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PRODUCERS 38-PAID UP

## OIL AND GAS LEASE

Rev. 5-80, No.-2 - 10pt.-Amended

(Paid-Up)

THIS AGREEMENT is made and entered into the 27<sup>th</sup> day of April, 2010, by and between North Haythorn Farms Ltd Partnership RLLLP, a Colorado Limited Partnership whose address is PO Box 4, Eaton, CO 80615, hereinafter called Lessor (whether one or more); and Synergy Resources Corporation, a Colorado corporation, 20203 Highway 60, Platteville, CO 80651, hereir after 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 Weld, State of Colorado, described as follows, to-wit:

**TOWNSHIP 7 NORTH, RANGE 66 WEST, of the 6<sup>th</sup> P.M. Weld County, Colorado**

Section 36; NE/4; and Vac Part of NW add lying west of Cheyenne Ave & North of GW RY CO R/W in SE4NE4 & NE4SE4 Sec 36, 7N-66W (5.4) Exc Beg on East Line from where the E4 Cor Fears SOD19'W 186' N89D41'W 177.5' N0D19'W 370' S89D41'E 26.5' N0D19'W 119' S89E41'E 151' to East line

And containing **160** acres, more or less.

1. It is agreed that this lease shall remain in force for a term of **three (3) 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 reworking 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. The lessee shall deliver to the credit of the lessor as royalty, free of cost, in the pipeline to which lessee may connect its wells the eighteen percent (18%) part of all oil produced and saved from the leased premises, or lessee may from time to time at its option purchase any royalty oil in its possession, paying the market price thereof prevailing for oil of like grade and gravity in the field where produced on the date of purchase. To pay the lessor, as royalty, eighteen percent (18%) of the market value for gas of whatsoever nature or kind, liquid hydrocarbons and their respective constituent elements, casinghead gas or gaseous



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substances, produced from the leased premises. The term "market value" shall be deemed to mean the net value realized at the well-head for gas after deducting any gas used on the leased premises and any actual off-lease transportation cost, with said transportation cost to be allocated between Lessor and Lessee as follows: 18% to be allocated to the Lessor and 82% to be allocated to the Lessee. The Lessee shall incur any and all costs to compress, dehydrate, gather, process, condition or to otherwise bring gas into marketable condition.

4. Where gas from a well capable of producing gas is not sold or used, 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 to 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, if any, and water from the surface owner's wells, if any, and from other sources, subject to applicable statutes, rules and regulations, and laws pertaining thereto.

7. Lessee shall bury all pipeline a minimum of forty-eight (48") below depth.

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

9. Lessee shall pay for damages caused by Lessee's operations to growing crops on said land. Damage payment shall total \$5000.00 per well. This figure includes all necessary equipment consolidated to the legal dimension allowed by the Colorado Oil and Gas Conservation Commission rules. Also included in the payment shall be a single lease road for ingress and egress to serve said wells.

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 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 or upon which

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 the foregoing.

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 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. Lessor agrees to execute such further assurances as may be requisite for the full and complete enjoyment of the rights herein granted.

15. 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. Anything to the contrary herein notwithstanding, if Lessor owns a greater interest in the lands described than is purported to be leased hereby or hereafter acquires any additional interest or title in the lands described, then this lease shall cover such greater or additional after-acquired interest or title, and Lessor agrees to give Lessee written notice of any such acquisition as soon as the same is made, in which event the royalties payable to Lessor shall be increased proportionately.

17. Notwithstanding anything to the contrary as hereinabove contained in the above described oil and gas lease, it is hereby recognized and understood that this oil and gas lease is limited to lease only of oil and gas rights by Lessor to Lessee, and Lessor does not lease or transfer any right, title and interest in and to the surface thereof, nor does Lessor assume any obligation or responsibility in, to or on the surface interest thereof, provided this does not restrict or limit Lessee's rights granted in this oil and gas lease.

18. Attached Exhibit "A" identifies a draft of proposed oil and gas operations on said lands. Lessee acknowledges that all development of said ground will be agreed to by Lessor. This includes, but is not limited to, location(s) of well head(s), location of all necessary production equipment and location of lease road. The gas gathering line will be negotiated with a third party gas gathering company.



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

North HAYTHORN FARMS LTD PARTNERSHIP RLLLP

By: Perry Haythorn Title: PARTNER

Print Name: PERRY HAYTHORN

STATE OF COLORADO )  
 ) ss.  
COUNTY OF WELD )

**ACKNOWLEDGMENT**

The foregoing instrument was acknowledged before me this 27<sup>th</sup> day of April, 2010, by Perry Haythorn as Partner of North Haythorn Farms Ltd Partnership, to me known to be the identical person(s) described herein, and who executed the within and foregoing instrument of writing and acknowledgment to me that they duly executed the same as their free and voluntary act and deed for the uses and purposes therein set forth.

Witness my hand and official seal.

My commission expires:  
11-08-2010



C. J. Ras  
Notary Public

WELLS FARGO BANK, N.A.  
3003 W. 100th St.  
Overland Park, KS 66204