

OIL AND GAS

3689965 04/29/2010 03:43P Weld County, CO
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965

AGREEMENT, Made and entered into the 7th day of April, 2010, by and between

Lois E. Knittle, a married woman dealing in her sole and separate property

whose address is

1901 Westridge Drive, Edmond, OK. 73013

, hereinafter called Lessor (whether one or more) and

GFL & Associates, LLC

whose address is 19751 E. Mainstreet, Suite 334 Parker, CO 80138

hereinafter called Lessee:

WITNESSETH, That the Lessor, for and in consideration of Ten and more (\$10.00 +) Dollars, cash in hand paid, the receipt and sufficiency are 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 exploring by geophysical and other methods, and operating for and producing therefrom oil, gas, and other hydrocarbons and all other minerals or substances, whether similar or dissimilar, that may be produced in association with production of oil, gas, and other hydrocarbons from any well drilled under the terms of this lease, with rights of way and easements for laying pipe lines and servicing or drilling other wells in the vicinity of said lands, and erection of structures thereon to produce, save and take care of said products, all that certain tract of land, together with any reversionary, remaindermen, and

executory rights therein, situated in Weld County, Colorado, described as follows, to-wit:

See Exhibit "A" attached hereto and made a part hereof.

Containing, 4,490.80 acres, more or less, together with all strips or parcels of land, submerged lands, accretions, and strips adjacent or contiguous thereto and owned or claimed by Lessor (not, however, to be construed to include parcels comprising a regular 40-acre legal subdivision or lot of approximately corresponding size) adjoining or contiguous to the above described land and owned or claimed by Lessor.

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 re-working 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. In the event this lease is not continued beyond the primary term by the provisions herein contained, Lessor hereby agrees, that Lessee, at its sole option, may extend this lease as to all or any part of the leased lands for an additional primary term of three (3) years from the expiration date of this lease, and as long thereafter as oil and gas or either of them is produced from said land by Lessee, said extension to be under the same terms and conditions as contained in this lease. Lessee may exercise this option to extend by tendering to Lessor an amount equal to one hundred percent (100%) of the consideration paid per net mineral acre for this lease, of the leased lands which are selected by Lessee on or before the termination date of this lease.

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. In consideration of the premises the said Lessee covenants and agrees:

1st. To deliver to the credit of Lessor, free of cost, in the pipe line or storage tanks to which Lessee may connect wells on said land, fifteen percent (15%) of all oil produced and saved from the leased premises.

2nd. To pay Lessor Fifteen Percent (15%) of the net proceeds at the well from the proceeds received for gas sold from each well where gas only is found, or the market value at the well of such gas used off the premises.

3rd. To pay Lessor fifteen percent (15%) of the market value at the well for gas produced from any oil well and used off the premises, or for the manufacture of casinghead gasoline or dry commercial gas.

4th. To pay Lessor fifteen percent (15%) of the proceeds received from the sale of any substance covered by this lease, other than oil and gas and the products thereof, which Lessee may elect to produce, save, and market from the leased premises.

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 Twenty-Five 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 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.

7. When requested by Lessor, Lessee shall bury Lessee's pipe line below plow depth.

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

9. Lessee shall pay for damages caused by Lessee's operations to growing crops on said land.

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 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 re-working 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 re-working 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, Lessee shall have the right to unitize, pool, or combine all or any part of the above described lands as to one or more of the formations thereunder with other lands in the same general area by entering into a cooperative or unit plan of development or operation approved by any governmental authority and, from time to time, with like approval, to modify, change or terminate any such plan or agreement and, in such event, the terms, conditions and provisions of this lease shall be deemed modified to conform to the terms, conditions, and provisions of such approved cooperative or unit plan of development or operation and, particularly, all drilling and development requirements of this lease, express or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this lease shall not terminate or expire during the life of such plan or agreement. In the event that said above described lands or any part thereof, shall hereafter be operated under any such cooperative or unit plan of development or operation whereby the production therefrom is allocated to different portions of the land covered by said plan, then the production allocated to any particular tract of land shall, for the purpose of computing the royalties to be paid hereunder to Lessor, be regarded as having been produced from the particular tract of land to which it is allocated and not to any other tract of land; and the royalty payments to be made hereunder to Lessor shall be based upon production only as so allocated. Lessor shall formally express Lessor's consent to any cooperative or unit plan of development or operation adopted by Lessee and approved by any governmental agency by executing the same upon request of Lessee.

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 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 holder thereof, and Lessor hereby agrees that any such payments made by Lessee for the Lessor may be deducted from any amounts of money which may become due the Lessor under the terms of this lease. The undersigned Lessor(s), 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.

15. If Lessor, during the primary term of this lease or any options to extend this lease, receives a bona fide offer from a third party to purchase from Lessor a lease covering any and all of the substances covered by this lease and covering all or a portion of the land described herein, with such lease to become effective upon expiration of this lease, which Lessor is willing to accept from the offering party Lessor hereby agrees to notify Lessee in writing of said offer immediately including in the notice the name and

address of the offeror, the price offered and all other pertinent terms and conditions of the offer. Lessee, for a period of fifteen (15) days after the receipt of the notice, shall have the prior and preferred right and option to purchase the lease or part thereof or interest therein covered by the offer at the price and on the terms and conditions specified in the offer. All offers made up to and including the last day of the primary term or any options to extend this lease shall be subject to the terms and conditions of this paragraph 15. Should Lessee elect to purchase the lease pursuant to the terms hereof, it shall notify Lessor in writing by mail, fax or telegram prior to expiration of said fifteen (15) day period. Lessee shall promptly therein furnish to Lessor the new lease for execution by Lessor along with Lessee's sight draft payable to Lessor in payment of the specified amount as consideration for the new lease, such draft being subject to approval of title according to the terms thereof. Upon receipt thereof, Lessor shall promptly execute said lease and return same to Lessee and present the draft for payment through Lessor's bank of record.

16. In the event Lessor considers that Lessee has not complied with any or all Lessee's obligations hereunder, either express or implied, Lessor shall notify Lessee in writing, specifically setting forth the alleged default. Lessee shall have sixty (60) days following receipt of such notice to commence to remedy or to remedy such default. Lessor's notice to Lessee hereunder shall be precedent to Lessor's bringing any action against Lessee and no such action can be initiated prior to the end of the sixty-day notice period herein provided. Neither the notice nor the remedy shall be deemed an admission or presumption that Lessee had failed to perform any of the obligations under this Lease. The Lease shall never be forfeited or canceled for failure to perform, in whole or in part, any of its implied covenants, conditions, or stipulations until a judicial determination is made that such failure exists and that Lessee fails, within a reasonable time, to satisfy any such covenants, conditions, or stipulations.

17. Should any one or more of the parties hereinabove named as Lessor fail to execute this Lease, it shall nevertheless be binding upon all such parties who do execute it as Lessor. 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.

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

Lois E. Knittle
Lois E. Knittle, a married woman dealing in her sole and separate property

Don Frissell

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STATE OF OKLAHOMA)
COUNTY OF OKLAHOMA) ss.

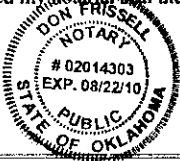
Oklahoma, Kansas, New Mexico, Wyoming, Montana, Colorado, Utah,
Nebraska, North Dakota, South Dakota
ACKNOWLEDGMENT--INDIVIDUAL

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this 19th day of April, 2010.

personally appeared Lois E. Knittle, a married woman dealing in her sole and separate property, to me known to be the identical person, described in and who executed the within and foregoing instrument of writing and acknowledged to me that SHE duly executed the same as her free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.

My Commission Expires 8-22-10



Don Frissell
Notary Public
Address: 2 West 1st St. Edmond, OK

STATE OF _____)
COUNTY OF _____) ss.

Oklahoma, Kansas, New Mexico, Wyoming, Montana, Colorado, Utah,
Nebraska, North Dakota, South Dakota
ACKNOWLEDGMENT--INDIVIDUAL

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this _____ day of _____, 20____.

personally appeared _____, to me known to be the identical person _____, described in and who executed the within and foregoing instrument of writing and acknowledged to me that _____ duly executed the same as _____ free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.

My Commission Expires _____

Notary Public
Address: _____

STATE OF _____)
COUNTY OF _____) ss.

Oklahoma, Kansas, New Mexico, Wyoming, Montana, Colorado, Utah,
Nebraska, North Dakota, South Dakota
ACKNOWLEDGMENT--INDIVIDUAL

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this _____ day of _____, 20____.

personally appeared _____, to me known to be the identical person _____, described in and who executed the within and foregoing instrument of writing and acknowledged to me that _____ duly executed the same as _____ free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.

My Commission Expires _____

Notary Public
Address: _____

EXHIBIT "A"

To Oil and Gas lease dated April 7th, 2010 between Lois E. Knittle and GFL & Associates, LLC
Legal Description:

Township 7 North, Range 59 West, 6th P.M.

Section 29: All

Section 7: Lot 1 (43.06), Lot 2 (42.82), Lot 3 (42.58), Lot 4 (42.34)

Township 7 North, Range 60 West, 6th P.M.

Section 12: E ½

Township 8 North, Range 60 West, 6th P.M.

Section 14: W ½

Section 23: NW1/4

Section 24: SE1/4

Section 25: S1/2, NW1/4

Section 26: E1/2

Section 27: SE1/4

Section 35: E1/2

Section 36: W1/2NE1/4


Township 8 North, Range 61 West, 6th P.M.

Section 15: W1/2

Section 21: All, except NWNW

Township 9 North, Range 62 West, 6th P.M.

Section 21: NE1/4, SW1/4, N1/2SE1/4, SW1/4SE1/4


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Irregardless of the language contained in Paragraph 12 of the attached Lease, Lessee and its successors and assigns shall have no power to pool or unitize the lands leased herein beyond that necessary to satisfy a drilling and spacing unit requirement of the Colorado Oil and Gas Conservation commission.

Lessee shall consult with Lessor as to the location of any roads and pipelines on the land with the understanding that pipelines will generally follow the course of roads in order to minimize the impact on the surface of the land. Lessee must notify Lessor as to the location of any drillsite, equipment and pipeline location.

Lessee agrees to keep the surface of the Land clear of trash, to keep equipment painted, to repair all fences damaged by Lessee, and to restore the premises to it's original condition, insofar as is reasonably possible upon termination of each operation.

Lessee shall prohibit its employees, agents, contractors, or any other person coming on to Lessor's property under the rights granted to Lessee herein, from bringing any guns or other weapons on to the property and Lessee shall not allow any hunting or fishing on Lessor's property by any such persons.

LESSEE AGREES TO INDEMNIFY AND HOLD HARMLESS LESSOR, AND LESSOR'S REPRESENTATIVES, SUCCESSORS, AND ASSIGNS AGAINST ALL EXPENSES, CLAIMS, DEMANDS, LIABILITIES, AND CAUSES OF ACTION OF ANY NATURE FOR INJURY TO OR DEATH OF PERSONS AND LOSS OR DAMAGE TO PROPERTY, INCLUDING, WITHOUT LIMITATION, ATTORNEY FEES, EXPERT FEES, AND COURT COSTS, CAUSED BY LESSEE'S OPERATIONS ON THE LAND OR LESSEE'S MARKETING OF PRODUCTION FROM THE LAND OR ANY VIOLATION OF ANY ENVIRONMENTAL REQUIREMENTS BY LESSEE. AS USED IN THIS PARAGRAPH, THE TERM "LESSEE" INCLUDES LESSEE, ITS AGENTS, EMPLOYEES, SERVANTS, CONTRACTORS, AND ANY OTHER PERSON ACTING UNDER ITS DIRECTION AND CONTROL, AND ITS INDEPENDENT CONTRACTORS.