

## OIL AND GAS LEASE

This Oil and Gas Lease ("Lease") is made this \_\_\_\_\_ day of June, 2008, by and between Four Minerals, LLC. A Colorado Limited Liability Company, whose address is P.O. Box 336633, GREELEY, COLORADO 80634, ("Lessor", whether one or more) and MINERAL RESOURCES, INC., A COLORADO CORPORATION, whose address is P.O. Box 328, GREELEY, COLORADO 80632 ("Lessee").

WITNESSETH, For and in Consideration of TEN DOLLARS, the covenants and agreements contained herein, and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, Lessor does hereby grant, demise, lease and let exclusively unto said Lessee, with the exclusive rights for the purposes of mining, exploring by geophysical and other methods and operating for and producing therefrom oil and all gas of whatsoever nature or kind (including coalbed gas), and laying pipelines, telephone and telegraph lines, building tanks, plants, power stations, roadways and structures thereon to produce, save and take care of said products (including dewatering of coalbed gas wells), and the exclusive surface or subsurface rights and privileges related in any manner to any and all such operations, and any and all other rights and privileges necessary, incident to, or convenient for the operation alone or conjointly with neighboring land for such purposes, all that certain tract or tracts of land situated in Weld County, Colorado, described to wit:

TOWNSHIP 5 NORTH, RANGE 66 WEST, 6<sup>TH</sup> P.M.

SECTION 2:     ALL THAT PART BEING MORE PARTICULARLY DESCRIBED IN THE ATTACHED EXHIBIT "A"  
                  CONTAINING 50.9 ACRES, MORE OR LESS (the "Premises")

1. It is agreed that this Lease shall remain in full force for a term of five (5) years from this date ("Primary Term") and as long thereafter as oil or gas of whatsoever nature or kind is produced from the Premises or on acreage pooled or unitized therewith, or operations are continued as hereinafter provided. If, at the expiration of the Primary Term, oil or gas is not being produced from the Premises or on acreage pooled or unitized therewith but Lessee is then engaged in drilling, reworking or dewatering operations thereon, then this Lease shall continue in force so long as such operations are being continuously prosecuted. 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 the Premises or on acreage pooled or unitized therewith, the production thereof should cease from any cause after the primary term, this Lease shall not terminate if Lessee commences additional drilling, reworking or dewatering operations within ninety (90) days from date of cessation of production or from date of completion of a 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, this Lease shall continue in force so long as oil or gas is produced from the Premises or on acreage pooled or unitized therewith.
2. This is a PAID-UP LEASE. In consideration of the payment made herewith, 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 the Premises 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 obligations thereafter accruing as to the acreage surrendered.
3. The royalties to be paid by Lessee are: (a) on oil, 20% of that produced and saved from said Leased Premises, the same to be delivered at the wells or to the credit of Lessor into the pipeline to which the wells may be connected or at the oil purchaser's transportation facilities; Lessee may from time to time purchase any royalty oil in its possession directly or through an affiliate, paying the market price therefor prevailing for the field where produced on the date of purchase, and Lessee may sell any royalty oil in its possession and pay lessor the price received by Lessee for such oil computed at the well (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) on gas produced from said Leased Premises and sold or used of the Leased Premises, or for the extraction of gasoline or other product there from, the market value at the well of 20% of the gas so sold or used, provided that on gas sold by Lessee the market value shall not exceed the amount received by Lessee for such gas computed at the mouth of the well, and on gas sold at the well the royalty shall be 20% of the amount realized by Lessee from such sale, and further provided that Lessee shall have the continuing right to sell such production to itself or an affiliate at the prevailing wellhead market price paid for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase arrangements entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder; and (c) in calculating the market price or market value of gas at the well for the purpose of determining the royalties due on gas hereunder, the mouth of the well shall be deemed as the location at which the gas is produced, and (d) Lessee may deduct Lessor's proportionate part of any ad valorem, production and excise taxes, and (e) if the price of any oil or gas or substance upon which royalty is payable hereunder is regulated by any governmental agency, the market value or market price at the sell of such oil, gas or other substance, for the purpose of computing royalty hereunder shall not be in excess of the price which Lessee may receive and retain. Lessee shall have free from royalty or other payment the use of water, other than water from Lessor's wells or tanks, and of oil and gas produced from said land in all operations which Lessee may conduct hereunder, including water injection and primary, secondary, tertiary recovery programs, cycling, pressure maintenance methods of recovery, and all other methods of production and enhanced production, whether now known or unknown and the conducting of dewatering operations, and the royalty on oil and gas shall be computed after deducting any so used. If at the end of the primary term or anytime thereafter one or more wells on the Leased Premises or lands pooled or unitized therewith are capable of producing oil or gas or other substances covered hereby in paying quantities but such well or wells are either shut in or production there from is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the

purpose of maintaining this lease. If for a period of 90 consecutive days such well or wells are shut in or production there from is not being sold by Lessee, then Lessee shall pay an aggregate shut-in royalty of five dollars (\$5.00) per mineral acre then covered by this lease, such payment to be made to Lessor or to Lessor's credit in the depository designated below on or before the anniversary date of this lease next ensuing after the end of said 90-day period and thereafter on or before each subsequent anniversary date while the well or wells are shut in or production there from is not being sold by Lessee; provided that if this lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the Leased Premises or lands pooled or unitized therewith, no shut-in royalty shall be due until the anniversary date next ensuing after the end of the 90-day period next following cessation of such operations or production. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease.

4. Where gas from a well capable of producing gas (or from a well in which dewatering operations have commenced), is not sold or used after the expiration of the Primary Term, Lessee shall pay or tender as royalty to Lessor at the address set forth above One Dollar (\$1.00) per year per net mineral acre, such payment or tender to be made on or before the anniversary date of this Lease next ensuing after the expiration of ninety (90) days from the date such well is shut in or dewatering operations are commenced and thereafter on or before the anniversary date of this Lease during the period such well is shut in or dewatering operations are being conducted.

5. If Lessor owns a lesser interest in the Premises than the entire and undivided fee simple estate therein, then the royalties (including any shut-in gas royalty) herein provided for shall be paid 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 the Premises for Lessee's operations thereon, except water from the wells of Lessor.

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

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

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

10. Lessee shall have the right at any time to remove all machinery and fixtures (including casing) Lessee has placed on the Premises.

11. The rights of the 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 the Premises 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 Premises and as to any one or more of the formations thereunder, 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, reworking or dewatering 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, reworking or dewatering 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 royalties on production from such unit 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 Premises 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 the Premises 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 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. Any delay or interruption caused by storm, flood, act of God or other event of force majeure shall not be counted against Lessee. If, due to the above causes or any cause whatsoever beyond the

control of Lessee, Lessee is prevented from conducting operations hereunder, such time shall not be counted against Lessee, and this Lease shall be extended for a period of time equal to the time Lessee was so prevented, anything in this Lease to the contrary notwithstanding.

14. Lessor hereby 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, 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. Should any one or more the parties named as Lessor herein 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.

16. If at any time within the primary term of this lease and while the same remains in force and effect, Lessor receives any bona fide offer, acceptable to Lessor, to grant an additional lease (top lease) covering all or part of the afordescribed lands, lessee shall have the continuing option by meeting any such offer to acquire such top lease. Any offer must be in writing, and must set forth the proposed Lessee's name, bonus consideration and royalty consideration to be paid for such lease, and include a copy of the lease form to be utilized which form should reflect all pertinent and relevant terms and conditions of the top lease. Lessee shall have fifteen (15) days after receipt, from Lessor, of a complete copy of any such offer to advise Lessor in writing of its election to enter into an oil and gas lease with Lessor on equivalent terms and conditions. If Lessee fails to notify Lessor within the aforesaid fifteen (15) day period of its election to meet any such bona fide offer, Lessor shall have the right to accept said offer.

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

FOUR MINERALS, LLC

Carol V. Hill  
Manager.

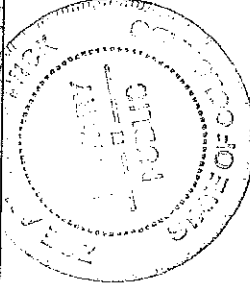
STATE OF )  
                  ) SS.  
COUNTY OF )

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this 31<sup>st</sup> day of October, 2008, personally appeared Carol V. Hill as the Manager of FOUR MINERALS, a Colorado limited liability company, to me known to be the identical person described in and who executed the within and foregoing instrument of writing, acknowledged to me that he duly executed the same as his 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 Feb. 8, 2010

Zoe Ann Hancock  
Notary Public.



## LEGAL DESCRIPTION

### Oil and Gas Lease

#### Block 10:

A Parcel of land located in the Northeast Quarter of Section 2, Township 5 North, Range 66 West of the 6<sup>th</sup> Principal Meridian, Weld County, Colorado known as Block 10, Best-Way Park and shown as such on the plat titled Best-Way Park Subdivision recorded at the Weld County Clerk and Recorder's office as Reception # \_\_\_\_\_ containing 11.0 acres more or less.

#### Single Family:

A Parcel of land located in the Northeast Quarter of Section 2, Township 5 North, Range 66 West of the 6<sup>th</sup> Principal Meridian, Weld County, Colorado known as blocks 1-9, Tracts A, D-F, Best-Way Park and shown as such on the plat titled Best-Way Park Subdivision recorded at the Weld County Clerk and Recorder's office as Reception # \_\_\_\_\_ containing 39.9 acres more or less.

Also Described as Follows:

#### PARCEL 1:

A tract of land located in the NE1/4 of Section 2, Township 5 North, Range 66 West of the 6<sup>th</sup> P.M., Weld County, Colorado, and being further described as follows:

Commencing at the center quarter corner of said Section 2, and considering the South line of the NE1/4 of said Section 2 to bear S89°55'53" E, with all bearings herein being relative thereto;

Thence S89°55'53" E, along the South line of the NE1/4 of said Section 2, a distance of 1242.80 feet to the True Point of Beginning, said point being the Southeast corner of Johnson Subdivision, as platted and recorded in the records of Weld County, Colorado; thence along the easterly boundary line of said Johnson Subdivision by the following 2 (2) bearings and distances:

N13°44'10" W, 1300.19 feet;

N09°12'16" W, 1040.61 feet to a point on the South bank of Greeley Canal No. 3;

Thence along the South bank of said Greeley Canal No. 3 by the following nine (9) bearings and distances:

N84°39'18" E, 81.45 feet;

S89°00'30" E, 254.37 feet;

S75°18'29" E, 125.79 feet;

S66°09'38" E, 380.46 feet;

S63°20'48" E, 230.77 feet;

S49°27'12" E, 458.03 feet;

S89°28'12" E, 214.99 feet;

S80°30'45" E, 112.96 feet;

S73°04'44" E, 266.46 feet;

Thence S06°10'17" W, along the East line of the NE1/4 of said Section 2, a distance of 885.39 feet;

thence N89°55'53" W along the North line of an 11,540 acre tract of land, 766.69 feet; thence S06°10'17" W along the West line of said 11,540 acre tract of land, 659.36 feet to the South line of the NE1/4 of said Section 2;

thence N89°55'53" W along the South line of the NE1/4 of said Section 2, a distance of 851.81 feet to the True Point of Beginning.

#### PARCEL 2:

A tract of land located in the NE1/4 of Section 2, Township 5 North, Range 66 West of the 6<sup>th</sup> P.M., Weld County, Colorado, and being further described as follows:

Commencing at the center quarter corner of said Section 2, and considering the South line of the NE1/4 of said Section 2 to bear S89°55'53" E, with all bearings herein being relative thereto;

Thence S89°55'53" E, along the South line of the NE1/4 of said Section 2, a distance of 1242.80 feet to the True Point of Beginning, said point being the Southeast corner of Johnson Subdivision, as platted and recorded in the records of Weld County, Colorado; thence along the easterly boundary line of said Johnson Subdivision by the following 2 (2) bearings and distances:

N13°44'10" W, 1300.19 feet;

N09°12'16" W, 1040.61 feet to a point on the South bank of Greeley Canal No. 3;

Thence along the South bank of said Greeley Canal No. 3 by the following nine (9) bearings and distances:

N84°39'18" E, 81.45 feet;

S89°00'30" E, 254.37 feet;

S75°18'29" E, 125.79 feet;

S66°09'38" E, 380.46 feet;

S63°20'48" E, 230.77 feet;

S49°27'12" E, 458.03 feet;

S89°28'12" E, 214.99 feet;

S80°30'45" E, 112.96 feet;

S73°04'44" E, 266.46 feet;

Thence S06°10'17" West, along the East line of the NE1/4 of said Section 2, a distance of 130 feet to the TRUE POINT OF BEGINNING

Thence continuing S06°10'17" W along the East line of the NE 1/4 of said Section 2 756.39 feet;

thence N89°55'53" W along the North line of an 11,540 acre tract of land, 300.00 feet;

thence N06°10'17" E parallel to the East line of the NE 1/4 of said Section 2 a distance of 766.39 feet;

thence S89°55'53" E, 300.00 feet more or less to the TRUE POINT OF BEGINNING.

Excepting therefrom, however

Two tracts of land located in the Northeast Quarter of Section 2, Township 5 North, Range 66 West of the 6th P.M., more particularly described as follows:

Tract B

Commencing at the East one-quarter corner of Section 2, thence North 06°10'17" East, 659.36 feet; thence North 89°55'53" West, 70.40 feet; thence North 89°55'53" West, along the Southerly line of Tract C, 696.29 feet, to the Point of Beginning; thence South 06°10'17" West, 599.02 feet; thence North 89°55'53" West, 625.16 feet; thence along a curve to the right having a length of 47.12 feet, a radius of 30.00 feet, a delta of 90°00'04" and a chord which bears North 44°55'51" West, 42.43 feet; thence along a curve to the left having a length of 60.22 feet, a radius of 230.00 feet, a delta of 15°00'04", and a chord which bears North 07°26'51" West, 60.05 feet; thence North 14°55'53" West, 73.11 feet; thence North 86°06'42" East, 476.11 feet, thence along a curve to the left having a length of 98.53 feet, a radius of 69.80 feet, a delta of 80°52'46", and a chord which bears North 45°40'19" East, 90.55 feet; thence North 05°13'56" East, 390.85 feet; thence along a curve to the right having a length of 174.13 feet, a radius of 150.00 feet, a delta of 66°30'44", and a chord which bears North 38°29'18" East, 164.51 feet; thence South 20°49'15" East, 192.18 feet, to the Point of Beginning, County of Weld, State of Colorado.

Tract C

Commencing at the East quarter corner of Section 2; thence North 06°10'17" East, 659.36 feet; thence North 89°55'53" West, 70.40 feet to the Point of Beginning; thence North 89°55'53" West, 696.29 feet; thence North 20°49'15" West, 192.18 feet; thence North 00°00'00" East, 374.96 feet; thence South 90°00'00" East, 390.00 feet; thence North 85°35'50" East, 70.21 feet; thence North 77°06'30" East, 71.93 feet; thence North 68°48'53" East, 69.35 feet; thence North 66°04'48" East, 120.00 feet; thence North 45°09'38" East, 107.06 feet; thence North 23°55'12" West, 60.33 feet; thence along a curve to the right, having a length of 58.80 feet, a radius of 320.00 feet, a delta of 10°31'18", and a chord that bears North 76°51'01" East, 58.71 feet; thence along a curve to the right, having a length of 54.48 feet, a radius of 30.00 feet, a delta of 104°03'27", and a chord that bears South 45°51'26" East, 47.30 feet, thence South 06°10'17" West, 766.22 feet, to the Point of Beginning, County of Weld, State of Colorado

And excepting

A tract of land being a part of a tract of land described in Book 793, Reception No. 1714658, Weld County Records and located in the Northeast Quarter of Section 2, Township 5 North, Range 66 West of the 6th Principal Meridian, Weld County, Colorado and being further described as follows: Commencing at the Center Quarter Corner of said Section 2, and considering the South line of the Northeast Quarter of said Section 2 to bear South 89°55'53" East, with all bearings herein being relative thereto; thence South 89°55'53" East, along the South line of the Northeast Quarter of said Section 2, a distance of 1242.80 feet to the true point of beginning, said point being the Southeast Corner of Johnson Subdivision, as platted and recorded in the Records of Weld County, Colorado; thence North 13°44'30" West, 41.19 feet along the Easterly boundary line of said Johnson Subdivision; thence South 89°55'53" East, 865.92 feet to a point on the West line of an 11.540 acre tract of land; thence South 06°10'17" West, along the West line of said 11.540 acre tract of land, 40.23 feet to the South line of the Northeast Quarter of said Section 2; thence North 89°55'53" West, along the South line of the Northeast Quarter of said Section 2, a distance of 851.81 feet to the true point of beginning; said tract of land contains 0.789 acre and includes an existing road right-of-way over the Southerly 30 feet of said tract.