

PRODUCER'S 88-FMcB
Paid Up
Rev. 1985.

AR2049365

OIL AND GAS LEASE

PAID UP

THIS AGREEMENT, made and entered into as of the 3rd day of April, 1986, by and between Mary E. Glendenning, a widow
1760 E. 8th. Street
Greeley, Colorado 80631

hereinafter called "Lessor" (whether one or more) and Sunshine Valley Petroleum Corporation, 950 Stafford,
Casper, Wyoming 82609 hereinafter called "Lessee", WITNESSETH:

1. Lessor, for and in consideration of the sum of Ten and more DOLLARS (\$ 10.00 +) in hand paid, of the royalties herein provided, and of the agreements of Lessee herein contained, hereby grants, demises, leases and lets exclusively unto Lessee the land hereinafter described, for the purpose of investigating, exploring and drilling for, producing, saving, taking, owning, transporting, storing, handling and treating oil and gas, together with all rights, privileges and easements useful for Lessee's operations hereunder on said land and on lands in the same field, including but not limited to the following rights: to lay pipe lines; to build roads; and to construct tanks, pump and power stations, power and communications lines, and other structures and facilities. The phrase "oil and gas", as used in this lease, shall embrace all hydrocarbons, as well as other substances produced therewith. The said land included in this lease is situated in the County of Weld, State of Colorado, and is described as follows, to-wit:

Township 5 North, Range 65 West, 6th. P.M.

Section 3: All that part of the E $\frac{1}{2}$ SW $\frac{1}{4}$ SW $\frac{1}{4}$ and SE $\frac{1}{4}$ SW $\frac{1}{4}$ lying South of the county road,
EXCEPTING THEREFROM Lot "A" of Recorded Exemption No. 0961-3-3-RE336.

Including all oil and gas underlying lakes, streams, roads, easements and rights-of-way which traverse or adjoin said land; and including all lands owned or claimed by Lessor as a part of any tract above described; and containing 43.03 acres of land, more or less, hereby releasing and waiving all rights under and by virtue of the homestead exemption laws of this state. This lease shall cover all the interest in said land now owned by or hereafter vested in Lessor. For the purpose of calculating any payments based on acreage, Lessee, at Lessee's option, may act as if said land and its constituent parcels contain the acreage above stated, whether they actually contain more or less. Lessee may inject water, gas or other substances into any zone or stratum underlying said land and not productive of fresh water.

2. Subject to the other provisions herein contained, this lease shall remain in force for a period of one (1) years from the date hereof, called "primary term", and thereafter so long as oil or gas is produced from said land hereunder, or Lessee is engaged in drilling or reworking operations on said land hereunder.

3. Royalties to be paid Lessor are: (a) on oil, one-eighth (1/8) of that produced and saved from said land, to be delivered at the wells or to the credit of Lessor into the pipe line to which the wells may be connected; Lessee may from time to time purchase any royalty oil, paying therefor the market value in the field where produced on the day it is run to the pipe line or storage tanks; (b) on gas, including casinghead gas or other gaseous substance, produced from said land and sold or used, the market value at the well of one-eighth (1/8) of the gas so sold or used, provided that on gas sold at the well the royalty shall be one-eighth (1/8) of the amount realized from such sales; (c) on other substances produced with oil or gas, and covered by this lease, one-eighth (1/8) of their value at the well. Where gas from a well capable of producing gas is not sold or used, Lessee may pay or tender as royalty the sum of One Dollar (\$1.00) per acre per year on the acreage then held by Lessee hereunder, such payment or tender to be made on or before the anniversary date of this lease next ensuing after the expiration of ninety days (90) after 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 is made, it will be considered that gas is being produced within the meaning of this lease. Lessee may use, free of royalty, oil, gas, and water developed from said land by Lessee for all operations hereunder.

4. 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 obligation thereafter accruing as to the acreage surrendered.

5. If at any time or times after the primary term or within three (3) months before expiration of the primary term, all operations and all production hereunder shall cease for any cause, this lease shall not terminate if Lessee shall commence or resume drilling or reworking operations or the production of oil or gas within three (3) months after such cessation.

6. Lessee shall pay for damages caused by Lessee's operations to growing crops, buildings, irrigation ditches, feed lots and fences. When required by the surface owner, Lessee will bury pipe lines below ordinary plow depth when crossing cultivated land. No well shall be drilled within two hundred (200) feet of any residence or barn now on said land without the consent of the surface owner. Lessee shall have the right at any time to remove all Lessee's property and fixtures, including the right to draw and remove all casing. Lessee shall drill any well which a reasonably prudent operator would drill under the same or similar circumstances to prevent substantial drainage from said land by wells located on adjoining land not owned by Lessor, when such drainage is not compensated by counter drainage. No default of Lessee hereunder with respect to any well or portion of said land shall impair Lessee's rights with respect to any other well or portion of said land.

7. 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, and Lessee may continue to make payments precisely as if no change had occurred. 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 Lessee's operations may be conducted without regard to any such division. If all or any part of the Lessee's interest hereunder shall be assigned, no leasehold owner shall be liable for any act or omission of any other leasehold owner.

8. Whenever, as a result of any cause beyond Lessee's control (such as fire, flood, windstorm or other Act of God; law, order or regulation of any governmental agency; or inability to secure men, material or transportation) Lessee is prevented from complying with any obligation of this lease, Lessee shall not be liable for damages or forfeiture of this lease and Lessee's obligations shall be suspended so long as such cause persists. If by any such cause, all operations and all production hereunder are prevented after the expiration of the primary term, Lessee may at any time or times and at Lessee's election pay Lessor as royalty (in addition to any royalties based on actual production) a sum equal to One Dollar (\$1.00) per acre on the acreage then held by Lessee hereunder, whereupon it shall be considered for all purposes of this lease that oil or gas is being produced hereunder for a period of three months from the date such payment is made.

9. Lessee may at any time or times utilize this lease and the lands covered hereby, in whole or in part, or as to any stratum or strata, with other lands and leases in the same field, so as to constitute a unit or units, whenever, in Lessee's judgement, required to promote or encourage the conservation of natural resources by facilitating an orderly or uniform well spacing pattern; a cycling, pressure maintenance, re-pressuring or secondary recovery program; or any cooperative or unit plan of development or operation approved by the Secretary of the Interior of the United States. The size of any such unit may be increased by including acreage believed to be productive, and decreased by excluding acreage believed to be unproductive, or the owners of which fail or refuse to join the unit, but any increase or decrease in Lessor's royalties resulting from any such change in any such unit, shall not be retroactive. Any such unit may be established, enlarged, or diminished, and, in the absence of production therefrom, may be abolished and dissolved, by filing for record an instrument declaring, a copy of which shall be delivered to Lessor. Drilling or reworking operations upon or production of oil or gas from any part of such unit shall be treated and considered, for all purposes of this lease, as such operations upon or such production from this lease. Lessee shall allocate to the portion of this lease included in any such unit a fractional part of all production from any part of such unit, on one of the following bases: (a) the ratio between the participating acreage in this lease included in such unit and the total of all participating acreage included in such unit; or (b) the ratio between the quantity of recoverable production underlying the portion of this lease included in such unit and the total of all recoverable production underlying such unit; or (c) any other basis approved by State or Federal authorities having jurisdiction thereof. Upon production from any part of such unit Lessor herein shall be entitled to the royalties in this lease provided, on the fractional part of the unit production so allocated to that portion of this lease included in such unit, and no more.

10. Lessor warrants and agrees to defend the title to said land. The royalties herein above provided are determined with respect to the entire mineral estate in oil and gas and if Lessor owns a lesser interest, the royalties to be paid Lessor shall be reduced proportionately. Lessee at its option may purchase or discharge in whole or in part any tax, mortgage or other lien upon said land, or may redeem the same from any purchaser at any tax sale or adjudication, and may reimburse itself from any royalties accruing hereunder and shall be subrogated to such lien with the right to enforce same.

11. This lease shall be binding upon all who execute whether or not they are named in the granting clause hereon and whether or not all parties named in the clause execute this lease. All the provisions of this lease shall inure to the benefit of and be binding upon the heirs, executors, administrators, successors and assigns, Lessor and Lessee.

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F 1988 MARY ANN FEUERSTEIN CLERK & RECORDER WELD CO, CO

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

LESSOR SIGN HERE

x *Mary E. Glendenning*
Mary E. Glendenning

Soc. Sec. No.
or Tax I.D. No.

STATE OF Colorado

COUNTY OF WELD } ss. ACKNOWLEDGMENT FOR INDIVIDUAL

Before me, the undersigned, a Notary Public, within and for said county and state, on this 3rd day of April, 1986,
personally appeared Mary E. Glendenning
and

to me personally known to be the identical person who executed the within and foregoing instrument and acknowledged to me that she
executed the same as her free and voluntary act and deed for the uses and purposes therein set forth.

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

My commission expires March 7, 1988

[Signature]
Notary Public

Address

STATE OF _____ } ss. ACKNOWLEDGMENT FOR INDIVIDUAL
COUNTY OF _____

Before me, the undersigned, a Notary Public, within and for said county and state, on this _____ day of _____, 19____,
personally appeared _____
and

to me personally known to be the identical person who executed the within and foregoing instrument and acknowledged to me that _____
executed the same as _____ free and voluntary act and deed for the uses and purposes therein set forth.

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

My commission expires _____

Notary Public

Address

STATE OF _____ } ss. ACKNOWLEDGMENT FOR CORPORATION
COUNTY OF _____

On this _____ day of _____, A.D., 19____, before me, the undersigned, a Notary Public
in and for the county and state aforesaid, personally appeared _____
to me personally known to be the identical person who signed the name of the maker thereof to the within and foregoing instrument as its
President and acknowledged to me that _____ executed the same as _____ free and voluntary act and deed, and as the
free and voluntary act and deed of said corporation, for the uses and purposes therein set forth.

Given under my hand and seal the day and year last above written.

My commission expires _____

Notary Public

Address

THIS ADDENDUM IS ATTACHED TO AND MADE A PART OF THAT CERTAIN OIL AND GAS LEASE (hereinafter referred to as the "lease") DATED APRIL 3, 1986, BETWEEN MARY E. GLENDENNING, a widow, LESSOR, AND SUNSHINE VALLEY PETROLEUM CORPORATION, LESSEE, COVERING THE FOLLOWING DESCRIBED LAND LOCATED IN WELD COUNTY, COLORADO:

TOWNSHIP 5 NORTH, RANGE 65 WEST, 6TH. P.M.

Section 3: All that part of the E $\frac{1}{2}$ SW $\frac{1}{4}$ SW $\frac{1}{4}$ and SE $\frac{1}{4}$ SW $\frac{1}{4}$ lying South of the county road, EXCEPTING THEREFROM Lot "A" of Recorded Exemption No. 0961-3-3-RE336.

1. This Addendum is attached to and made a part of the above oil and gas lease by reference. In the event of conflict between any term or provision herein with any term or provision in said oil and gas lease, the terms and provision of this Addendum shall govern and control.
2. In the event that the parties hereto are unable to agree as to their respective rights, duties and benefits under said oil and gas lease, the disagreement shall be resolved by arbitration, which may be demanded by either party. In the event each of the parties, their respective successors and assigns, shall each select one arbitrator, and if such two arbitrators are unable to resolve the conflict they shall together select a third arbitrator. The three arbitrators shall then reach a solution by majority vote, and their decision shall be binding upon all parties hereto, their successors and assigns. The expense of the arbitration shall be divided equally between the parties.
3. All references to royalties and to royalty payments in said oil and gas lease shall be increased and amended to one-sixth (1/6) instead of one-eighth (1/8).
4. Water Wells. Subject to the rules and regulations of the Colorado Oil and Gas Commission, if Lessee drills a water well or makes other improvements for the development of water in connection with its operations hereunder, then, upon completion of such operations, such water well, improvements and all casing relating thereto shall belong to Lessor, and Lessee shall have no further liability or responsibility relating to any such water wells, improvements or casing. Lessee shall not have use of existing water wells located upon the property, and any damage to existing water wells shall be compensated for to Lessor as additional surface damage.
5. Warranty of Title. Lessor warrants title as to those claiming by, through or under Lessor, but not otherwise.
6. Maximum Use of Surface. Lessee shall make all reasonable efforts to make use of the minimum amount of Lessor's property. Lessee shall attempt to use not more than three (3) acres of Lessor's property per well site. Use of Lessor's property shall include the well site itself, any roads constructed, pipelines installed, tank batteries placed or any other use of the surface of Lessor's land.
7. Location and Facilities and Improvement. Lessee shall make all reasonable efforts to locate all of its facilities constructed or installed under this Lease in such a manner as to minimize damage to Lessor's premises. Lessee will consult with Lessor as to the location of the same so as to minimize damages as much as reasonably practicable. As used herein, the term "facilities" includes, but not to the exclusion of others, all wells, roads, pipelines, power lines, tanks and heater-treaters.
8. Pipelines. All pipelines shall be buried beneath plow depth and water packed upon installation. In excavating for pipelines or slush pits, the soils will be separated so that the topsoil and subsurface soils shall be placed back in the proper order and leveled, with topsoil on top. So far as is reasonably practical, all pipelines shall be located so that they run parallel, rather than perpendicular to crop rows as planted or planned to be planted. No pipeline shall be permitted which does not serve a well or wells located on the Lessor's premises.
9. Restoration. Upon completion of drilling operations and if there is to be no production or shutting-in of the well, all facilities and material brought on the leased premises shall be removed, including but not limited to all concrete, bentonite and drilling mud, and not just buried. All of the premises shall be restored to their original condition as completely as practicable. If

there is production, then this obligation shall not apply to facilities necessary to produce and maintain such production until production ceases, at which time the same obligation shall apply to such production facilities. Any fences removed or damaged shall be restored to their condition prior to such removal or damage.

10. Surface Damages. Prior to commencement of drilling operations for each well drilled hereunder, Lessee shall pay Lessor \$3,000.00 as payment in full for all damages, including damages to crops, necessarily and normally associated with the drilling, completion, operation and maintenance of such well. Normal damages include, but are not limited to, construction of access roads, preparation and use of the drillsite area, preparation and use of reserve pits, and construction, installation and maintenance of production equipment and facilities such as flowlines, gas pipelines, separators, tank batteries, and other equipment or facilities necessary or convenient for the production, transportation and sale of oil and/or gas therefrom. If, by reason of operations of Lessee, there is damage to real or personal property upon the leased premises which is not associated with normal drilling operations, such as damage to fences, culverts and cement ditches, such damage will be repaired by Lessee or Lessee shall pay Lessor for such additional damage.

11. Fencing of Drilling Areas. Upon Lessor's request, Lessee shall fence all drilling and production areas and all permanent above ground production equipment.

12. Shut-in Gas Royalty. This lease may be extended by shut-in gas royalty payments as set forth in the printed form of the Lease for a period of not more than two years after the expiration of the primary term of the Lease. However, if any well on the leased premises shall be connected to a pipeline and Lessee shall be a party to a valid and enforceable contract for the purchase of gas produced from such well, this Lease may be extended by payment of shut-in gas royalty for such period as the gas purchase contract remains in effect.

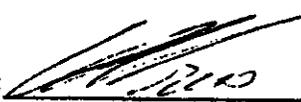
13. Release of Lease. On termination of the said lease, or any part thereof, Lessee shall record a Release of Lease and provided Lessor with a copy thereof showing the recording data. If, within thirty (30) days after Lessor requests the Release, Lessee fails to provide a copy of the Release, Lessee shall pay to Lessor \$500.00 as liquidated damages.

14. Binding Effect. This Addendum and the oil and gas lease of which it is a part shall be fully binding upon the parties hereto and their respective heirs, personal representatives, successors and assigns.

LESSOR:


Mary E. Glendenning

LESSEE:

By: 
William G. Crews
Attorney-in-Fact