

OIL, GAS AND MINERAL LEASES(S)

MINERALS AGREEMENT

This oil and gas Minerals Agreement, made and entered into this 30th day of December, 1962, by and between the SOUTHERN UTE INDIAN TRIBE OF THE SOUTHERN UTE RESERVATION of Ignacio, Colorado, Grantor, and AMOCO PRODUCTION COMPANY of Denver, Colorado, Grantee.

W I T N E S S E T H:

Grantor, in consideration of a cash bonus of \$80 per net acre, paid to the Grantor, receipt of which is hereby acknowledged, plus a deferred bonus of \$5 per net acre per year payable in nine annual payments commencing with the first anniversary of secretarial approval of the agreement herein and in consideration of rents and royalties to be paid, and the covenants to be observed as herein set forth, does hereby grant to the Grantee the exclusive right and privilege to drill for, mine, extract, remove, and dispose of all the oil and natural gas deposits (including, but not limited to gas producible from coal-bearing formations), and all substances associated therewith in or under the following described tracts of land:

Township 34 North, Range 8 West N.M.P.M.

Section 29: SW/4

Section 30: E/2 W/2, SE/4

Section 31: All

Section 32: W/2 W/2, NE/4 NW/4

Township 34 North, Range 9 West N.M.P.M.

Section 24: S/2

Section 25: NE/4

("contract acreage") situated in LaPlata County, Colorado, and containing 1800 net acres more or less, together with the right to construct and maintain thereupon all works, buildings, plants, waterways, roads, telegraph and telephone lines, pipe lines, reservoirs, tanks, pumping stations, or other structures necessary to the full enjoyment hereof for the term of five (5) years from and

after the approval hereof by both the Secretary of the Interior and the Tribe and as much longer thereafter as oil and/or gas is produced in paying quantities from said contract acreage as hereinafter more specifically provided. Following the expiration of the primary term if no well(s) capable of producing gas in paying quantities is producing then Grantee shall become obligated to pay as shut in royalty, on or before one (1) year from the date all such wells are shut in, and each successive year thereafter that all such wells are shut in, an amount equal to ten dollars (\$10.00) per net acre per year, provided that such payments shall not become due and payable unless all wells within the contract acreage or lands pooled with the contract acreage or a portion thereof are shut-in for an entire twelve month period. If such payment is made, this Agreement shall continue in effect as though all such wells were producing.

Notwithstanding the foregoing, Amoco shall at all times exercise reasonable diligence in marketing lease products and in conducting operations in a workmanlike manner. Following the primary term, should no production of gas be achieved for any two (2) consecutive annual periods the agreement shall terminate as to the contract acreage. Provided however, that should the cause of the absence of production be the unavailability of gas markets, and should it be clearly established that despite the diligent efforts of Grantee, gas cannot reasonably be marketed, then said two (2) year period shall be extended.

2. This Agreement shall cover all depths for the 60 months immediately following approval by the Secretary of the Interior. Following that time all acreage not within a spacing unit and 100 feet below the deepest producing horizon or shut in horizon within the contract acreage shall revert to the Grantor.

3. Amoco shall drill two Fruitland wells on the contract acreage with the first well to be located in Section 31, Township 34 North, Range 8 West and shall be drilled within 10 months of approval by the Secretary of the Interior of this Agreement and the second well to be located in Section 24, Township 34 North, Range 9 West, and shall be drilled within 18 months of approval by the Secretary of the Interior of this Agreement. The commitment to drill the well in Section 31 is strictly subject to obtaining approval of the Airport and other necessary agencies. Should Amoco be unable to secure such approvals the well commitment for Section 31 shall be drilled at another mutually acceptable location on the lands covered by this Agreement, an extension of time within which to drill said well shall not be unreasonably withheld. The term "drill" as used in this paragraph shall mean the spudding of this well. Failure to perform any commitment provided for in this paragraph shall result in termination of this agreement with the balance of the delay bonus due and payable within 90 days of said termination, with payment of delay bonus to be calculated on the terminated acreage. Failure to drill the second commitment well shall only result in termination of this Agreement as to the acreage not within the spacing unit for the first well.

4. The term "oil and gas supervisor" as employed herein shall refer to such officer or officers as the Secretary of the Interior may designate to supervise oil and gas operations on Indian lands. The term "superintendent" as used herein shall refer to the superintendent or other official in charge of the Indian Agency having jurisdiction over the lands covered by this Agreement. Helium gas, carbon dioxide gas, gas producible

from coal, sulphur gas, and all other natural gases are included under the term "gas" as used in this Agreement.

5. In consideration of the foregoing, the Grantee hereby agrees:

(a) Bond--To furnish such bond as may be required by the regulations of the Secretary of the Interior, with satisfactory surety, or United States bonds as surety therefor, conditioned upon compliance with the terms of this Agreement.

(b) Wells--(1) To drill and produce all wells necessary to offset or protect the above-captioned land from drainage or in lieu thereof, to compensate the Grantor in full each month for the estimated loss of royalty through drainage: Provided, That during the period of supervision by the Secretary of the Interior, the necessity for offset wells shall be determined by the oil and gas supervisor and payment in lieu of drilling and production shall be with the consent of, and in an amount determined by the Secretary of the Interior; (2) at the election of the Grantee to drill and produce other wells: Provided, That the right to drill and produce such other wells shall be subject to any system of well spacing or production allotments authorized and approved under applicable law or regulations.

(c) Rental and royalty--To pay, beginning with the date of approval of the Agreement by the Secretary of the Interior or his duly authorized representative, a rental of \$2.50 per acre per annum in advance during the continuance hereof, the rental so paid for any one year not to be credited on the royalty for that year, together with a royalty of $16 \frac{2}{3}$ percent of the value of produced substances, said value to be determined in accordance with all

applicable federal regulations, save and except oil, and/or gas used by the Grantee for development and operation purposes on said land which oil or gas shall be royalty free. Such royalties shall be due and payable monthly on the last day of the calendar month following the calendar month in which produced; when royalty on oil produced is paid in kind, such royalty oil shall be delivered in tanks provided by the Grantee on the premises where produced without cost to the Grantor unless otherwise agreed to by the parties thereto, at such time as may be required by the Grantor: Provided, That the Grantee shall not be required to hold such royalty oil in storage longer than thirty (30) days after the end of the calendar month in which said oil is produced: And provided further, that the Grantee shall be in no manner responsible or held liable for loss or destruction of such oil in storage caused by acts of God. All rental and royalty payments, shall be made by electronic transfer, check or draft drawn on a solvent bank, open for the transaction of business on the day the check or draft is issued, to the Grantor. All such rental and royalty payments shall be mailed to the Southern Ute Indian Tribe, Oil and Gas Accounting, Lock Box 696, Ignacio, Colorado 81137. It is understood that in determining the value for royalty purposes of products, such as natural gasoline, that are derived from treatment of gas, an allowance for the reasonable, actual cost of manufacture shall be made, in accordance with applicable federal regulations.

Said royalty rate shall be adjusted to 18.75 percent following the end of the primary term of the Agreement. Provided, however, the royalty

shall be adjusted downward as necessary so that the total burden of royalty and all tribal taxes of any nature shall never exceed 25 percent.

(d) Monthly statements--To furnish to the oil and gas supervisor and to the Grantor, Energy Resources Division, monthly statements in detail in such form as may be prescribed by the Secretary of the Interior or the Grantor, showing the amount of water produced and, showing the amount, quality, and value of all oil, gas, natural gasoline, or other hydrocarbon substances produced and saved during the preceding calendar month as a basis upon which to compute, for the treasurer of said tribe or the superintendent, the royalty due the Grantor. The above-captioned premises and all wells, producing operations, improvements, machinery, and fixtures thereon and connected therewith and all books and accounts of the Grantee shall be open at all reasonable times for the inspection of any duly authorized representative of the Secretary of the Interior, or any duly authorized representative of the Grantor.

(e) Log of well--To furnish to the oil and gas supervisor and to the Southern Ute Indian Tribe Energy Resources Division, drilling, testing and completion data or other logs on any wells drilled on or within a spacing unit that would include the aforementioned contract acreage.

(f) Diligence, prevention of waste--To exercise reasonable diligence in drilling and operating wells for oil and gas on the lands covered hereby, while such products can be secured in paying quantities; to carry on all operations hereunder in a good and workmanlike manner in accordance with approved

methods and practice, having due regard for the prevention of waste of oil or gas developed on the land, or the entrance of water through wells drilled by the Grantee to the productive sands or oil or gas-bearing strata to the destruction or injury of the oil or gas deposits, the preservation and conservation of the property for future productive operations, and to the health and safety of workmen and employees; to plug securely all wells before abandoning the same and to effectually shut off all water from the oil or gas-bearing strata; not to drill any well within 200 feet of any house or barn now on the premises without the Grantor's written consent; to carry out at the expense of the Grantee all reasonable orders and requirements of the oil and gas supervisor relative to prevention of waste, and preservation of the property and the health and safety of workmen; to bury all pipe lines crossing tillable lands below plow depth unless other arrangements therefor are made with the superintendent; to pay the Grantor for all damages to vegetation, buildings, and other improvements of the Grantor occasioned by the Grantee's operations: Provided, That the Grantee shall not be held responsible for delays or casualties occasioned by causes beyond the Grantee's control.

(g) Regulations--To abide by and conform to any and all regulations of the Secretary of the Interior now or hereafter in force relative to such Agreements, provided, that no regulation hereafter approved shall effect a change in rate of royalty or annual rental herein specified without the written consent of the parties to this Agreement.

(h) Assignment of Agreement--Not to assign this Agreement or any interest therein by an operating agreement or otherwise, nor to sublet any portion of the premises before restrictions are removed, except with the approval of the Secretary of the Interior and the Tribe, which approval shall not be unreasonably withheld. If this Agreement is divided by the assignment of an entire interest in any part of it, each part shall be considered a separate Agreement under all the terms and conditions of the original Agreement.

Should either party desire to sell all or any part of its interests under this Agreement, or its rights and interests in this Agreement, it shall promptly give written notice to the other parties, with full information concerning its proposed sale, which shall include the name and address of the prospective purchaser (who must be ready, willing and able to purchase), the purchase price, and all other terms of the offer. The other parties shall then have an optional prior right, for a period of ten (10) days after receipt of the notice, to purchase on the same terms and conditions the interest which the other party proposes to sell; and, if this optional right is exercised, the purchasing parties shall share the purchased interest in the proportions that the interest of each bears to the total interest of all purchasing parties. However, there shall be no preferential right to purchase in those cases where any party wishes to mortgage its interests, or to dispose of its interests by merger, reorganization, consolidation, or sale of all or substantially all of its assets to a subsidiary or parent company or to a subsidiary of a parent

company, or to any company in which any one party owns a majority of the stock.

6. The Grantor expressly reserves:

(a) Disposition of surface--The right to lease, sell, or otherwise dispose of the surface of the lands embraced within this Agreement under existing law or laws hereafter enacted, such disposition to be subject at all times to the right of the Grantee herein to the use of so much of said surface as is necessary in the exploration, extraction and removal of the oil and gas from the land herein described.

(b) Royalty in kind--The right to elect on thirty (30) days' written notice to take Grantor's royalty in kind.

7. Surrender and termination--The Grantee shall have the right at any time during the term hereof to surrender and terminate this Agreement or any part thereof upon the payment of the balance of all remaining annual deferred bonus payments and all rentals, royalties, and other obligations due and payable to the Grantor; and in the event restrictions have not been removed, upon a showing satisfactory to the Secretary of the Interior that full provision has been made for conservation and protection of the property and the proper abandonment of all wells drilled on the portion of the Agreement surrendered, the Agreement to continue in full force and effect as to the lands not so surrendered. If this Agreement has been recorded Grantee shall file a recorded release with his application to the superintendent for termination of this Agreement.

8. Cancellation and forfeiture--When, in the opinion of the Secretary of the Interior or the Tribal Council, there has been a violation of any of the terms and conditions of this Agreement, the Secretary of the Interior or

the Grantor shall have the right at any time after thirty (30) days notice to the Grantee, specifying the terms and conditions violated, and after a hearing(s) in the Department of Interior, appealable to Federal Court, the final decision of which supports the position of the Secretary of Interior or Tribal Council, if the Grantee shall so request within thirty (30) days of receipt of notice, to declare this Agreement null and void, and the Grantor shall then be entitled and authorized to take immediate possession of the land: Provided, that after restrictions are removed the Grantor shall have and be entitled to any available remedy in law or equity for breach of this contract by the Grantee.

9. Removal of buildings, improvements, and equipment--Grantee shall be the owner of and shall have the right to remove from the premises, within ninety (90) days after termination of this Agreement, any and all buildings, structures, casing, material, and/or equipment placed thereon for the purpose of development and operation hereunder, save and except casing in wells and other material, equipment, and structures necessary for the continued operation of wells producing or capable of being produced in paying quantities as determined by the Secretary of the Interior, on said land at the time of surrender of this Agreement or termination thereof; and except as otherwise provided herein, all casing in wells, material, structures, and equipment shall be and become the property of the Grantor.

10. Unit operation--The parties agree to join in any agreement for the cooperative or unit development of the field, area or spacing unit affecting the contract acreage provided that such agreements shall be subject to approval by the Secretary, and further provided that the Grantor shall have the right to review and consent to the specific

terms thereof, such Grantor consent not to be unreasonably withheld.

11. Conservation--The Grantee in consideration of the rights herein granted agrees to abide by the provisions of any act of Congress, or any order or regulation prescribed pursuant thereto, relating to the conservation, production, or marketing of oil, gas, or other hydrocarbon substances.

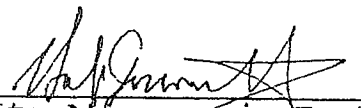
12. Disputes--Should the parties hereto not be able to settle any disputes between themselves then settlement of said disputes shall be pursued in Federal District Court.

13. Heirs and successors in interest--It is further covenanted and agreed that each obligation hereunder shall extend to and be binding upon, and every benefit hereof shall inure to, the heirs, executors, administrators, successors of, or assigns of the respective parties hereto.

IN WITNESS WHEREOF, the said parties have hereunto subscribed their names and affixed their seals on the date above mentioned.

AMOCO PRODUCTION COMPANY

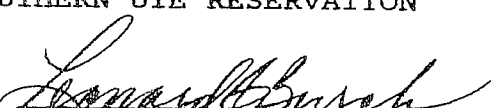
BY


Its Attorney-in-Fact


 RBJ

SOUTHERN UTE TRIBE OF THE
SOUTHERN UTE RESERVATION

BY


Leonard Burch, Chairman
Southern Ute Indian Tribe

UNITED STATES DEPARTMENT OF
THE INTERIOR



STATE OF COLORADO)
CITY AND : SS.
COUNTY OF DENVER)

The foregoing instrument was acknowledged before me
this 30th day of DECEMBER, 1987, by H. ab Iawson
Attorney-in-Fact for AMOCO PRODUCTION COMPANY, a Delaware
corporation.

WITNESS my hand and official seal.



Deeann Nielsen
Notary Public

My Commission expires:

10.25.88

STATE OF Colorado)
COUNTY OF La Plata : SS.
)

The foregoing instrument was acknowledged before me
this 31st day of December, 1987, by
Howard C. Burch.

WITNESS my hand and official seal.

Edna L. Frost
Notary Public

My Commission expires:

1/24/90

STATE OF)
COUNTY OF : SS.
)

The foregoing instrument was acknowledged before me
this _____ day of _____, 19__, by
_____.

WITNESS my hand and official seal.

Notary Public

My Commission expires:
