

OIL AND GAS LEASE

AGREEMENT Made and entered into the 4th day of September, 1981, by and between Charles C. Todd and Bonnie L. Todd

25660 MOR 44, of Kersey, Colorado party of the first part, hereinafter called lessor (whether one or more) and Gody Nordell Inc. and William Rush, party of the second part, hereinafter called lessee.

WITNESSETH, That the said lessor, for and in consideration of Ten and more DOLLARS, cash in hand paid, receipt of which is hereby acknowledged and of the covenants and agreements hereinafter contained on the part of lessee to be paid, kept and performed, has granted, demised, leased and let and by these presents does grant, demise, lease and let unto the said lessee, for the sole and only purpose of mining and operating for oil and gas, and laying pipe lines, and building tanks, power stations and structures thereon to produce, save and take care of said products, all that certain tract of land situate in the County of Weld

State of Colorado, described as follows, to wit:
Township 4 North, Range 64 West, 6th P.M.
Section 20: NE 1/4 Except as described in Warranty Deed,
Book 810 Rec. #1731562 consisting of
356.19' x 726.45'. (3 1/2 acres)

of Section 20 Township 4 North Range 64 West and containing 156.46 acres, more or less.

It is agreed that this lease shall remain in force for a term of (3) years from this date, and as long thereafter as oil and gas, or either of them, is produced from said land by the lessee.

In consideration of the premises the said lessee covenants and agrees:

1. To deliver to the credit of the lessor, free of cost, in the pipe line to which the lessee may connect his wells, the equal 1/8 part of all oil produced and saved from the leased premises, as royalty or, at lessee's election, to pay the lessor for such royalty the market price prevailing the day the oil is run into the pipe line, or in storage tanks. To pay the lessor as royalty 1/8 of all other minerals and hydrocarbons which the lessee produces and saves from said lands.

2. To pay for the gas from each well found upon the said premises, which shall produce gas in marketable quantities, a royalty of 12 1/2 per cent of the net proceeds derived from the sale of such gas, or of the gasoline that such gas may be converted into and marketed off the premises.

If no well be commenced on said land on or before the 4th day of September, 1982, this lease shall terminate as to both parties, unless the lessee on or before that date shall pay or tender to the lessor, or to the lessor's credit in the United Bank of La Salle, Colorado or its successors, which shall continue as the depository regardless of changes in the ownership of said land, the sum of 156.46 DOLLARS, which shall operate as a rental and cover the privilege of

deferring the commencement of a well for 12 months from said date. In like manner and upon like payment or tenders the commencement of a well may be further deferred for a like period of the same number of months successively. And it is understood and agreed that the consideration first recited herein, the down payment, covers not only the privileges granted to the date when said first rental is payable as aforesaid, but also the lessee's option of extending that period aforesaid, and any and all other rights conferred.

Should the first well drilled on the above described land be a dry hole, then and in that event, if a second well is not commenced on said land within twelve months from the expiration of the last rental period which rental has been paid, this lease shall terminate as to both parties, unless the lessee on or before the expiration of said twelve months shall resume the payment of rentals in the same amount and in the same manner as hereinbefore provided. And it is agreed that upon the resumption of the payment of rentals, as above provided that the last preceding paragraph hereof, governing the payment of rentals and the effect thereof, shall continue in force just as though there had been no interruption in the rental payments.

If said lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties and rentals herein provided shall be paid the lessor only in the proportion which his interest bears to the whole and undivided fee.

Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for its operation thereon, except water from wells of lessor.

When requested by lessor, lessee shall bury its pipe lines below plow depth.

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

Lessee shall pay for damages caused by its operations to growing crops on said land.

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.

If the estate of either party hereto is assigned, and the privilege of assigning in whole or in part is expressly allowed—the covenants hereof shall extend to their heirs, executors, administrators, successors, or assigns, but no change in the ownership of the land or assignment of rentals or royalties shall be binding on the lessee until after the lessee has been furnished with a written transfer or assignment or a true copy thereof; and it is hereby agreed that in the event this lease shall be assigned as to a part or as to parts of the above described lands and the assignee or assigns of such part or parts shall fail to make default in the payment of the proportionate part of the rents due from him or them, such default shall not operate to defeat or affect this lease in so far as it covers a part or parts of said lands upon which the said lessee or any assignee thereof shall make due payment of said rental.

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 holders thereof. War Clause for Oil and Gas Lease:

This lease shall not be terminated, in whole or in part, nor shall lessee be held liable in damages, for failure to comply with the express or implied covenants hereof, if compliance therewith is prevented by, or if such failure is the result of, any Federal or State laws, executive orders, rules, or regulations. If, at the end of the primary term hereof such term has not been extended by production or drilling as in this lease provided, and lessee, by reason of any of the above recited causes, is unable to drill a well on the leased premises for oil or gas, the primary term and the rental provision hereof shall be extended automatically from year to year until the first anniversary hereof occurring ninety (90) or more days following the removal of such delaying cause. During any period that lessee is unable to produce and/or market any products from the leased premises by reason of any of the above recited causes, this lease shall remain in full force and effect.

In Testimony Whereof We Sign, this the 4th day of September, 1981.

Witness:

Charles C. Todd
Bonnie L. Todd

