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DRILL

CONTRACT & DAILY RPTS: GUSTIN CORP, 10/89

60008610

ROSEBUD
SIGNED COPY
TO GUSTIN 10/27

TO: LAC MINERALS
P.O. Box 21390
Reno, NV 89515
Phone # 702-356-8058
Fax # 702-356-2727
Attn: Nate Brewer

MASTER DRILLING CONTRACT

THIS AGREEMENT made and entered into this 23rd day of October, 1989, by and between the CONTRACTOR, GUSTIN CORPORATION, a Nevada corporation, located at P. O. Box 894, Elko, Nevada 89801 (hereinafter designated "Contractor"), and the OPERATOR, LAC MINERALS, P.O. Box 21390, Reno, NV 89515, (hereinafter designated "Operator").

The complete drilling contract shall consist of the Master Drilling Contract, containing general provisions that shall apply to all work, and the Exhibits, containing the specific details for each drilling project.

W I T N E S S E T H :

WHEREAS, in connection with it's exploration for and testing of geothermal and minerals resources, Operator desires to have certain drilling services performed with relation to the properties described in Exhibit A, attached hereto and by this reference made a part hereof (hereinafter designated the "Properties"); and Contractor represents that it can furnish suitable equipment and competent personnel to perform the desired services in the areas specified:

NOW, THEREFORE, in consideration of the mutual agreements herein stated, it is agreed between the parties as follows:

1. Work to be performed: Contractor agrees to perform and conduct certain drilling operations, including rotary drilling, air-hammer drilling and core drilling, and other related operations, including installing and removing casing, taking samples, filling and plugging holes, as may be required by Operator from time to time at locations selected by, and to depths specified by, Operator, all in accordance with the terms and provisions hereinafter set forth.

2. Labor and Material: Contractor shall furnish all labor, rotary drilling equipment, and all other equipment, tools, and materials of a kind and character customarily used for the efficient conduct of exploration drilling. Specific responsibilities with respect to materials and equipment to be provided by Operator or by Contractor are set forth in the attached Exhibits.

3. Term and Cancellation: Contractor shall commence work on or about November 1, 1989, but in no event prior to the full

execution of this contract. This contract shall continue in force until such time as one party, or both parties, terminate(s) it according to the provisions which follow, or upon passage of one year. The term of this contract with respect to a specific project shall be set forth in Exhibit A for that project.

The Operator or Contractor, through Force Majeure, may suspend operations for reasons of weather related conditions or any other reason outside the control of the party claiming suspension, after mutual consultation and agreement.

Upon termination of this contract for any reason, Contractor shall submit a bill for all work completed up to the time of termination, and Operator shall pay Contractor for all such work according to the terms set forth in the Exhibits. Operator shall be responsible for no charges, except as set forth in the Exhibits, for operations taking place after the proper cancellation of the contract. Contractor shall remove its equipment and property from the drilling area upon cancellation or termination of this contract.

4. Consideration: Contractor shall furnish Operator a written statement of charges at intervals as specified in Exhibit A for all services performed and all items furnished by Contractor during the billing period. If such statement is found to be correct and is approved by Operator, payment to Contractor shall be made within 15 days from the date of receipt in accordance with the terms set forth in the Exhibits.

Contractor shall base its charges on the information taken from signed daily drill reports, which shall be signed by Operator's representative at the drill site, and invoices for material and equipment purchases or rental. The signature of Operator's field representative shall constitute approval of the information contained in the daily drilling report for billing purposes. Changes in the daily drilling reports may be made only with the mutual consent of both parties once those reports have been approved.

In the event that late invoices from suppliers or late drilling reports from the field preclude the inclusions of all charges from one billing period on the proper bill, such charges may be included on the bill for the following period.

5. Relation of Parties: Contractor is an independent contractor, free of control of supervision by Operator as to the means or manner of performing the work. Contractor shall perform all drilling and other work hereunder with due diligence and in a safe and workmanlike manner, utilizing skilled and experienced employees and shall maintain the drilling area in a safe, orderly and clean condition.

Contractor assumes all responsibilities as employer for all employees of Contractor and agrees to pay all employer taxes and contributions required under applicable laws and regulations, and agrees to furnish Operator, upon request, evidence of compliance with said laws.

6. Indemnities: Contractor and Operator shall each indemnify and save harmless the other from and against all claims, liability, and causes of action for injury to, or death of, any person or persons, including persons employed by either party, and from damages to or loss of property, resulting from willful or negligent acts or omissions of the indemnifying party or its agents, employees, representatives or subcontractors, to the extent permitted by law.

7. Insurance: Contractor agrees to protect itself and its employees by carrying Workman's Compensation Insurance in compliance with the laws of the state in which work is performed. Contractor further agrees to carry and maintain in force the following liability insurance coverage:

COMPREHENSIVE GENERAL LIABILITY	
Bodily Injury Liability	\$1,000,000.00 each occurrence
PROPERTY DAMAGE LIABILITY	
Combined	\$1,000,000.00 aggregate
AUTOMOTIVE LIABILITY	\$1,000,000.00 aggregate

Contractor shall provide Operator with Certificate of Insurance as evidence that the required policies are in force.

8. Laws and Regulations: Contractor shall comply with all applicable laws and regulations pertaining to the performance of this work, including labor laws, and local regulations. Upon notification of a violation of any applicable law by a proper authority, Contractor shall immediately take corrective action at its sole expense.

9. Assignment: Any assignment of this contract or any subcontracting of any part of this work without Operator's written permission shall automatically terminate this contract.

10. Secrecy: Contractor understands the confidential nature of all information concerning exploration drilling programs and will not reveal information obtained as a result of this drilling except to Operator's employees or authorized representatives of the Operator. Contractor holds no leases or mining claims that have any bearing on or would be benefitted in any way from information obtained in the course of performing this contract,

and Contractor agrees not to acquire any such claims.

11. Recordkeeping: Contractor agrees to keep and maintain complete books, records and invoices pertinent to work under this contract. Operator shall have the right to examine all pertinent records at its request, for the purpose of verifying any changes made by the Contractor.

12. Access and Permits: Operator shall obtain all necessary rights of ingress and egress for properties on which drilling is to be conducted. Operator shall also obtain all permits required for drilling operations and shall purchase drilling water at the source.

13. Amendments and Notices: Amendments or changes to the terms of this contract shall be valid only when agreed upon in writing by both parties. Any notices required hereunder shall be written and shall be delivered to the appropriate following addresses:

OPERATOR

Lac Minerals
P.O. Box 21390
Reno, NV 89515

CONTRACTOR

Gustin Corporation
P. O. Box 894
Elko, Nevada 89801

14. Agreement: This instrument, including all exhibits and attachments, contains the entire agreement between the parties covering the subject matter. If any provision is found to be invalid or unenforceable, the validity of the remaining provisions of the agreement shall not be affected.

IN WITNESS WHEREOF, this contract is executed as of the day and year first written above.

OPERATOR
Lac Minerals

By: Nathan A. Power

CONTRACTOR
Gustin Corporation

By: Ernest L. Gustin

EXHIBIT "A"

Attached to and made a part of that certain MASTER DRILLING CONTRACT dated October 23, 1989, between Gustin Corporation, a Nevada Corporation, and Lac Minerals, a Nevada Corporation.

A. Description of property to be drilled. *NHB Pershing*

1. Location - Near the Rosebud Property, ~~Humboldt~~ County, NV.
2. Topography - Moderate
3. Access - By county road, dozer trail
4. Accommodations - nearest town, Lovelock, NV
5. Drilling characteristics of rocks encountered - Altered sediment and volcanic
6. Water availability - to be procured by Lac Minerals
7. Scheduled startup and completion - Approximately November 1, 1989 to completion.

B. Project Specifications:

1. Location Responsibility:

Preparation of access roads and drill sites by
Lac Minerals

Maintenance of access roads and drill sites by
Lac Minerals

2. Drilling: *angle or NHB*

One or more, vertical, reverse, hammer, rotary tricone holes of varying depths, not to exceed 800' maximum, commencing on or about November 1, 1989, at the property described above.

Minimum footage - 6,000 feet.

Hole Size - Approximately 5 1/2 inches.

Sample Interval - 5 feet or as requested.

Sample labor by Gustin Corporation.

Method of sample recovery - Cyclone, Jones splitter.

3. Footage Rates:

Vertical Reverse - \$7.85
Angle Reverse - \$8.10

4. Hourly Work on Footage Rate:

Furnish services necessary to move between sites,
setting and pulling of casing and others as indicated:
\$145.00 in excess of 1/hour/day

5. Hourly Rate:

Reverse - \$215.00

6. Bit Cost: No additional charge unless extreme wear
conditions warrant reconsideration.

7. Subsistence: (3 man crew) Per Man/Per Working
Day - \$35.00.

8. Equipment Services:

Furnish truck-mounted reverse circulation drill rig
capable of 800' angle drilling, 3-man crew, cyclone,
wet splitter and all support equipment.

9. In-Hole Materials:

Circulation Additives - Cost plus 10%
Casing (Unrecovered) - Cost plus 10%

10. Mobilization Rate: \$2.50 per mile (the lessor of 250
miles or actual miles.

11. Demobilization Rate: No charge

12. Standby Rate: With Crew - \$185.00
 Without Crew - \$155.00

13. Lost Circulation Hourly Rates:

Hourly rig rate after 1 hour if client desires to
continue hole.

14. Water Haul:

Hourly - \$50.00

15. Moving Between Holes: \$145/hour in excess of
1 hour/day.

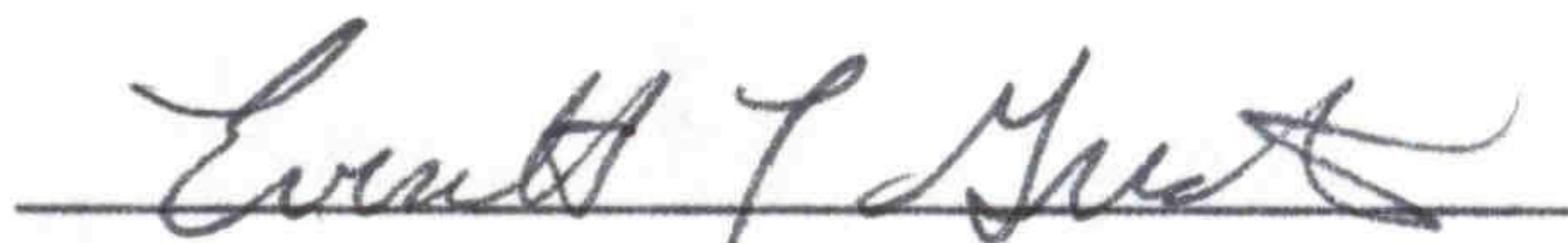
16. Additional Provisions: Please see attached Tool Loss Clause
17. Drill Rig Description: Either a 685 HH SCHRAMM with 900 CFM @ 350 psi air compressor with sliding angle mast or a T660H SCHRAMM with 900 CFM @ 350 psi air compressor also with sliding angle mast.
18. Auxiliary Support Equipment: Booster if necessary, pipe, water, fuel carriers and crew transport, mobile shop equipment.
19. Work Schedule: 10/4 or as requested.
20. Method of Payment:

Net 30 days after receipt of invoice, sent to
Gustin Corporation, P.O. Box 894, Elko, NV 89801.

Designated Representatives:

Contractor: GUSTIN CORPORATION

Everett E. Gustin



Operator: LAC MINERALS

Nathan H. Brewer



TOOL LOSS CLAUSE:

Tool Loss: Tool loss will be born by Contractor if loss is due to drilling error or equipment failure; however, if the Operator desires a hole to be continued after being advised of bad hole conditions by the driller, then the Operator will bear the cost of tool replacement at prorated cost plus fifteen (15%) percent overhead cost. Unexpected hole conditions resulting in lost tools will be charged as follows:

0 - 500 ft., 50% Operator, 50% Contractor
501-750 ft., 50% Operator, 50% Contractor
751-1000 ft., 50% Operator, 50% Contractor

When the driller advises the Operator of bad hole conditions which may cause loss of tools, he shall make such notation in his Daily Drill Report. Operator shall initial the Log acknowledging Driller's advice. If the Operator desires to override the Driller's advice, then the Operator shall also note in the Driller's Daily Drill Report his decision to continue the hole against the Driller's advice.