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11/06/2008 12:19:42 PM Jean Alberico  
1 of 2 Rec Fee: \$11.00 Doc Fee: 0.00 GARFIELD COUNTY CO

RECEPTION #: 2447284, BK 4692 PG 739 07/02/2008 at  
02:07:52 PM 4 OF 2, R \$10.00 S \$1.00 Doc Code: O&G  
LEASE  
Janice Rich, Mesa County, CO CLERK AND RECORDER

## OIL AND GAS LEASE

THIS AGREEMENT is made and entered into the 17th day of June 2008, by and between Magnolia Minerals Trust LLC, whose address is 600 17th Street, Suite 2125 South, Denver, CO 80202, hereinafter called Lessor (whether one or more), and Noble Energy, Inc. whose address is 1625 Broadway, Suite 2200, Denver CO 80202, hereinafter called Lessee.

WITNESSETH, that the Lessor, for and in consideration of ~~the sum of \$100,000.00~~ 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 lands hereinafter described, with the exclusive right for the purpose of carrying on geological and other exploratory work, including core drilling, and the drilling, mining, operating for, producing and saving of oil, gas, gas condensate, gas distillate, casinghead gas, casinghead gasoline, coalbed methane gas, and all other gases and their constituent parts, and other minerals produced in connection with oil and gas operations hereunder, or as a by-product of oil and gas, and the exclusive right of injecting, water, brine and other fluids and substances into the subsurface strata, with rights of way and easement for laying pipe lines, telephone and telegraph lines, tanks, power houses, stations, ponds, roadway and other fixtures or structures for producing, treating and caring for such products, and any and all other rights and privileges necessary, incident to or convenient in the economical or efficient operation, alone or conjointly with other lands, of said land for the production of said products or substances and the erection of structures thereon to produce, save and take care of said products and substances and the injection of water, brine and other substances into the subsurface strata of said tract of land, together with any reversionary rights therein, said tract of land being situated in the County of ~~Mesa~~, State of Colorado, and described as follows, to-wit:

*Garfield*

Township 7 South, Range 94 West, 6th P.M.

Section 19: E/SE/4NE/4, E/4NE/4SE/4

Section 20: NW/4SW/4, SW/4NW/4, W/2NE/4SW/4, W/4SE/4NW/4

In addition to the land described above, Lessor hereby grants, leases and lets exclusively unto Lessee, to the same extent as if specifically described, land which is owned or claimed by Lessor by one of the following reasons: (1) all land 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 land described above; (2) all riparian land and rights which are or may be incident, appurtenant, related or attributed to Lessor in any lake, stream or river traversing or adjoining the land described above by virtue of Lessor's ownership of the land described above; (3) all land included in any road, easement or right-of-way traversing or adjoining the land described above which are or may be incident, appurtenant, related or attributed to Lessor by virtue of Lessor's ownership of the lands described above; and (4) all strips or tracts of land adjacent or contiguous to the land described above owned or acquired by Lessor through adverse possession or other similar statutes of the state in which the land is located.

For purposes of payment of rentals and royalties, Lessor and Lessee agree that this lease shall be treated as covering **32.00** acres, whether more or less.

1. The term of this lease shall be **35** years, subject to the provisions set out herein. It is agreed that this lease shall remain in force for a primary term of five (5) years (herein called the primary term) from this date and as long thereafter as oil, gas, gas condensate, casinghead gas, casinghead gasoline, coalbed methane gas, all other gases or their constituent parts, or other minerals are produced from said leased premises or on acreage pooled therewith, or drilling operations are continued as hereinafter provided. For purposes of this lease, "drilling operations" shall include operations for the drilling of a new well and operations for the reworking, deepening, or plugging back of a well or hole or other operations conducted in an effort to establish, resume, or reestablish production of oil and gas. 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 is then engaged in drilling operations thereon, 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 ninety (90) days shall elapse between the completion, testing, or abandonment of drilling operations on one well and the beginning of drilling operations on another well. If, after discovery of oil or gas on said lands 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 operations within ninety (90) days from the date of cessation of production. If oil and 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.

2. This is a PAID-UP LEASE. In consideration of the cash down 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. In consideration of the premises the Lessee covenants and agrees:

To deliver to the credit of Lessor, free of cost, into the pipe line to which Lessee may connect wells on said land, the equal one-fifth (1/5) part of all oil produced and saved from the leased premises, or at Lessee's option to pay the Lessor for such one-fifth (1/5) part, the market price at the wellhead for oil of a like grade or gravity prevailing on the day such oil is run into the pipe line or storage tanks.

To pay Lessor, as royalty, on gas, including casinghead gas or other gaseous substances, produced from the leased premises and sold or used off the premises or used in the manufacture of gasoline or other products, a sum equal to ~~the net proceeds~~ of the amount realized for gas sold or, if not sold, ~~the net proceeds~~ of the market value of the gas delivered into the pipeline. The amount realized from the sale of gas shall be the price established by the gas sales contract entered into in good faith by Lessee and a gas purchaser for such term and under such conditions as are customary in the industry at the location where the well is located. "Price" shall mean the net amount received by Lessee after giving effect to applicable regulatory orders and after application of any applicable price adjustments specified in such contract or regulatory orders.

4. If, at any time, either before or after the expiration of the primary term of this lease, there is a well capable of producing oil or gas on land covered by this lease, or on other land with which land covered by this lease is pooled or unitized, but the well is shut-in, whether before or after production therefrom, and this lease is not being maintained otherwise as provided herein, this lease shall not terminate and it shall nevertheless be considered that oil or gas is being produced from land covered by this lease during all times while the well is shut-in. Lessee shall use reasonable diligence to market the oil or gas capable of being produced from such shut-in well, but shall be under no obligation to market the oil or gas under terms, conditions or circumstances which, in Lessee's judgment exercised in good faith, are unsatisfactory. When this lease is continued in force in this manner, Lessee shall pay or tender to the Lessor, or Lessor's successors or assigns, an amount equal to ~~the net proceeds~~ per year per net mineral acre covered by this lease. Such payments shall be made on or before the shut-in royalty payment date, as defined below, next occurring after the expiration of one hundred twenty (120) days from the date the well was shut-in, unless prior to such date oil or gas from the well is sold or used or this lease is otherwise maintained as provided herein. In like manner, on or before each succeeding shut-in royalty payment date while such well remains shut-in, Lessee shall make payment of shut-in royalty in the same amount and manner. The terms "shut-in royalty payment date" shall mean the anniversary date of this lease. Any shut-in royalty payment may be made by cash, draft or check, mailed or tendered on or before the shut-in royalty payment date. Lessee's failure to pay or tender, or properly or timely pay or tender, any such sum shall render Lessee liable for the amount due but shall not operate to terminate this lease.

5. If said Lessor owns a less interest in the above described lands than the entire and undivided fee simple estate therein, the royalties (including any shut-in gas royalty) herein provided for shall be paid the 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 said land for Lessee's operation thereon, except water from the wells of Lessor.

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

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

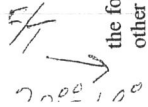
9. Lessee shall pay for damages caused by Lessee's operations to growing crops on said land.

10. Lessee shall have the right at any time to remove all machines and fixtures placed on said premises, including the right to draw and remove casing.

11. The rights of Lessor and Lessee hereunder may be assigned in whole or in 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 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.

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 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 upon 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

*Jones*



Jean Alberico

Magnolia Minerals Trust LLC

C.L. Cavness, Manager

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Expires: 6/2/2011

7600 E. Orchard Road, Suite 115 South

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Greenwood village CO 80111