

OIL AND GAS LEASE

BOOK 755 PAGE 462

AGREEMENT, Made and entered into the 14th day of April, 1989, by and between

William B. Schumann aka W.B. Schumann, a single man

whose post office address is 0955 323 Road, Rifle, CO 81650, hereinafter called Lessor (whether one or more) and

Barrett Energy Company whose post office address is 1125 17th St., Denver, CO 80202, hereinafter called Lessee:

WITNESSETH, That the Lessor, for and in consideration of Ten and More (\$10.00+) DOLLARS 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 land hereinafter described, with the exclusive right for the purpose of mining, exploring by geophysical and other methods, and operating for and producing therefrom oil and all gas of whatsoever nature or kind, with rights of way and easements for laying pipe lines, and erection of structures thereon to produce, save and take care of said products, all that certain tract of land situated in the County of Garfield State of Colorado, described as follows, to-wit:

See Exhibit A attached (consisting of five (5) pages) and made a part hereof.

and containing 137.07 acres, more or less.

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1. It is agreed that this lease shall remain in force for a term of five years from this date and as long thereafter as oil or gas of whatsoever nature or kind is produced from said leased premises or on acreage pooled therewith, or drilling operations are continued as hereinafter provided. 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 or re-working operations thereon, then 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 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 said land 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 or re-working operations within ninety (90) days from date of cessation of production or from date of completion of 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 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 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.

3. In consideration of the premises the said Lessee covenants and agrees:

1st. To deliver to the credit of Lessor, free of cost, in the pipe line to which Lessee may connect wells on said land, the equal one-eighth (1/8) part of all oil produced and saved from the leased premises.

2nd. To pay Lessor one-eighth (1/8) of the gross proceeds each year, payable quarterly, for the gas from each well where gas only is found, while the same is being used off the premises, and if used in the manufacture of gasoline a royalty of one-eighth (1/8), payable monthly at the prevailing market rate for gas.

3rd. To pay Lessor for gas produced from any oil well and used off the premises or in the manufacture of gasoline or any other product a royalty of one-eighth (1/8) of the proceeds, at the mouth of the well, payable monthly at the prevailing market rate.

4. Where gas from a well capable of producing gas is not sold or tendered by Lessee, Lessee may pay or tender as royalty to the royalty owners One Dollar per year per net royalty acre retained hereunder, such payment or tender to be made on or before the anniversary date of this lease next ensuing after the expiration of 90 days from 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 or tender is made, it will be considered that gas is being produced within the meaning of this lease.

5. If said Lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then 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 machinery 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 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 or upon which operations for drilling have theretofore been commenced. Production, drilling or re-working 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 the foregoing, Lessee shall have the right to unitize, pool, or combine all or any part of the above described lands 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 said above described lands 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 the 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.

14. Lessor hereby warrants and agrees to defend the title to the lands herein described, and 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 Lessors, for themselves and their heirs, successors and assigns, hereby surrender and release all right of dower and homestead in the premises described herein, 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 of the parties hereinabove named as Lessor 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.

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

William B. Schumann  
William B. Schumann aka W.B. Schumann

524-38-4058

EXHIBIT A

Attached to and made a part of that Oil and Gas Lease dated April 14, 1989 between William B. Schumann aka W.B. Schumann as Lessor and Barrett Energy Company as Lessee.

PARCEL A

Township 6 South, Range 95 West of 6th P.M.

Section 36: A parcel of land situated in the SE $\frac{1}{4}$ NE $\frac{1}{4}$  of Section 36, lying Westerly of the Westerly right-of-way fence of a County Road as constructed and in place, said parcel of land is described as follows:

Beginning at a point on said right-of-way fence whence the East Quarter Corner of said Section 36 bears N. 83°56'00" E. 31.20 feet  
thence S. 89°25'53" W. for a distance of 828.67 feet along a fence as constructed and in place;  
thence N. 00°52'58" W. for a distance of 586.24 feet along said fence;  
thence S. 84°31'15" E. for a distance of 320.89 feet along said fence;  
thence S. 01°21'37" W. for a distance of 47.96 feet;  
thence S. 57°51'52" E. for a distance of 344.31 feet;  
thence S. 82°35'30" E. for a distance of 232.45 feet to a point in said right-of-way fence;  
thence S. 00°32'21" W. for a distance of 286.25 feet along said right-of-way fence, to the point of beginning, containing 8.45 acres, more or less.

A parcel of land situated in the SE $\frac{1}{4}$ NE $\frac{1}{4}$  of Section 36, lying Westerly of the Westerly right-of-way line of a County Road as constructed and in place, and Northerly of the following described fence line;

Beginning at a point on the Westerly right-of-way line of said County Road whence a rock corner found in place and properly marked for the East Quarter Corner of said Section 36 bears S. 03°39'11" E. for a distance of 485.48 feet;  
thence along said fence line N. 83°55'52" W. for a distance of 368.20 feet;  
thence N. 81°57'09" W. for a distance of 132.33 feet;  
thence N. 84°31'15" W. for a distance of 342.39 feet;  
thence N. 02°12'07" E. for a distance of 38.55 feet;  
thence N. 54°58'22" W. for a distance of 552.66 feet, more or less to a point on the Westerly line of said SE $\frac{1}{4}$ NE $\frac{1}{4}$ , EXCEPT a strip 14 feet wide, the Southerly line of which is described as follows:

Beginning at a point on the Westerly line of said County Road whence a rock corner found in place and properly marked for the East Quarter Corner of said Section 36 bears S. 03°39'11" E. for a distance of 485.48 feet;  
thence along said fence line N. 83°55'52" W. for a distance of 368.20 feet;  
thence N. 81°57'09" W. for a distance of 132.3 feet;  
thence N. 84°31'15" W. for a distance of 342.39 feet.

A tract of land in the NE $\frac{1}{4}$ SE $\frac{1}{4}$  described as follows:

Beginning at a point on the North line of the SE $\frac{1}{4}$  of said Section 36, a distance of 621.4 feet West of the East Quarter Corner of said Section 36;  
thence Westerly along said North line of said SE $\frac{1}{4}$  of said Section 36, a distance of 705.8 feet;  
thence S. 01°11' E. a distance of 1338.4 feet, more or less, to a point on the South line of said NE $\frac{1}{4}$ SE $\frac{1}{4}$  of said Section 36;  
thence Easterly along said South line of said NE $\frac{1}{4}$ SE $\frac{1}{4}$  of said Section 36 a distance of 881.06 feet;  
thence Northerly in a straight line to the place of beginning, EXCEPT a tract of land located in the NE $\frac{1}{4}$ SE $\frac{1}{4}$  described as follows;

Beginning at a point on the North line of the SE $\frac{1}{4}$  of said Section 36 whence the East  $\frac{1}{4}$  corner of said Section 36 bears East 621.5 feet;  
thence West 274.95 feet along the North line of said SE $\frac{1}{4}$ ;

thence S.  $01^{\circ}11'00''$  E. for a distance of 719.55 feet to the centerline of a county road;  
 thence N.  $81^{\circ}10'36''$  E. for a distance of 371.18 feet along the centerline of said county road;  
 thence N.  $09^{\circ}09'00''$  W. for a distance of 671.00 feet to the point of beginning,

ALSO EXCEPT a tract of land in the NE $\frac{1}{4}$ SE $\frac{1}{4}$  described as follows:  
 Beginning at the NW corner of that certain tract conveyed by Warranty Deed from Richard L. D'Arcy and Blanche W. D'Arcy to F.S. Pruett dated July 21, 1934, and recorded as Doc. No. 118114 in Book 178 at Page 292 of the records of the County Clerk and Recorder of Garfield County, Colorado;  
 thence Southerly along the West line of said tract to the point of the intersection of said West line with the center of the County Road;  
 thence Easterly along said center of said County Road a distance of 83 feet 2 inches;  
 thence Northerly and parallel with the West line of said tract to a point on the North line of said tract;  
 thence Westerly along the North line of said tract a distance of 83 feet 2 inches to the place of beginning, containing 1.5 acres, more or less,  
 ALSO EXCEPT a tract of land situated in the NE $\frac{1}{4}$ SE $\frac{1}{4}$  of Section 36 more particularly described as follows:

Beginning at a point in the center of County Road whence the East  $\frac{1}{4}$  corner of said Section 36 bears N.  $57^{\circ}$  E. for a distance of 1442.59 feet;  
 thence S.  $10^{\circ}47'$  E. for a distance of 289 feet;  
 thence N.  $79^{\circ}13'$  E. for a distance of 145 feet;  
 thence N.  $10^{\circ}47'$  W. for a distance of 289 feet;  
 thence S.  $79^{\circ}13'$  W. for a distance of 145 feet to the point of beginning, containing 1 acre, more or less,

FURTHER EXCEPT a parcel of land located in the NE $\frac{1}{4}$ SE $\frac{1}{4}$  described as follows:  
 Beginning at a point on the Northerly line of said NE $\frac{1}{4}$ SE $\frac{1}{4}$  of said Section 36 whence the East  $\frac{1}{4}$  corner of said section bears E. 896.45 feet;  
 thence S.  $01^{\circ}11'$  E. for a distance of 719.55 feet, more or less, to a point in the center of said road;  
 thence S.  $80^{\circ}23'00''$  W. for a distance of 235.30 feet along the center of said road;  
 thence N.  $01^{\circ}11'$  W. for a distance of 194.00 feet along said fence;  
 thence S.  $80^{\circ}23'00''$  W. for a distance of 81.00 feet along said fence;  
 thence N.  $01^{\circ}11'00''$  W. for a distance of 578.40 feet, more or less, along said fence to a point on the Northerly line of said NE $\frac{1}{4}$ SE $\frac{1}{4}$  to the point of beginning, containing 5 acres more or less.

All of the W $\frac{1}{2}$ SE $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 31, Township 6 South Range 94 West of the 6th P.M.

All of Lot 3 (40.3 ac.) of Section 6, Township 7 South, Range 94 West of the 6th P.M.

All that part of Lot 4 of Section 6, Tp. 7 S., Rg. 94 W., 6th P. M.,  
and all that part of Lot 4 of Section 31, Tp. 6 S., Rg. 94 W., 6th P. M.  
and all that part of the SE $\frac{1}{4}$ SE $\frac{1}{4}$  of Section 36, Tp. 6 S., Rg. 95 W., 6th P. M.,  
described as follows:

Beginning at a point on the East line of said Lot 4 of Section 6, Tp. 7 S.,  
Rg. 94 W., 6th P. M., whence the Northwest corner of said Section 6  
bears N. 57°39' W. 1391.06 feet, (along the county road),  
thence N. 77°59' W. 117.99 feet;  
thence S. 85°38' W. 150.39 feet;  
thence S. 87°30' W. 197.15 feet;  
thence N. 63°44' W. 135.20 feet;  
thence N. 2°19' W. 97.15 feet;  
thence N. 29°36' E. 45.00 feet;  
thence N. 45°48' E. 153.37 feet;  
thence N. 16°29' E. 43.0 feet;  
thence N. 8°26' W. 50.21 feet;  
thence N. 53°58' W. 76.7 feet;  
thence N. 89°07' W. 151.69 feet;  
thence S. 70°50' W. 167.33 feet;  
thence 26°47' W. 34.27 feet;  
thence N. 51°12' E. 81.62 feet;  
thence N. 40°03' E. 121.05 feet;  
thence N. 55°53' E. 182.43 feet;  
thence N. 68°11' E. 205.93 feet;  
thence N. 10°17' E. 347.83 feet;  
thence N. 25°46' E. 142.47 feet;  
thence N. 47°57' W. 116.40 feet;  
thence N. 37°02' W. 73.33 feet;  
thence S. 86°43' W. 186.98 feet;  
thence N. 61°27' W. 194.96 feet;  
thence N. 79°01' W. 55.0 feet;  
thence N. 51°40' W. 112.17 feet;  
thence N. 33°06' W. 100.00 feet;  
thence N. 10°15' W. 124.05 feet;  
thence N. 65°34' W. 55.0 feet;  
thence N. 81°35' W. 156.59 feet;  
thence N. 37°24' W. 79.54 feet;  
thence S. 73°51' W. 178.96 feet;  
thence N. 67°54' W. 111.0 feet;  
thence n. 59°20' W. 85.66 feet;  
thence N. 71°33' W. 326.64 feet;  
thence N. 15°31' E. 32.15 feet;  
thence N. 86°10' E. 130.51 feet;  
thence N. 61°19' E. 117.01 feet to a point on the North line of said SE $\frac{1}{4}$ SE $\frac{1}{4}$ ;  
thence East 427.77 feet along the North line of said SE $\frac{1}{4}$ SE $\frac{1}{4}$  to the Northeast corner  
of said SE $\frac{1}{4}$ SE $\frac{1}{4}$ ;  
thence East 1167.56 feet along the Northerly line of said Lot 4 of  
said Section 31 to the Northeast corner of said Lot 4 of Section 31;  
thence S. 0°22' E. 1297.94 feet along the Easterly boundary of said Lot 4 of said  
Section 31 to the Southeast corner of said Lot 4 of said Section 31, and  
thence S. 0°54' E. 762.0 feet along the East line of said Lot 4 of said  
Section 6 to the point of beginning,  
EXCEPT THE following described tract of land located in Lot 4 of Section 31 in Tp. 6 S  
Rg. 94 W., 6th P. M., more particularly described as follows:  
Beginning at a point whence the Southwest corner of Section 31  
bears S. 33°13' W. a distance of 1098.9 feet;  
thence S. 77°23' E. 207.87 feet;  
thence S. 13°21' W. 205.95 feet;  
thence N. 77°56' W. 206.7 feet;  
thence N. 12°02' E. 207.95 feet to the point of beginning.

PARCEL B

A strip of land situated in the SE $\frac{1}{4}$ SE $\frac{1}{4}$  of Section 36, Township 6 South, Range 95 West of the 6th P.M., Lot 4 of Section 31, Township 6 South, Range 94 West of the 6th P.M., and Lot 4 of Section 6, Township 7 South, Range 94 West of the 6th P.M., contained within 30 feet on the West side and 30 feet on the East side of the Conger Road and more fully described as follows;

Beginning at a point whence the quarter corner between Sections 31 and 36 bears North 10°37' W. 543.4 feet;  
 thence S. 11°36' E. a distance of 424.6 feet;  
 thence S. 61°16' E. a distance of 94.54 feet;  
 thence S. 44°32' W. a distance of 314.57 feet;  
 thence S. 34°50' W. a distance of 136.22 feet;  
 thence N. 83°57' W. a distance of 181.37 feet;  
 thence S. 62°58' W. a distance of 162.9 feet;  
 thence S. 81°02' W. a distance of 147.07 feet;  
 thence S. 2°02' W. a distance of 34.14 feet;  
 thence S. 73°26' E. a distance of 305.31 feet;  
 thence S. 64°11' E. a distance of 232.92 feet;  
 thence N. 72°26' E. a distance of 182.34 feet;  
 thence S. 33°25' E. a distance of 102.11 feet;  
 thence S. 88°09' E. a distance of 151.82 feet;  
 thence S. 53°32' E. a distance of 63.44 feet;  
 thence S. 3°31' E. a distance of 113.69 feet;  
 thence S. 44°54' E. a distance of 213.72 feet;  
 thence S. 81°31' E. a distance of 80.78 feet;  
 thence S. 56°48' E. a distance of 154.50 feet;  
 thence N. 86°26' E. a distance of 205.01 feet;  
 thence S. 40°56' E. a distance of 190.45 feet;  
 thence S. 26°43' W. a distance of 178.88 feet;  
 thence S. 7°17' W. a distance of 310.49 feet;  
 thence S. 71°03' W. a distance of 182.53 feet;  
 and thence S. 55°16' W. a distance of 233.45 feet, whence the SW corner of Section 31, Township 6 South, Range 94 West bears North 67°13' W. 510.11 feet;  
 thence S. 37°47' W. a distance of 125.77 feet;  
 thence S. 69°31' W. a distance of 46.95 feet;  
 thence S. 14°28' E. a distance of 36.05 feet;  
 thence N. 75°20' E. a distance of 226.84 feet;  
 thence S. 82°34' E. a distance of 118.30 feet;  
 thence S. 39°41' E. a distance of 79.97 feet;  
 thence S. 17°08' W. a distance of 85.66 feet;  
 thence S. 47°23' W. a distance of 174.83 feet;  
 thence S. 3°35' E. a distance of 109.95 feet;  
 thence S. 62°08' E. a distance of 124.44 feet;  
 thence N. 87°41' E. a distance of 297.68 feet;  
 and thence S. 78°36' E. a distance of 288.97 feet across the East line of land.

It is the intention of the Lessor to lease and he does hereby lease all his ownership in the above described land whether herein correctly described or not.

Lessee agrees that no drilling operations will be conducted on Parcel B without the express written consent of Lessor.

Lessor herein intends to lease any right, title, and interest Lessors may have, in and to any and all mineral rights lying in or under any and all streets, county roads, highways, railroad strips and/or right-of-ways, canals, and ditches lying across and/or adjacent and/or in any way appertaining to the lands hereinabove described together with and including any meander lands, lands derived by accretion rights, or otherwise contiguous to the above described lands as the same may be owned or claimed by Lessor.

Should a well capable of producing gas be completed on the above described premises, Lessor may have the privilege of, at his sole cost and liability, the use of gas from said well for one (1) residence. Barrett Energy Company or its contractors will, at the request of Lessor, install necessary equipment and bill Lessor for the reasonable and customary cost of equipment and installation.

Lessee acknowledges that a portion of the described lands are planted in irrigated apple orchards, and agrees that lessee's operations will not unduly interfere with lessor's orchard activity.

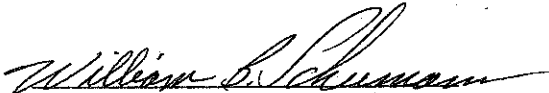
Lessee shall notify lessor prior to entry upon said lands, and shall consult with lessor as to the location of any well sites, roads, and other facilities. Lessee's plans for surface activity on Parcel A shall be submitted to lessor at: 248 Nancy Street, Grand Junction, CO 81503 prior to such activity taking place. If lessor does not respond to lessee within fifteen days after receipt of said plans, the plans shall be deemed acceptable to lessor.

Lessee shall pay for all injury or damage done or caused by its operations hereunder to any buildings, fences, roads, culverts, trees, turf, cultivated lands, growing crops or other improvements on said land or to livestock on said land.

Lessee shall level all pits or other excavations dug by it in its operations hereunder promptly after termination of its use thereof, and shall return the surface of the land to its original condition as nearly as possible, upon completion or abandonment of any well or wells on the leased premises.

In the event of production of gas only, in commercial quantities and in the further event said gas well is shut in, if gas is not sold from said premises on or before April 14, 1995, this lease shall terminate on April 14, 1995.

Lessee shall not commit this lease to a Federal Exploratory Unit without the written consent of lessor.

  
William B. Schumann, a/k/a  
W. B. Schumann