

Javernick Title Chain

TIAS, R69W, 29: N12, SE14

572-162

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OIL AND GAS LEASE

THIS AGREEMENT, made and entered into this 27th day of March, 1975, between THE CHEROKEE & PITTSBURG COAL AND MINING COMPANY, a Kansas corporation, hereinafter called Lessor, and B & B RESOURCES, INC., a Colorado corporation, 1660 Lincoln Street, Suite 2512, Denver, Colorado 80203, hereinafter called Lessee, does witness:

RECITALS:

- (a) Lessor is the owner of the mineral rights in and under the 1/2 and SE/4 of Section 29, Township 19 South, Range 69 East, Fremont County, Colorado, containing 480.00 acres, more or less; SUBJECT TO existing rights of way for any highways and/or roads, pipelines, pole and wire lines, ditches, and the like,

all of the above described mineral rights being hereinafter referred to as the "Leased Premises"; and

- (b) Lessee is desirous of leasing the above described Leased Premises for the purpose of exploring, and drilling for, and producing oil, gas, casinghead gas, casinghead gasoline, and all other gases and their respective constituent vapors.

AGREEMENT:

NOW, THEREFORE, for and in consideration of the sum of \$1.00 and other consideration, paid to Lessor by Lessee, the receipt whereof is hereby acknowledged, and of the observance of the covenants, stipulations, conditions, and agreements hereinafter contained to be paid, kept, and performed by the Lessee, it is agreed by and between the parties as follows:

1. Lessor has this day granted and leased and hereby grants, leases and lets unto the Lessee the Leased Premises, and with the right to unitize this lease or any part thereof with other oil and gas leases as to all or any part of the leased premises as hereinafter provided, for the purpose of mining and operating for, producing and saving, all of the oil, gas, casinghead gas, casinghead gasoline, and all other gases and their respective constituent vapors, upon and from the leased premises, with power for Lessee, his successors and assigns, to take all usual, necessary or convenient means for working, getting and removing said production from the leased premises, including the right to enter upon said premises and use so much of the surface thereof as may be reasonably necessary for the purposes of this lease, together with the right to use all surface rights, easements and privileges held by Lessor in connection with its aforesaid mineral rights.
2. Subject to the other provisions hereof, this lease shall remain in force for a term of one (1) year from the date hereof, hereinafter called primary term, and as long thereafter as oil, gas, casinghead gas, casinghead gasoline, or any of them is produced from the leased premises, or any part thereof, or from a unit of which a part of the leased premises is a part, or drilling or reworking operations are continued as hereinafter provided.
3. The Lessee shall deliver to the credit of the Lessor as royalty, free of cost, in the pipe line to which Lessee may connect his wells, the equal one-eighth part of all oil produced and saved from the leased premises, or at the Lessor's option, may pay to the Lessor for such one-eighth royalty the market price for oil of like grade and gravity, prevailing on the day such oil is run into the pipe line or into storage tanks.
4. The Lessee shall monthly pay Lessor as royalty on gas marketed from each well where gas only is found, one-eighth of the proceeds if sold at the well or if marketed by Lessee off the leased premises, then one-eighth of its market value at the well. Where gas from a gas well is not sold or used, Lessee may pay or tender annually on or before each anniversary date hereof, during which period such gas is not sold or used, as royalty, the sum of \$2.00

for each acre then subject to this lease, and while said royalty is so paid or tendered, this lease shall be held as a producing lease under Paragraph 2 hereof. The lessee shall pay the lessor: (a) one-eighth of the proceeds received by the lessee from the sale of casinghead gas, produced, saved, and sold from any oil well; and (b) one-eighth of the value at the mouth of the well, computed at the prevailing market price, of the casinghead gas produced from any oil well and used by lessee off the leased premises for any purpose or used on the leased premises by the lessee for purposes other than the development and operation thereof.

5. This lease shall further provide that if the value or payments on account of such royalty from oil and/or gas is less than forty dollars (\$40.00) in any calendar month during the life of this lease, lessee shall pay to lessor on or before the 15th day of the following month, the sum necessary to make the consideration during the month forty dollars (\$40.00) or its equivalent.

6. In case said Lessor owns a less interest in the above described leased premises than the entire and undivided mineral estate therein, then the royalty herein provided for shall be paid the said lessor only in the proportion which its interest bears to the whole and undivided mineral estate in the leased premises.

7. If the estate of either party hereto is assigned (and the privilege of assigning in whole or in part is expressly allowed), the covenants, stipulations, conditions, and agreements hereof shall extend to the heirs, devisees, executors, administrators, successors and assigns, but no change of ownership in the mineral rights or in the royalties or any sum due under this lease shall be binding on the lessee until it has been furnished with either the original recorded instrument of conveyance or a duly certified copy thereof or a certified copy of the will of any deceased owner and of the probate thereof, or certified copy of the proceedings showing appointment of an administrator for the estate of any deceased owner, whichever is appropriate, together with all original recorded instruments of conveyance or duly certified copies thereof necessary in showing a complete chain of title back to lessor to the full interest claimed, and all advance payments of royalty made hereunder before receipt of said documents shall be binding on any direct or indirect assignee, grantee, devisee, administrator, executor or heir of lessor.

8. Lessor hereby warrants and agrees to defend the title to the leased premises herein described and agrees that the lessee, at his option may, pay and discharge any taxes, mortgages or other liens existing, levied or assessed on or against the above described mineral rights and, in event it exercises such option, it shall be subrogated to the rights of any holder or holders thereof and may reimburse himself by applying to the discharge of any such mortgage tax or other lien any royalty accruing hereunder.

9. Lessee agrees and obligates himself to protect the premises included under this lease against drainage by the drilling of all wells that may be necessary to offset producing wells on adjoining or contiguous tracts and by the drilling of such additional interior wells as may be necessary to maintain the development on the property covered by this lease of at least equal density, that is, in number of wells per unit of area to each producing horizon, as is followed upon adjoining or contiguous tracts, except that nothing herein contained shall require lessee to violate or refuse to comply with spacing regulations of any duly constituted authority having jurisdiction then in effect.

10. It is expressly agreed that if lessee shall commence operations for drilling at any time while this lease is in force, this lease shall continue so long as such operations are prosecuted and if production results therefrom, then, subject to the other provisions hereof, this lease as to production continues.

11. If after the discovery of oil or gas, either on the leased premises or upon a unit which includes the leased premises, a primary and secondary drainage area is established, which drainage area includes the leased premises, and after the expiration of the primary term hereof, said production should cease from any cause, this lease shall continue in full force and effect for a period of 90 days from the date of cessation of production. Lessee commences operations for drilling or a workover operation upon the leased premises upon said unit, and if production results from such operations, then subject to the other provisions hereof, this lease shall continue as to production.

12. Lessee may at any time surrender or cancel this lease in whole or in part by delivery or mailing such release to the lessor, or by placing same of record in the proper county. In case said lease is surrendered and canceled as to only a portion of the acreage covered thereby, then all payments and liabilities thereafter accruing under the terms of said lease as to the portion canceled shall cease and terminate, but as to portion of the acreage not released, the terms and provisions of this lease shall continue and remain in full force and effect for all purposes.

13. It is contemplated and agreed by both lessor and lessee that this lease shall at all times and in all respects be subject to valid orders, rules and regulations of any duly constituted authority having jurisdiction of the subject matter hereof.

14. Before any drilling operation shall commence under this lease, lessee shall furnish lessor with a written designation of the unit to be drilled, describing the several tracts of land combined therein, and specifying the land of lessor covered by this lease that is to be included within such unit. Lessee shall have the right, as to any of the leased premises or any stratum or strata therein, to combine the leasehold estate and lessor's mineral and royalty estate created hereby with any other lease or leases, royalty or mineral estate or estates, in or under any other tract or tracts of land or respective stratum or strata therein, whether owned by lessor, lessee, or another party, and thereby create one or more operating units, not exceeding in any unit 80 acres as to oil and 640 acres as to gas or condensate, and each unit shall comprise a single contiguous tract of land, and in so far as practical and feasible in lessee's sole judgment, such contiguous tract of land shall be within the same section. If oil or gas is produced upon any unit or units created as above provided, lessor shall receive and will accept, even though such production be not obtained from any land subject hereto, royalty equal to such portion of a one-eighth royalty as the number of surface acres of this lease and included in any said operating unit bears to the total number of surface acres in the respective operating unit; such portion of said one-eighth royalty shall be paid in the manner and under the same conditions as other royalties may be payable to lessor, and shall be in lieu of any other royalty which would otherwise accrue to lessor hereunder on account of production of oil, gas or other minerals from any part or parts of the premises herein described which may be included in any operating unit created pursuant hereto. Drilling or producing operations at any place within any unitized area shall constitute at all times full compliance with and performance of all development, drilling and producing obligations, express or implied, under this lease upon respective tracts hereof in such unitized area, and shall also constitute development, drilling and producing operations affecting all lands under this lease, subject, nevertheless, to the other provisions hereof. Lessee shall not be liable to any party for reduction of acreage content within a unit resulting from a loss of its title or for any cause beyond its control, nor shall lessee be obligated to make any retroactive apportionment of any royalties in the event of any reduction in acreage content. Lessee may release to lessor or assign to a third party the leaseholds on part or parts of a unitized area whereupon, it shall be released from all obligations as to the areas so released or assigned, and the retained and assigned parts, respectively, of any unit, shall be held, operated and released to lessor independently of each other. If lessee, at any time, voluntarily releases his rights in any unitized area, or any part thereof, thereupon, in the event there is then, or at any time thereafter, no operation or production upon the unitized area, all rights therein created by unitization shall cease and terminate as to all parties whose interests were unitized therein; provided, however, but notwithstanding any assignment or release of a part of any unit, participation in a unit, once established by production thereon, shall continue during production therefrom, or as long as the operator of the retained portion of the unit has the right to conduct drilling or reworking operations thereon to obtain or restore production.

15. Anything herein to the contrary notwithstanding, it is further agreed between lessor and lessee that this lease shall extend in depth only to and including a depth equal to one hundred (100) feet below the maximum subsea depth drilled in any well on the leased premises, or on a unit of which a part of the leased premises is a part, and lessor retains unto itself, its successors or assigns, all of the oil and gas below such depth, together with full right to explore for, develop, produce, store and remove same from the premises.

16. Each obligation of lessee expressly assumed by him under the terms of this lease and each obligation of lessee implied by law, shall be deemed and construed to be a condition of this lease as well as a covenant.

17. Notwithstanding any other provisions of this lease, in the event lessor considers that lessee has not complied with all his obligations hereunder, both express and implied, lessor shall notify lessee in writing, setting out specifically in what respects lessee has breached this contract. Lessee shall then have thirty (30) days after receipt of said notice within which to meet or commence to meet all or any part of the breaches alleged by lessor. The service of said notice shall be precedent to the bringing of any action by lessor on said lease for any cause, and no such action shall be brought until the lapse of thirty (30) days after service of such notice on lessee. Neither the service of said notice nor the doing of any acts by lessee aimed to meet all or any of the alleged breaches shall be deemed an admission or presumption that lessee has failed to perform all his obligations hereunder.

18. This lease and all its terms, conditions and stipulations shall extend to and be binding upon all the successors or assigns of said lessor or lessee.

IN WITNESS WHEREOF, we sign the day and year first above written.

THE CHEROKEE & PITTSBURG COAL AND
MINING COMPANY

ATTEST:

By J. L. Spake
Assistant Secretary

By J. C. Magar
Vice President

B & B RESOURCES, INC.

By [Signature]

ATTEST:

By [Signature]
Assistant Secretary