgment to me that he / she duly executed the same as his / her free and voluntary act and deed for the uses and purposes therein set forth.

Witness my hand and official seal.

Notary Public in and for the State of _____