

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Serial No.

COC65175

OFFER TO LEASE AND LEASE FOR OIL AND GAS

The undersigned (reverse) offers to lease all or any of the lands in Item 2 that are available for lease pursuant to the Mineral Leasing Act of 1920, as amended and supplemented (30 U.S.C. 181 et seq.), the Mineral Leasing Act for Acquired Lands of 1947, as amended (30 U.S.C. 351-359), the Attorney General's Opinion of April 2, 1941 (40 Op. Atty. Gen. 41), or the

READ INSTRUCTIONS BEFORE COMPLETING

1. Name **CONTEX ENERGY CO**
Street **1645 COURT PL #212**
City, State, Zip Code **DENVER, CO 80202-**

2. This application/offer/lease is for: (Check only One) PUBLIC DOMAIN LANDS ACQUIRED LANDS (percent U.S. interest _____)

Surface managing agency if other than BLM: _____ Unit/Project _____
Legal description of land requested: _____ *Parcel No.: _____ *Sale Date (m/d/y): 8 / 9 / 2001

*SEE ITEM 2 IN INSTRUCTIONS BELOW PRIOR TO COMPLETING PARCEL NUMBER AND SALE DATE.

T. _____ R. _____ Meridian _____ State _____ County _____

Amount retained: Filing fee \$ _____ Rental fee \$ _____ Total acres applied for _____
Total \$ _____

DO NOT WRITE BELOW THIS LINE

3. Land included in lease:

T. **6 N** R. **93 W** Meridian **6TH PM** State **Colorado** County **Moffat**
Sec. 5 : Lot 7;
Sec. 6 : Lot 21;
Sec. 11 : NESE,E2NWSE;
Sec. 12 : W2NW,SW,S2SE;
Sec. 13 : N2N2;
Sec. 19 : Lot 6;
Sec. 19 : E2;
Sec. 27 : NE,NENW;
Sec. 29 : W2NENW,NWNW;
Sec. 30 : Lot 6,7,10,13;
Sec. 30 : NENE,W2W2NE,NWSE;
Sec. 31 : Lot 8,9,17;
Sec. 32 : Lot 3,4,6,9;

Total acres in lease 1,537.390
Rental retained \$ 2,307.00

This lease is issued granting the exclusive right to drill for, mine, extract, remove and dispose of all the oil and gas (except helium) in the lands described in Item 3 together with the right to build and maintain necessary improvements thereupon for the term indicated below, subject to renewal or extension in accordance with the appropriate leasing authority. Rights granted are subject to applicable laws, the terms, conditions, and attached stipulations of this lease, the Secretary of the Interior's regulations and formal orders in effect as of lease issuance, and to regulations and formal orders hereafter promulgated when not inconsistent with lease rights granted or specific provisions of this lease.

NOTE: This lease is issued to the high bidder pursuant to his/her duly executed bid or nomination form submitted under 43 CFR 3120 and is subject to the provisions of that bid or nomination and those specified on this form.

Type and primary term of lease: Plat *usa 9-6-01* Ccd
 Noncompetitive lease (ten years) HI AUG 30 2001 Ccd
 Competitive lease (ten years) SRP CDI
 Other _____

THE UNITED STATES OF AMERICA
by *Beverly A. Derringer*
(Signing Officer)
8-24-01
(Date)
SUPERVISORY LAND LAW EXAMINER
(Title)
EFFECTIVE DATE OF LEASE *09-01-2001*

4. (a) Undersigned certifies that (1) offeror is a citizen of the United States; an association of such citizens; a municipality; or a corporation organized under the laws of the United States or of any State or Territory thereof; (2) all parties holding an interest in the offer are in compliance with 43 CFR 3100 and the leasing authorities; (3) offeror's chargeable interests, direct and indirect, in each public domain and acquired lands separately in the same State do not exceed 246,080 acres in oil and gas leases (of which up to 200,000 acres may be in oil and gas options), or 300,000 acres in leases in each leasing District in Alaska of which up to 200,000 acres may be in options; (4) offeror is not considered a minor under the laws of the State in which the lands covered by this offer are located; (5) offeror is in compliance with qualifications concerning Federal coal lease holdings provided in sec. 2(a)(2)(A) of the Mineral Leasing Act; (6) offeror is in compliance with reclamation requirements for all Federal oil and gas lease holdings as required by sec. 17(g) of the Mineral Leasing Act; and (7) offeror is not in violation of sec. 41 of the Act.

(b) Undersigned agrees that signature to this offer constitutes acceptance of this lease, including all terms, conditions, and stipulations of which offeror has been given notice, and any amendment or separate lease that may include any land described in this offer open to leasing at the time this offer was filed but omitted for any reason from this lease. The offeror further agrees that this offer cannot be withdrawn, either in whole or in part, unless the withdrawal is received by the proper BLM State Office before this lease, an amendment to this lease, or a separate lease, whichever covers the land described in the withdrawal, has been signed on behalf of the United States.

This offer will be rejected and will afford offeror no priority if it is not properly completed and executed in accordance with the regulations, or if it is not accompanied by the required payments. 18 U.S.C. Sec. 1001 makes it a crime for any person knowingly and willfully to make to any Department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

Duly executed this _____ day of _____, 19 _____

(Signature of Lessee or Attorney-in-fact)

LEASE TERMS

Sec. 1. Rentals—Rentals shall be paid to proper office of lessor in advance of each lease year. Annual rental rates per acre or fraction thereof are:

(a) Noncompetitive lease, \$1.50 for the first 5 years; thereafter \$2.00;

(b) Competitive lease, \$1.50; for the first 5 years; thereafter \$2.00;

(c) Other, see attachment, or as specified in regulations at the time this lease is issued.

If this lease or a portion thereof is committed to an approved cooperative or unit plan which includes a well capable of producing leased resources, and the plan contains a provision for allocation of production, royalties shall be paid on the production allocated to this lease. However, annual rentals shall continue to be due at the rate specified in (a), (b), or (c) for those lands not within a participating area.

Failure to pay annual rental, if due, on or before the anniversary date of this lease (or next official working day if office is closed) shall automatically terminate this lease by operation of law. Rentals may be waived, reduced, or suspended by the Secretary upon a sufficient showing by lessee.

Sec. 2. Royalties—Royalties shall be paid to proper office of lessor. Royalties shall be computed in accordance with regulations on production removed or sold. Royalty rates are:

(a) Noncompetitive lease, 12½%;

(b) Competitive lease, 12½%;

(c) Other, see attachment; or as specified in regulations at the time this lease is issued.

Lessor reserves the right to specify whether royalty is to be paid in value or in kind, and the right to establish reasonable minimum values on products after giving lessee notice and an opportunity to be heard. When paid in value, royalties shall be due and payable on the last day of the month following the month in which production occurred. When paid in kind, production shall be delivered, unless otherwise agreed to by lessor, in merchantable condition on the premises where produced without cost to lessor. Lessee shall not be required to hold such production in storage beyond the last day of the month following the month in which production occurred, nor shall lessee be held liable for loss or destruction of royalty oil or other products in storage from causes beyond the reasonable control of lessee.

Minimum royalty in lieu of rental of not less than the rental which otherwise would be required for that lease year shall be payable at the end of each lease year beginning on or after a discovery in paying quantities. This minimum royalty may be waived, suspended, or reduced, and the above royalty rates may be reduced, for all or portions of this lease if the Secretary determines that such action is necessary to encourage the greatest ultimate recovery of the leased resources, or is otherwise justified.

An interest charge shall be assessed on late royalty payments or underpayments in accordance with the Federal Oil and Gas Royalty Management Act of 1982 (FOGRMA) (30 U.S.C. 1701). Lessee shall be liable for royalty payments on oil and gas lost or wasted from a lease site when such loss or waste is due to negligence on the part of the operator, or due to the failure to comply with any rule, regulation, order, or citation issued under FOGRMA or the leasing authority.

Sec. 3. Bonds—A bond shall be filed and maintained for lease operations as required under regulations.

Sec. 4. Diligence, rate of development, unitization, and drainage—Lessee shall exercise reasonable diligence in developing and producing, and shall prevent unnecessary damage to, loss of, or waste of leased resources. Lessor reserves right to specify rates of development and production in the public interest and to require lessee to subscribe to a cooperative or unit plan, within 30 days of notice, if deemed necessary for proper development and operation of area, field, or pool embracing these leased lands. Lessee shall drill and produce wells necessary to protect leased lands from drainage or pay compensatory royalty for drainage in amount determined by lessor.

Sec. 5. Documents, evidence, and inspection—Lessee shall file with proper office of lessor, not later than 30 days after effective date thereof, any contract or evidence of other arrangement for sale or disposal of production. At such times and in such form as lessor may prescribe, lessee shall furnish detailed statements showing amounts and quality of all products removed and sold, proceeds therefrom, and amount used for production purposes or unavoidably lost. Lessee may be required to provide plats and schematic diagrams showing development work and improvements, and reports with respect to parties in interest, expenditures, and depreciation costs. In the form prescribed by lessor, lessee shall keep a daily drilling record, a log, information on well surveys and tests, and a record of subsurface investigations and furnish copies to lessor when required. Lessee shall keep open at all reasonable times for inspection by any authorized officer of lessor, the leased premises and all wells, improvements, machinery, and fixtures thereon, and all books, accounts, maps, and records relative to operations, surveys, or investigations on or in the leased lands. Lessee shall maintain copies of all contracts, sales agreements, accounting records, and documentation such as billings, invoices, or similar documentation that supports

costs claimed as manufacturing, preparation, and/or transportation costs. All such records shall be maintained in lessee's accounting offices for future audit by lessor. Lessee shall maintain required records for 6 years after they are generated or, if an audit or investigation is underway, until released of the obligation to maintain such records by lessor.

During existence of this lease, information obtained under this section shall be closed to inspection by the public in accordance with the Freedom of Information Act (5 U.S.C. 552).

Sec. 6. Conduct of operations—Lessee shall conduct operations in a manner that minimizes adverse impacts to the land, air, and water, to cultural, biological, visual, and other resources, and to other land uses or users. Lessee shall take reasonable measures deemed necessary by lessor to accomplish the intent of this section. To the extent consistent with lease rights granted, such measures may include, but are not limited to, modification to siting or design of facilities, timing of operations, and specification of interim and final reclamation measures. Lessor reserves the right to continue existing uses and to authorize future uses upon or in the leased lands, including the approval of easements or rights-of-way. Such uses shall be conditioned so as to prevent unnecessary or unreasonable interference with rights of lessee.

Prior to disturbing the surface of the leased lands, lessee shall contact lessor to be apprised of procedures to be followed and modifications or reclamation measures that may be necessary. Areas to be disturbed may require inventories or special studies to determine the extent of impacts to other resources. Lessee may be required to complete minor inventories or short term special studies under guidelines provided by lessor. If in the conduct of operations, threatened or endangered species, objects of historic or scientific interest, or substantial unanticipated environmental effects are observed, lessee shall immediately contact lessor. Lessee shall cease any operations that would result in the destruction of such species or objects.

Sec. 7. Mining operations—To the extent that impacts from mining operations would be substantially different or greater than those associated with normal drilling operations, lessor reserves the right to deny approval of such operations.

Sec. 8. Extraction of helium—Lessor reserves the option of extracting or having extracted helium from gas production in a manner specified and by means provided by lessor at no expense or loss to lessee or owner of the gas. Lessee shall include in any contract of sale of gas the provisions of this section.

Sec. 9. Damages to property—Lessee shall pay lessor for damage to lessor's improvements, and shall save and hold lessor harmless from all claims for damage or harm to persons or property as a result of lease operations.

Sec. 10. Protection of diverse interests and equal opportunity—Lessee shall: pay when due all taxes legally assessed and levied under laws of the State or the United States; accord all employees complete freedom of purchase; pay all wages at least twice each month in lawful money of the United States; maintain a safe working environment in accordance with standard industry practices; and take measures necessary to protect the health and safety of the public.

Lessor reserves the right to ensure that production is sold at reasonable prices and to prevent monopoly. If lessee operates a pipeline, or owns controlling interest in a pipeline or a company operating a pipeline, which may be operated accessible to oil derived from these leased lands, lessee shall comply with section 28 of the Mineral Leasing Act of 1920.

Lessee shall comply with Executive Order No. 11246 of September 24, 1965, as amended, and regulations and relevant orders of the Secretary of Labor issued pursuant thereto. Neither lessee nor lessee's subcontractors shall maintain segregated facilities.

Sec. 11. Transfer of lease interests and relinquishment of lease—As required by regulations, lessee shall file with lessor any assignment or other transfer of an interest in this lease. Lessee may relinquish this lease or any legal subdivision by filing in the proper office a written relinquishment, which shall be effective as of the date of filing, subject to the continued obligation of the lessee and surety to pay all accrued rentals and royalties.

Sec. 12. Delivery of premises—At such time as all or portions of this lease are returned to lessor, lessee shall place affected wells in condition for suspension or abandonment, reclaim the land as specified by lessor and, within a reasonable period of time, remove equipment and improvements not deemed necessary by lessor for preservation of producible wells.

Sec. 13. Proceedings in case of default—If lessee fails to comply with any provisions of this lease, and the noncompliance continues for 30 days after written notice thereof, this lease shall be subject to cancellation unless or until the leasehold contains a well capable of production of oil or gas in paying quantities, or the lease is committed to an approved cooperative or unit plan or communitization agreement which contains a well capable of production of unitized substances in paying quantities. This provision shall not be construed to prevent the exercise by lessor of any other legal and equitable remedy, including waiver of the default. Any such remedy or waiver shall not prevent later cancellation for the same default occurring at any other time. Lessee shall be subject to applicable provisions and penalties of FOGRMA (30 U.S.C. 1701).

Sec. 14. Heirs and successors-in-interest—Each obligation of this lease shall extend to and be binding upon, and every benefit hereof shall inure to the heirs, executors, administrators, successors, beneficiaries, or assignees of the respective parties hereto.

EXHIBIT CO-02

Lease Number: COC65175

NO SURFACE OCCUPANCY STIPULATION

No surface occupancy or use is allowed on the lands described below (legal description or other description):

PM: 6 T: 0060N R: 0930W
Section 11: E2NWSE;

For the purpose of:

To protect grouse dancing grounds (including sage and mountain sharp-tailed grouse and lesser and greater prairie chickens) within a one-quarter mile radius from the site.

Any changes to this stipulation will be made in accordance with the land use plan and/or the regulatory provisions for such changes. (For guidance on the use of this stipulation, see BLM Manual 1624 and 3101 or FS Manual 1950 and 2820.)

Exception Criteria:

An exception may be granted depending on current usage of the site or on the geographical relationship to topographic barriers and vegetation screening.

EXHIBIT CO-03

Lease Number: COC65175

NO SURFACE OCCUPANCY STIPULATION

No surface occupancy or use is allowed on the lands described below (legal description or other description):

PM: 6 T: 0060N R: 0930W
Section 19: 6;
Section 29: W2NENW, NWNW;
Section 30: 6, 10;
Section 30: W2SWNE;
Section 31: 17;

For the purpose of:

To protect raptor nests within a one-eighth mile radius from the site.

Any changes to this stipulation will be made in accordance with the land use plan and/or the regulatory provisions for such changes. (For guidance on the use of this stipulation, see BLM Manual 1624 and 3101 or FS Manual 1950 and 2820.)

Exception Criteria:

An exception may be granted depending on current usage, or on the geographical relationship to topographic barriers and vegetation screening.

EXHIBIT CO-09

Lease Number: COC65175

TIMING LIMITATION STIPULATION

No surface use is allowed during the following time period(s). This stipulation does not apply to operation and maintenance of production facilities.

December 01 through April 30

On the lands described below:

PM: 6 T: 0060N R: 0930W
Section 19: E2;
Section 32: 3,4,6,9;
Section 31: 9,17;
Section 30: NENE, W2W2NE, **SENW, NWSE**;
Section 29: W2NENW, NWNW;
Section 19: 6;
Section 12: W2NW, N2SW;
Section 11: NESE, E2NWSE;
Section 6: 21;
Section 5: 7;
Section 30: 6,7,10,13;

For the purpose of (reasons):

To protect big game (mule deer, elk, pronghorn antelope, and bighorn sheep) winter range, including crucial winter habitat and other definable winter range as mapped by the Colorado Division of Wildlife. This may apply to sundry notice that require an environmental analysis.

Any changes to this stipulation will be made in accordance with the land use plan and/or the regulatory provisions for such changes. (For guidance on the use of the stipulation, see BLM Manual 1624 and 3101 or FS Manual 1950 and 2820.)

Exception Criteria:

An exception may be granted under mild winter conditions for the last 60 days of the closure.

EXHIBIT CO-18

Lease Number: COC65175

TIMING LIMITATION STIPULATION

No surface use is allowed during the following time period(s). This stipulation does not apply to operation and maintenance of production facilities.

February 01 through August 15

On the lands described below:

PM: 6 T: 0060N R: 0930W
Section 19: 6;
Section 29: W2NENW;
Section 30: 6,7,10,13;
Section 30: W2SWNE, SENW, NWSE;
Section 31: 9;
Section 32: 4,9;

For the purpose of (reasons):

To protect raptor (this includes golden eagles, all accipiters, falcons [except the kestrels], all butteos, and owls) nesting and fledgling habitat during usage for one-quarter mile around the nest site.

Any changes to this stipulation will be made in accordance with the land use plan and/or the regulatory provisions for such changes. (For guidance on the use of the stipulation, see BLM Manual 1624 and 3101 or FS Manual 1950 and 2820.)

Exception Criteria:

Exceptions may be granted during years when the nest site is unoccupied, when occupancy ends by or after May 15, or once the young have fledged and dispersed from the nest.

EXHIBIT CO-23

Lease Number: COC65175

TIMING LIMITATION STIPULATION

No surface use is allowed during the following time period(s). This stipulation does not apply to operation and maintenance of production facilities.

November 16 through April 15

On the lands described below:

PM: 6 T: 0060N R: 0930W
Section 31: 8,9,17;
Section 30: NENE,W2W2NE,NWSE;
Section 30: 13;

For the purpose of (reasons):

To protect bald eagle winter roost sites within a one-half mile buffer around the site.

Any changes to this stipulation will be made in accordance with the land use plan and/or the regulatory provisions for such changes. (For guidance on the use of the stipulation, see BLM Manual 1624 and 3101 or FS Manual 1950 and 2820.)

Exception Criteria:

Exceptions may be granted for partial or complete visual screening of the oil and gas activity from the primary zone (that is, one-quarter mile around the roost site).

EXHIBIT CO-25

Lease Number: COC65175

CONTROLLED SURFACE USE STIPULATION

Surface Occupancy or use is subject to the following special operating constraints:

Operations proposed within the area of an approved surface or underground coal mine will be relocated outside the area to be mined or to accommodate room and pillar mining operations.

On the lands described below:

PM: 6 T: 0060N R: 0930W

- ✓ Section 5: 7;
- ✓ Section 6: 21;
- ✓ Section 11: NESE, E2NWSE;
- ✓ Section 12: W2NW, N2SW; — S2SW, S2SE No steps
- ✓ Section 19: 6; .
- ✓ Section 19: E2; .
- ✓ Section 29: W2NENW, NWNW;
- ✓ Section 30: 6, 7, 10, 13;
- ✓ Section 30: NENE, W2W2NE, NWSE;
- ✓ Section 31: 8, 9, 17;
- ✓ Section 32: 3, 4, 6, 9;

Section 13 N2W2
Section 29 N2E, NENW

For the purpose of:

To protect surface or underground coal mines

Exception Criteria:

This stipulation may be waived without a plan amendment if the lessee agrees that the drilling of a well will be subject to the following conditions: (1) (a) well must be plugged when the mine approaches within 500 feet of the well and reentered or redrilled upon completion of the mining operation; (b) well must be plugged in accordance with Mine Safety and Health Administration (formerly Mine Enforcement and Safety Administration) Informational Report 1052; (c) operator will provide accurate location of where the casing intercepts the coal by providing a directional and deviation survey of the well to the coal operator; or (2) relocate well into a permanent pillar or outside the area to be mined. A suspension of operations and production will be considered when the well is plugged, and a new well is to be drilled after mining operations move through the location.

Any changes to this stipulation will be made in accordance with the land use plan and/or the regulatory provisions for such changes. (For guidance on the use of this stipulation, see BLM Manual 1624 and 3101 or FS Manual 1950 and 2820).

EXHIBIT CO-26

Lease Number: COC65175

CONTROLLED SURFACE USE STIPULATION

Surface occupancy or use is subject to the following special operating constraints.

On the lands described below:

PM: 6 T: 0060N R: 0930W
Section 19: 6;
Section 32: 3,4,6,9;
Section 30: 13;
Section 30: NENE,W2W2NE;

For the purpose of:

Protecting fragile soils. Prior to surface disturbance of fragile soils, it must be demonstrated to the Authorized Officer through a plan of development that the following performance objectives will be met.

Performance Objectives:

- I. Maintain the soil productivity of the site.
- II. Protect off-site areas by preventing accelerated soil erosion (such as land-sliding, gulying, rilling, piping, etc.) from occurring.
- III. Protect water quality and quantity of adjacent surface and groundwater sources.
- IV. Select the best possible site for development in order to prevent impacts to the soil and water resources.

Fragile soil areas, in which the performance objective will be enforced, are defined as follows:

- a. Areas rated as highly or severely erodible by wind or water, as described by the Soil Conservation Service in the Area Soil Survey Report or as described by on-site inspection.
- b. Areas with slopes greater than or equal to 35 percent, if they also have one of the following soil characteristics:
 - (1) a surface texture that is sand, loamy sand, very fine sandy loam, fine sandy loam, silty clay or clay;
 - (2) a depth to bedrock that is less than 20 inches;
 - (3) an erosion condition that is rated as poor; or (4) a K factor of greater than 0.32.

Performance Standards:

- I. All sediments generated from the surface-disturbing activity will be retained on site.

II. Vehicle use would be limited to existing roads and trails.

III. All new permanent roads would be built to meet primary road standards (BLM standards) and their location approved by the Authorized Officer. For oil and gas purposes, permanent roads are those used for production.

IV. All geophysical and geochemical exploration would be conducted by helicopter, horseback, on foot, or from existing roads.

V. Any sediment control structures, reserve pits, or disposal pits would be designed to contain a 100-year, 6-hour storm event. Storage volumes within these structures would have a design life of 25 years.

VI. Before reserve pits and production pits would be reclaimed, all residue would be removed and trucked off-site to an approved disposal site.

VII. Reclamation of disturbed surfaces would be initiated before November 1 each year.

VIII. All reclamation plans would be approved by the Authorized Officer in advance and might require an increase in the bond.

Any changes to this stipulation will be made in accordance with the land use plan and/or the regulatory provisions for such changes. (For guidance on the use of this stipulation, see BLM Manual 1624 and 3101 or FS Manual 1950 and 2820.)

EXHIBIT CO-30

Lease Number: COC65175

LEASE NOTICE

The lessee is hereby notified of potential closure period (March 01 through June 30) and special mitigation to protect nesting sage grouse from surface disturbing activities. Sage grouse nesting habitat is described as sagebrush stands with plants between 30 and 100 centimeters in height and 15-40 percent mean canopy cover.

On the lands described below:

PM: 6 T: 0060N R: 0930W
Section 11: NESE, E2NWSE;
Section 12: W2NW, N2SW;

EXHIBIT LS-03

Lease Number: COC65175

NO SURFACE OCCUPANCY STIPULATION

No surface occupancy or use is allowed on the lands described below (legal description or other description):

PM: 6 T: 0060N R: 0930W
Section 32: 3,4,6,9;
Section 19: 6;
Section 19: SESE,W2E2;
Section 27: W2NE,SENE,NENW;
Section 29: W2NENW,NWNW;
Section 30: 6,7,10,13;
Section 30: NENE,W2W2NE,NWSE;
Section 31: 9,17;

For the purpose of:

To protect flatwater boating opportunities and scenic values within the Little Yampa/Juniper Canyon Special Recreation Management Area.

Any changes to this stipulation will be made in accordance with the land use plan and/or the regulatory provisions for such changes. (For guidance on the use of this stipulation, see BLM Manual 1624 and 3101 or FS Manual 1950 and 2820.)