



January 22, 2019

MEMORANDUM OF UNDERSTANDING

MUTUAL COOPERATION AND STRATEGIC DEVELOPMENT OF HELIUM AND HYDROCARBON RESOURCES IN THE GREATER FLAGSTAFF REGION AND IN COCONINO COUNTY, ARIZONA

WHEREAS, the CITY OF FLAGSTAFF ("Flagstaff") is the largest city in Northern Arizona and serves as the regional, cultural and county seat for Coconino County, and comprises over 64 square miles at the base of the San Francisco Peaks;

WHEREAS, Flagstaff is a governmental, educational, economic, cultural and Community center for Northern Arizona and Coconino County;

WHEREAS, Flagstaff desires to encourage appropriate economic development in order to create cash flow for Flagstaff and local communities, with a view toward furthering local education, job creation, increasing local and regional infrastructure and generally increasing the well-being of the people;

WHEREAS, Flagstaff desires to maintain and preserve the beautiful Northern Arizona landscape and environment as a long-term legacy, whilst at the same time encouraging reasonable, appropriate economic development that is mindful of preserving the environment and not impinging significantly on the rights and customs of local indigenous communities; and

WHEREAS, DESERT MOUNTAIN ENERGY CORP. ("DME"), a public energy company with offices in Phoenix, AZ that is focused on development of helium and hydrocarbon resources in Arizona, via an outlook using renewable resources where economically feasible, has an experienced and highly qualified technical team of professionals and senior management who are familiar with exploration, drilling, production and distribution of helium, oil & gas resources; and

WHEREAS, DME has identified potential targets for exploration and development of helium and hydrocarbon resources in the greater Flagstaff region and Coconino County, and is requesting the support of Flagstaff in carrying out reasonable exploration and development activities which do not significantly compromise the environment or impinge the material rights of the indigenous communities;

NOW THEREFORE, THE PARTIES DO HEREBY AGREE:

That Flagstaff and DME shall work together on a cooperative basis to evaluate potential resources and if mutually beneficial, to develop reasonable plans for the strategic development of helium and hydrocarbon resources in the greater Flagstaff region and in Coconino County generally;

That the parties shall share all available technical and geological data related to helium and hydrocarbon resources in the Flagstaff region and in Coconino County generally;

That DME will fully consult with Flagstaff concerning each major exploration, drilling, development and or production program in the area with a view toward limiting environmental impact whilst allowing for successful extraction of valuable resources in order to generate cash flow for Flagstaff and the local communities, to encourage job creation and enhancement of local infrastructure; and to generally improve the well-being of the people;

That the parties will work together on a cooperative basis to encourage access to areas identified as highly prospective for helium and hydrocarbon resources in Coconino County which are not in designated national or state parks or are otherwise recognized as highly sensitive from the standpoint of environmental, water resources, cultural, or existing grazing or livestock considerations.

The Term of this Memorandum of Understanding shall be One year from the date hereof to and including January 10, 2020, unless terminated by either party on ten days' prior written notice and without further liability or obligation to the other party. It is contemplated that the parties may enter into one or more written agreements from time to time to further the objectives of this Memorandum of Understanding.

IN WITNESS WHEREOF, the parties do set their hand to this Memorandum of Understanding as of the date above written:

DESERT MOUNTAIN ENERGY CORP.

By \_\_\_\_\_  
Irwin A. Olian, CEO & Director

THE CITY OF FLAGSTAFF

By Barbara Goodrich  
BARBARA GOODRICH  
CITY MANAGER

City of Flagstaff  
Memorandum of Understanding  
Desert Mountain Energy Corp.

ATTEST:

Stacy Salzburg  
CITY CLERK

APPROVED AS TO FORM:

Angie W. Hill  
CITY ATTORNEY