

**BEFORE THE OIL AND GAS CONSERVATION COMMISSION  
OF THE STATE OF COLORADO**

**IN THE MATTER OF THE APPLICATION OF  
MINERAL RESOURCES, INC. FOR AN ORDER  
POOLING INTERESTS IN THE CRETACEOUS  
AGE FORMATIONS FROM THE BASE OF THE  
DAKOTA TO THE SURFACE LOCATED IN A  
PORTION OF THE WATTENBERG FIELD AND  
FOR THE MODIFICATION OF THE SIZE OF  
CERTAIN DRILLING AND SPACING UNITS FOR  
THE PRODUCTION OF OIL AND GAS FROM  
CERTAIN OF THE CRETACEOUS FORMATIONS  
IN WELD COUNTY, COLORADO**

**CAUSE NO. 318A,**

**DOCKET NO. \_\_\_\_**

**CAUSE NO. 407**

**DOCKET NO. \_\_\_\_**

COMES NOW, Mineral Resources, Inc., a Colorado corporation ("Applicant") by and through its attorney, Thomas J. Kimmell, P.C. and for its application for an order for the involuntary pooling of certain interests in production from the Cretaceous formations in the lands described below pursuant to CRS § 34-60-116 and for an order modifying the size of existing drilling and spacing units implemented pursuant to Cause No. 407 states and alleges as follows:

1. Applicant is duly authorized to conduct business in the State of Colorado and owns an interest in and operates oil and gas leases and mineral interests covering portions of certain lands located in Weld County, Colorado described as follows:

T5N, R66W, 6<sup>th</sup> P.M., Weld County, Colorado  
Section 22: NE/4

2. The above-described lands are included within the area governed by the Greater Wattenberg Area Special Well Location Rule, Rule 318A of the Commission rules and the Wattenberg spaced area for the production of oil and gas from the Codell and Niobrara formations (See Order No. 407-1 for the Codell formation and Order No. 407-6 for the Niobrara formation). The Sussex, J-Sand and Dakota formations are unspaced as to the lands described above.
3. Pursuant to Rule 318A, effective March 1, 2006, operators are authorized to utilize the designated drilling locations to produce all of the Cretaceous Age formations from the base of the Dakota to the surface, to include but not be limited to the Sussex, Codell, Niobrara, J-Sand and Dakota formations, to include "infill" and "boundary" wells as defined by Rule 318A.
4. Pursuant to orders in Cause No. 407, the Codell and Niobrara formations are to be developed on the basis of 80-acre drilling and spacing units.
5. The lands described above are located in the City of Greeley, Colorado and are in populated areas. Applicant acquired a 6-acre, more or less, tract of land in the vicinity of the lands described above (the "Drill Site") and plans to use the Drill Site to drill 5 planned oil and gas wells directionally to explore for and produce oil and gas from bottom hole locations under the lands described above. The 5 wells are included in a multi well drilling program to be drilled from the Drill Site. No more than 8 wells will be drilled pursuant to Rule 318A.
6. Rule 318A d. provides that Rule 318A does not alter the size or configuration of drilling units in the Greater Wattenberg Area and as a result, the Codell and Niobrara formations in and under the above-described lands remain subject to the provisions of Cause No. 407 and the requirements thereof unless modified by appropriate order of the Commission.
7. Applicant has received permits to drill the 5 wells from the Drill Site.
8. Consistent with the findings in the rulemaking that resulted in the adapted Rule 318A and in order to protect the correlative rights of the owners of the landowners' and overriding royalty interests in and to production from Sussex, J-Sand, Dakota, Codell and Niobrara formations in and under the lands above

described and to ensure that each such owner has the opportunity to recover his or her just and equitable share of the oil, gas and associated hydrocarbons produced and to be produced from the Sussex, J-Sand, Dakota, Codell and Niobrara formations, it is necessary to designate the one 160-acre drilling and spacing unit consisting of the NE/4 of Section 22 described above.

9. As set forth above, Applicant intends to drill 5 wells to test the Sussex, Codell, Niobrara, J-Sand and/or Dakota formations in and under the NE/4 of Section 22 above described and Applicant is proposing one five well package for the Spacing Unit, due to the costs and risks of the overall project.
10. Due to the costs and risks associated with the proposed wells, the creation of one 160-acre drilling and spacing unit for the quarter section is necessary to ensure that each such owner has the opportunity to recover his, her or its just and equitable share of the oil, gas and other associated hydrocarbons produced and to be produced from the Sussex, Codell, Niobrara, J-Sand and/or Dakota formations in and under the NE/4 of Section 22 above described.
11. Applicant owns and operates oil and gas leases and controls mineral interests in the NE/4 of Section 22 above-described. A plat of the Spacing Unit is attached hereto as Exhibit A.
12. According to the title work completed by Applicant, the unleased interests in the NE/4 of Section 22 are owned by the persons identified on Exhibit B attached hereto.
13. More than 30 days prior to the date this matter will be heard, by letters sent to the persons described in Exhibit B whose interest is unleased, Applicant offered to lease the interests in the oil and gas owned by those parties in the Spacing Unit. The letters included a proposed lease. A representative sample of the letter is attached hereto as Exhibit C.
14. The offer to lease was made pursuant to C.R.S. § 34-60-116(7) c and Rule 530 of the rules of the Commission and the terms thereof comply with the requirements of the statute and rule.
15. In addition, the in the letter containing the offer to lease described in paragraph 15, Applicant included the opportunity for each owner identified on Exhibit B to bear his, her or its proportionate share of the costs and risks of the drilling and operating the five wells currently planned for each Spacing Unit. The letters included the following information as required by Rule 530 of the Commission's rules:

The location and objective depths of the five wells to be drilled in the Spacing Unit,

The estimated drilling and completion costs of the five wells to be drilled in the Spacing Unit,

The estimated spud dates for the wells to be drilled in the Spacing Unit or range of time within which the spudding is to occur and

An AFE prepared by the Applicant and containing the information described above.
16. More than 30 days prior to the date this matter will be heard, the parties listed on Exhibit B, who have not elected to bear his, her or its proportionate share of the costs and risks of drilling and operating the five wells to be drilled in the Spacing Unit will have become non-consenting owners as defined by C.R.S. § 34-60-116(7) and Rule 530 of the rules of the Commission.
18. In order to prevent waste, protect correlative rights and in the best interests of conservation and to foster, encourage and promote the development, production and utilization of the oil and gas natural resources, all the unleased interests in the Spacing Unit in the J Sand, Dakota, Codell and Niobrara formations owned by the parties listed on Exhibit B should be pooled in accordance with the provisions of C.R.S. § 34-60-116.

WHEREFORE, Applicant respectfully requests that this matter be set for hearing, that notice thereof be given as required by law and that upon such hearing, this Commission enter its order:

- a. That the NE/4 of Section 22 above described be designated as a drilling and spacing unit for production of oil, gas and associated hydrocarbons from the Cretaceous formations from the base of the Dakota formation to the surface, to include, but not be limited to, production from the Sussex, J-Sand, Dakota, Codell and Niobrara formations,
- b. That the unleased interests in the 160-acre drilling and spacing unit consisting of the NE/4 of Section 22 described above in the Cretaceous formations from the base of the Dakota formation to the surface, to include, but not be limited to, production from the Sussex, J-Sand, Dakota, Codell and Niobrara formations owned by the parties listed on Exhibit B who are "non-consenting owners" as defined by Rule 530 of the rules of the Commission be pooled and that such owners be treated as non-consenting owners under C.R.S. § 34-60-116,
- c. Authorizing the production of oil, gas and associated hydrocarbons from the Cretaceous formations from the base of the Dakota formation to the surface to include, but not be limited to, production from the Sussex, J-Sand, Dakota, Codell and Niobrara formations from locations that are permitted by Rule 318A, and
- d. For such other and further relief as this Commission deems just and proper.

Dated this 26<sup>th</sup> day of August, 2011.

Respectfully Submitted,

Mineral Resources, Inc.

By: \_\_\_\_\_

Thomas J. Kimmell, P.C.  
Its Attorney  
Zarlengo & Kimmell, PC  
1775 Sherman Street, Suite 1375  
Denver, CO 80203  
Phone: 303-832-6204  
Fax: 303-832-6401  
Email: Kimmell01@aol.com

STATE OF COLORADO    )  
  ) ss.  
COUNTY OF WELD        )

Logan Richardson, of lawful age, being first duly sworn upon oath, deposes and says that he is employed by Applicant, that he has read the foregoing Application and that the matters therein contained are true to the best of his knowledge, information and belief.

\_\_\_\_\_  
Logan Richardson

Subscribed and sworn to before me this 25<sup>th</sup> day of August, 2011  
Witness my hand and official seal.

My commission expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public

**Exhibit “A”  
Plat of Spacing Unit**



Township 5 North, Range 66 West, 6<sup>th</sup> P.M.  
Section 22: NE/4  
City of Greeley, County of Weld, State of Colorado

## Exhibit “B”

### List of Non-Consenting Owners

Name	Street Address	City	State	Zip
Orr Resources, LLC	1813 61 <sup>st</sup> Avenue #200	Greeley	CO	80634

Exhibit "C"  
Representative Letter



**Mail: P.O. Box 328 Greeley, Colorado 80632 \* Phone: 970.352.9446 \* Fax: 970.339.8321**

July 14, 2011

Orr Resources, LLC  
1813 61<sup>st</sup> Ave #200  
Greeley, CO 80634

RE: Township 5 North, Range 66 West, 6<sup>th</sup> P.M.  
Section 22: NE/4 (5 bottom hole locations – standard GWA wells)  
W/2NE/4 & E/2NW/4 (1 bottom hole location – boundary well)

Dear Mr. Orr,

I am writing on behalf of Mineral Resources, a local oil and gas exploration company. We are developing a directional drilling program under the T-Bone Subdivision in Greeley, Colorado.

Mineral Resources plans to drill up to six (6) oil and gas wells beneath the above referenced property. The wells will be drilled from a common drilling pad.

According to the records of the Weld Clerk and Recorder's office, you own an interest in the oil and gas under the referenced property, and according to our research, your oil and gas interest is un-leased.

The objective depth of each of the wells is approximately 7,600 feet true vertical depth and may include penetrating the J-Sand formation. The well, if successful, will be completed on any one or more of the Cretaceous formations under the referenced land. Those formations include, but are not limited to, the Sussex, Codell, Niobrara, and J-Sand formations

Your interest will be pooled with adjoining lands to create the following spacing units.

- 1) NW/4 Section 22, Township 5 North, Range 65 West, 6<sup>th</sup> P.M. (5Wells)
- 2) W/2NE/4 & E/2NW/4 Section 22, Township 5 North, Range 65 West, 6<sup>th</sup> P.M. (1 Well)

Operations are scheduled to commence on or about September 1<sup>st</sup> 2011, but they may be either moved up or delayed depending on rig availability and dealings with the Colorado Oil and Gas Conservation Commission that governs this operation. Mineral Resources plans on drilling the wells in phases. The first phase will consist of five (5) wells in the NE/4. The final phase will consist of one (1) boundary well.

As an owner of a mineral interest, you have several options of participation from which to choose. The options are as follows:

Oil and Gas Lease - We have enclosed for your review and execution an oil and gas lease. This lease contains the same terms as the Oil and Gas Lease executed by Mike Disberger and Fred Orr, in providing for a 17% royalty interest in all wells in proportion to your acreage and a three-year primary term. As consideration for signing the lease Mineral Resources will pay you \$300.00 per acre upon the receipt of a signed and notarized oil and gas lease.

Participate as an Owner - As an alternative to leasing or selling your mineral interest, you have the opportunity to participate as a working interest owner and bear your proportionate share of the costs and risks of the drilling and operating of all or some of the six (6) wells within the Spacing Unit(s). We have attached an Authority for Expenditure ("AFE"), which estimates an average completed well cost of \$872,045 for each of the six (6) wells. This offer is being made pursuant CRS §34-60-116 (7) (a) and Rule 530 of the Rules and Regulations of the Colorado Oil and Gas Conservation Commission. **THE COST OF ANY OF THE WELLS MAY BE MORE OR LESS THAN THE AMOUNT OF THE AFE AND IF THE COSTS EXCEED THE AMOUNT OF THE AFE, YOU WILL BE LIABLE FOR YOUR PORPORTIONATE SHARE OF THE EXCESS COST.**

If you do not wish to execute an Oil and Gas Lease, please indicate your election whether or not to participate in the space provided below. Should you elect to participate, please also see the enclosed Joint Operating Agreement for your execution. This is the same Joint Operating Agreement signed by Standard Group, Mike Disberger and Fred Orr. If you elect to participate please sign and return the Joint Operating Agreement and AFE to Mineral Resources. Your total estimated payment will be due prior to the spudding of the first wells you elect to participate in.

If you desire to participate in this operation, you must execute and return this letter and related documents to the attention of the undersigned within thirty (30) days from your receipt of this notice. Should you elect not to participate in the drilling of the wells or lease your interest to Mineral Resources within this thirty day period, you will be considered as a non-consenting owner in the operation and Mineral Resources, as Operator, will apply with the Colorado Oil and Gas Conservation Commission to have your interests in the units and wells described in this letter involuntarily pooled with the interests of Mineral Resources and others who have elected to participate.

Sincerely,

**Mineral Resources, Inc.**

Collin Richardson

Cell: 970-590-7523

### PARTICIPATION ELECTION

- ☐ Orr Resources, LLC elects to lease its interest in the NE/4 of Section 22, T5N, R66W, 6<sup>th</sup> P.M. to Mineral Resources, Inc. and has included herewith a copy of a fully executed oil and gas lease.
- ☐ Orr Resources, LLC elects to participate in the proposed six (6) wells located in the NE/4 and the W/2NE/4 & E/2NW/4 of Section 22, T5N, R66W, 6<sup>th</sup> P.M.
- ☐ Orr Resources, LLC elects not to participate in the proposed six (6) wells located in the NE/4 and the W/2NE/4 & E/2NW/4 of Section 22, T5N, R66W, 6<sup>th</sup> P.M.

Signed this \_\_\_\_ day of \_\_\_\_\_, 2011

Orr Resources, LLC:

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# OIL AND GAS LEASE

This Oil and Gas Lease (“Lease”) is made this \_\_\_\_\_ day of \_\_\_\_\_, 2011, by and **ORR RESOURCES, LLC**, whose address is **1813 61<sup>st</sup> AVENUE #200, GREELEY, COLORADO 80634**, (“Lessor”, whether one or more) and **MINERAL RESOURCES, INC.**, whose address is **P.O. BOX 328, GREELEY, COLORADO 80632** (“Lessee”).

WITNESSETH, For and in Consideration of TEN DOLLARS, the covenants and agreements contained herein, and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, Lessor does hereby grant, demise, lease and let exclusively unto said Lessee, with the exclusive rights for the purposes of mining, exploring by geophysical and other methods and operating for and producing therefrom oil and all gas of whatsoever nature or kind (including coalbed gas), and laying pipelines, telephone and telegraph lines, building tanks, plants, power stations, roadways and structures thereon to produce, save and take care of said products (including dewatering of coalbed gas wells), and the exclusive surface or subsurface rights and privileges related in any manner to any and all such operations, and any and all other rights and privileges necessary, incident to, or convenient for the operation alone or conjointly with neighboring land for such purposes, all that certain tract or tracts of land situated in Weld County, Colorado, described to wit:

TOWNSHIP 5 NORTH, RANGE 66 WEST, 6<sup>TH</sup> P.M.  
**SECTION 22: NE/4, IN THE COUNTY OF WELD AND STATE OF COLORADO**  
**CONTAINING 160 GROSS ACRES AND 85 NET ACRES, MORE OR LESS** (the “Premises”)

Notwithstanding anything to the contrary herein contained, this lease is a “No Surface Occupancy” Oil and Gas Lease. It is agreed and understood that Lessee its successors or assigns shall not conduct any operations or locate any facilities on the surface of the leased lands. It is understood that Lessee, its successors or assigns shall not be allowed any access to the surface of the leased lands without written consent of Lessor. It is further agreed that Lessee shall have the right to drill and operate directional wells through and under said land irrespective of the bottom hole locations of said wells. To this end, Lessor hereby grants to Lessee a subsurface easement for all purposes associated with such directional wells.

1. It is agreed that this Lease shall remain in full force for a term of three (3) years from this date (“Primary Term”) and as long thereafter as oil or gas of whatsoever nature or kind is produced from the Premises or on acreage pooled or unitized therewith, or operations are continued as hereinafter provided. If, at the expiration of the Primary Term, oil or gas is not being produced from the Premises or on acreage pooled or unitized therewith but Lessee is then engaged in drilling, reworking or dewatering operations thereon, then this Lease shall continue in force so long as such operations are being continuously prosecuted. 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 of a subsequent well. If after discovery of oil or gas on the Premises or on acreage pooled or unitized therewith, the production thereof should cease from any cause after the primary term, this Lease shall not terminate if Lessee commences additional drilling, reworking or dewatering operations within ninety (90) days from date of cessation of production or from date of completion of a dry hole. If oil or gas shall be discovered and produced as a result of such operations at or after the expiration of the Primary Term, this Lease shall continue in force so long as oil or gas is produced from the Premises or on acreage pooled or unitized therewith.

2. This is a PAID-UP LEASE. In consideration of the payment made herewith, 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 the Premises 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. The royalties to be paid by Lessee are: (a) on oil and other liquid hydrocarbons, 17% of that produced and saved from said land, the same to be delivered at the wells, or to the credit of Lessor into the pipeline to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefore prevailing for the field where produced on the date of purchase; (b) on gas and the constituents thereof produced from said land and sold or used off the premises or in the manufacture of products therefrom, the market value at the well of 17% of the product sold or used. On product sold at the well, the royalty shall be 17% of the net proceeds realized from such sale. All royalties paid on gas sold or used off the premises or in the manufacture of products therefrom will be paid after deducting from such royalty Lessor's proportionate amount of all post-production costs, including but not limited to gross production and severance taxes, gathering and transportation costs from the wellhead to the point of sale, treating, compression, and processing and the percentage of proceeds paid to the gas purchaser and processor. On product sold at the well, the royalty shall be 17% of the net proceeds realized from such sale, after deducting from such royalty Lessor's proportionate amount of all of the above post-production costs and expenses, if any. Lessee agrees, however, that total deductions shall not exceed the enhanced value of the post production procedures.

4. Where gas from a well capable of producing gas (or from a well in which dewatering operations have commenced), is not sold or used after the expiration of the Primary Term, Lessee shall pay or tender as royalty to Lessor at the address set forth above One Dollar (\$1.00) per year per net mineral acre, such payment or tender to be made on or before the anniversary date of this Lease next ensuing after the expiration of ninety (90) days from the date such well is shut in or dewatering operations are commenced and thereafter on or before the anniversary date of this Lease during the period such well is shut in or dewatering operations are being conducted.

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

6. Lessee shall have the right to use, free of cost, gas, oil and water produced on the Premises for Lessee's operations thereon, except water from the wells of Lessor.

7. When requested by Lessor, Lessee shall bury Lessee's pipeline below plow depth.

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

9. Lessee shall pay for damages caused by Lessee's operations to growing crops on the Premises.

10. Lessee shall have the right at any time to remove all machinery and fixtures (including casing) Lessee has placed on the Premises.

11. The rights of the 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 Premises 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.

12. 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 Premises and as to any one or more of the formations thereunder, 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, reworking or dewatering 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, reworking or dewatering 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 royalties on production from such unit 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 Premises as to one or more of the formations thereunder 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 the Premises 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 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.

13. 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. Any delay or interruption caused by storm, flood, act of God or other event of force majeure shall not be counted against Lessee. If, due to the above causes or any cause whatsoever beyond the control of Lessee, Lessee is prevented from conducting operations hereunder, such time shall not be counted against Lessee, and this Lease shall be extended for a period of time equal to the time Lessee was so prevented, anything in this Lease to the contrary notwithstanding.

14. Lessor hereby 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 Lessor, for themselves and their heirs, successors and assigns, hereby surrender and release all right of dower and homestead in the Premises, insofar as said right of dower and homestead may in any way affect the purposes for which this Lease is made, as recited herein.

15. Should any one or more the parties named as Lessor herein 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 or 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 of Lessor and Lessee.

16. If at any time within the primary term of this lease and while the same remains in force and effect, Lessor receives any bona fide offer, acceptable to Lessor, to grant an additional lease (top lease) covering all or part of the aforescribed lands, lessee shall have the continuing option by meeting any such offer to acquire such top lease. Any offer must be in writing, and must set forth the proposed Lessee’s name, bonus consideration and royalty consideration to be paid for such lease, and include a copy of the lease form to be utilized which form should reflect all pertinent and relevant terms and conditions of the top lease. Lessee shall have fifteen (15) 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 with Lessor on equivalent terms and conditions. If Lessee fails to notify Lessor within the aforesaid fifteen (15) day period of its election to meet any such bona fide offer, Lessor shall have the right to accept said offer.

IN WITNESS WHEREOF, this instrument is executed as of the date first above written.

**ORR RESOURCES, LLC:**

STATE OF )  
 ) SS.  
COUNTY OF )

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this \_\_\_\_\_ day of \_\_\_\_\_, 2011, personally appeared \_\_\_\_\_, to me known to be the identical persons described in and who executed the within and foregoing instrument of writing, acknowledged to me that they duly executed the same as their free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.

My Commission Expires \_\_\_\_\_

\_\_\_\_\_  
Notary Public.