

OIL AND GAS LEASE

THIS LEASE made as of December 9, 1994, between Union Pacific Resources Company, a Delaware corporation, whose address is P.O. Box 7, Fort Worth, Texas 76101-0007, as Lessor, and Snyder Oil Corporation, a Delaware corporation, whose address is 1625 Broadway, Suite 2200, Denver, Colorado 80202, as Lessee.

WITNESSETH:

(1) Lessor, for good and valuable consideration, receipt of which is hereby acknowledged, and in consideration of the royalties herein provided and of the agreement of Lessee herein contained and subject to the limitations herein provided, grants, leases and lets unto Lessee for the purposes of investigating, exploring, prospecting, drilling and mining for and producing oil and gas [including, without limitation, nitrogen, carbon dioxide, hydrogen sulphide, helium, and other gaseous substances (except steam) and products associated therewith] and associated liquid hydrocarbons, and laying pipelines, building tanks, power stations, telephone lines and other structures thereon to produce, save, take care of, treat, refine, process, store, transport, own, sell and dispose of said oil, gas and associated liquid hydrocarbons, 100 percent (100%) of Lessor's right, title and interest in and to the oil and gas in and under the leased premises described as follows:

Township 3 North, Range 66 West, 6th P.M.  
Section 33: SE/4NE/4  
Weld County, Colorado

For shut-in royalty payment purposes, the land included in this lease shall be deemed to contain 40 acres, whether it actually comprises more or less.

(2) This is a paid-up lease and there shall be no requirement for Lessee to pay delay rentals.

(3) Subject to the other provisions herein contained, this lease shall be for a primary term which expires at twelve o'clock (12:00) noon, Central Time, on December 9, 1995, which term shall hereinafter be referred to as "the primary term", and as long thereafter as oil, gas, or associated liquid hydrocarbons or any of them are produced from the leased premises in paying quantities hereunder, or drilling or reworking operations are conducted thereon under the terms hereof.

(4) Subject to the right of election reserved to Lessor below to take its share of production in kind, the royalties to be paid by Lessee are 15 percent (15%) of eight-eighths (8/8ths) of: (a) the greater of the market value at the well or the amount realized from the sale of oil and liquid petroleum products recovered at the well and (b) the market value at the well of gas sold, used off the leased premises or delivered to Lessee at the tailgate of the plant to which the gas is delivered, plus the market value of the products recovered when such gas is processed; provided that on gas sold at the well by Lessee in an arm's length transaction, the royalty shall be the same percentage of the amount realized from such sale. For avoidance of doubt, royalty is to be paid on all payments received by Lessee under or as a result of a gas purchase contract, including, but not limited to reservation charges and, subject to credit to Lessee when gas for which payment has been made earlier is eventually produced, take-or-pay or contract settlement proceeds and amounts paid for gas not taken. Lessee shall have free use of oil and gas from said land for operations on the leased premises, and the royalty on oil and gas shall be computed after deducting any production so used.

The royalties payable under this lease shall be free and clear of costs or deductions for exploration, drilling, development, and production, including but not limited to, costs of marketing, dehydration, storage, compression, separation by mechanical means and stabilization of the hydrocarbons. If Lessee treats and/or processes its gas in a natural gas plant (either on or off the leased premises), whether in Lessee's plant or in the plant of an under contract with a third party, Lessee shall treat and/or process or cause Lessor's gas to be treated and/or processed. In the event of any such treating and/or processing, Lessee shall be entitled to deduct from the value of the products recovered by the treating and/or processing of the gas, or if Lessor is taking its production in kind to charge Lessor for, the actual costs incurred by Lessee for such treating and/or processing, which costs shall include gathering or transportation costs required to transport the gas to the plant. If Lessor elects, Lessee shall deliver to Lessor in kind its royalty share of oil and other liquid hydrocarbons saved at the well, into storage tanks on the leased premises; products recovered in a processing plant, into storage tanks or onto storage sites at the plant; and gas, at the tailgate of the plant, if processed, or at the well if the gas is sold at the well. In the event of such election with respect to oil and products, Lessor shall give to Lessee not less than sixty (60) days notice of its election and shall take said royalty share in kind for a period of not less than six (6) months following the termination of said sixty (60) day period. Any deliveries of production are to be made from Lessee's facilities at times and amounts which equitably adjust deliveries between the parties. With respect to gas, Lessee shall give Lessor notice if it intends to enter into a gas contract on its share of the gas, and Lessor shall have a period of thirty (30) days from receipt of a copy of the gas sales agreement which Lessee is willing to execute to notify Lessee in writing that Lessor elects to take in kind and separately dispose of its share of such gas.

If there is a gas well on the leased premises or on land pooled therewith capable of producing in paying quantities, but from which gas is not being sold, and in the absence of oil or other production from the leased premises or on land pooled therewith sufficient to maintain this lease in full force and effect, this lease shall be extended for a period of ninety (90) days from the date such well is or was shut-in, whereupon this lease shall terminate unless Lessee shall pay to Lessor as royalty, a sum equal to One Dollar (\$1.00) per net acre covered by this lease, which payment shall be made to Lessor at P.O. Box 7, Fort Worth, Texas 76101-0007, ATTN: Manager, Land Administration, on or before the ninetieth (90th) day from and after the date on which such well is or was shut-in, and annually thereafter a similar payment may be made on or before the anniversary date on which such well was shut-in. If such payment, or payments, are timely made, it shall be considered that gas is being produced in paying quantities from the leased premises under

all the terms and provisions of this lease (but only for so long as the well continues to be capable of producing in paying quantities); however, this lease may not be maintained by shut-in payments more than three (3) (cumulative) years during any five (5) year period.

Lessee shall be obligated to use diligence to market gas capable of being produced in paying quantities from a shut-in well, but shall be under no obligation to market same under terms, conditions or circumstances which are unreasonable.

(5) Lessee may at any time execute and place of record a release or releases covering any portion or portions of the above described leased premises, furnishing a copy thereof to Lessor, and thereby surrender this lease as to such portion or portions and be relieved as to the acreage surrendered of all obligations not arising from activities of Lessee prior to said release. Upon the expiration of any portion of this lease, Lessee shall promptly record an appropriate, legally effective release or releases of said expired portion and provide Lessor a copy of the recorded instrument within ninety (90) days of said expiration.

(6) If Lessee is drilling a new well or reworking an old well at the expiration of the primary term, this lease shall continue in force as long as such drilling or reworking operations are prosecuted with no cessation of more than ninety (90) days, and if such drilling or reworking operations result in production of oil or gas or associated liquid hydrocarbons in paying quantities, then for so long thereafter as such production in paying quantities continues or this lease is otherwise maintained in full force and effect under the provisions hereof. If production on this lease ceases after the expiration of the primary term, this lease shall continue in force if drilling or reworking operations are commenced within sixty (60) days after such cessation of production; and if production is restored or new production is discovered as a result of any such drilling or reworking operations, conducted without cessation of more than ninety (90) days, this lease shall continue so long thereafter as production in paying quantities, or additional drilling or reworking operations are had without cessation of such production, drilling or reworking operations for more than ninety (90) consecutive days.

(7) Lessee, at its option, is hereby given the right and power to pool or combined the leased premises or any portion thereof, as to oil and gas, or either of them, with any other land, lease or leases, when in Lessee's judgment it is necessary or advisable to do so in order to properly develop and operate the leased premises. Any such pooling shall be into a well unit or units not exceeding forty (40) acres, plus an acreage tolerance of ten percent (10%), for oil, and not exceeding one hundred sixty (160) acres, plus an acreage tolerance of ten percent (10%), for gas, except that larger units may be created to conform to any spacing or well unit pattern that may be prescribed by state governmental authorities having jurisdiction. Lessee may pool or combine acreage covered by this lease, or any portion thereof, as above provided, as to oil or gas in any one or more strata, and oil units need not conform as to area with gas units. The pooling in one (1) or more instances shall not exhaust the right of the Lessee hereunder to pool this lease or portions thereof into other units. Lessee shall execute in writing and place of record an instrument or instruments identifying and describing the pooled acreage. In order to be effective, Lessee shall promptly furnish to Lessor a copy of the document pooling the acreage. The entire acreage so pooled into a unit shall be treated for all purposes, except the payment of royalties, as if it were included in this lease, and drilling and reworking operations thereon, and production of oil and gas therefrom, or the completion thereon of a well as a shut-in gas well, shall be considered for all purposes, except the payment of royalties, as if such operations were on, or such production were from, or such completion were on the leased premises, whether or not the well or wells be located on the leased premises. In lieu of the royalties elsewhere herein provided, Lessor shall receive from a unit so formed, only such portion of the royalty stipulated herein as the amount of its net mineral acres placed in the unit bears to the total acreage so pooled in the particular unit involved. Should any unit as originally created hereunder contain less than the maximum number of acres hereinabove specified, then Lessee may at any time thereafter, whether before or after production is obtained on the unit, enlarge such unit by adding additional acreage thereto, but the enlarged unit shall in no event exceed the acreage content hereinabove specified. In the event an existing unit is so enlarged, Lessee shall execute and place of record a supplemental declaration of pooling identifying and describing the land added to the existing unit; provided, that if such supplemental declaration of pooling is not filed until after production is obtained on the unit as originally created, then and in such event the supplemental declaration of pooling shall not become effective until the first day of the calendar month next following the filing thereof and the furnishing to Lessor of a copy of such supplemental declaration. In the absence of production, Lessee may terminate the unitized area by filing with Lessor and of record a notice of termination.

(8) Insofar as Lessor may grant such right, Lessee shall have the right at any time during the term of this lease or within six (6) months after the expiration of this lease to remove all property and fixtures placed by Lessee on the leased premises, including the right to draw and remove all casing.

(9) The rights of Lessor may be assigned in whole or in part. This lease may not be assigned by Lessee in whole or in part, without the prior written consent of Lessor, which consent shall not be unreasonably refused. Refusal shall be deemed reasonably denied if, in Lessor's judgment, the numbers of assignees are excessive, an assignee's technical competence or financial ability could be inadequate or Lessee refuses to accept responsibility for the performance of any of its successors in interest. Any attempted assignment by Lessee of the rights arising under this lease without such consent shall be void and of no effect. No change in the ownership of the land, or any interest therein, shall be binding on Lessee or any purchaser of production hereunder, until Lessee shall be furnished with a certified copy of all recorded instruments, all court proceedings, and all other necessary evidence of any transfer, inheritance, or sale of said rights. Unless provided otherwise, in Lessor's approval of an assignment to be made by Lessee, Lessee shall continue to be responsible to Lessor for all unpaid sums then due to Lessor and obligations under Section 15 below with respect to the assigned portion or portions having to do with activities conducted prior to the date of assignment. In addition, the assignment of this lease, in whole or in part, shall not be valid as to Lessor until Lessor shall have been furnished a true and correct certified copy of such assignment. No change or division in ownership of the land, shut-in payments, or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee.

- (10) All express or implied covenants of this lease shall be subject to all applicable laws, orders, rules or regulations, and this lease shall not terminate, in whole or in part, nor shall Lessee be held liable in damages for failure to comply therewith, if compliance is prevented by, or if failure is the result of any applicable law, order, rule or regulation, or if prevented by an act of God, of the public enemy, or labor strikes.
- (11) Lessee at its option may discharge any tax, mortgage, or other lien upon the leased premises, either in whole or in part, and in the event Lessee does so, it shall be subrogated to any lawful and enforceable rights of the prior creditor with the right to enforce same and apply shut-in payments and royalties accruing hereunder towards satisfying same. Except as provided in the immediately preceding sentence, Lessee shall not acquire or attempt to acquire, directly or indirectly, from any person other than Lessor, any rights or interests in the oil and gas estate in the leased premises or take any action inconsistent with or adverse to the ownership and quiet enjoyment by Lessor of its oil and gas estate in the leased premises. If Lessor owns an interest in the leased premises less than the entire fee simple estate, or if this lease covers less than Lessors entire interest in the leased premises, then the shut-in payments and royalties to be paid Lessor shall be reduced proportionately. If any portion of the leased premises is included in a pooled unit, the amount of the shut-in royalty applicable to the Lessor's interest therein shall be based upon the amount of Lessor's net mineral acres included in any such pooled unit upon which such gas well is situated.
- (12) The rights granted under this lease are granted WITHOUT WARRANTY, EXPRESS OR IMPLIED, and without covenants of title, including, without limitation, covenants to give possession or for quiet enjoyment.
- (13) Without the prior written consent of the owner thereof, Lessee shall not make any entry upon or under any portion of any railroad right-of-way or station grounds for any of the purposes of this lease, and shall not drill any well or maintain any structures or facilities within two hundred feet (200') (by surface or subsurface measurement) of: (a) any railroad tracks or buildings on such right-of-way, or station grounds, or (b) any buildings upon the leased premises.
- (14) Lessee shall be responsible for injury to or loss or destruction of property, and for injury to or death or illness of any person, arising out of or in connection with operations hereunder. Lessee expressly agrees to and shall assume all obligations and responsibility with respect to being in, establishing, achieving, documenting, or reporting full compliance with any and all applicable laws, orders, rules, regulations and standards with respect to pollution, the continued operation and eventual plugging, replugging, and abandonment obligations of any unplugged or improperly plugged wells on the leased premises or land pooled therewith.
- (15) Without limiting the generality of Section 14, Lessee shall pay either the tenant or the surface owner (whichever is appropriate) for any and all damages to land, structures, roads, fences, gates, cattle guards, trees, growing crops, irrigation facilities, equipment, and livestock caused by construction, operations, or maintenance of facilities, shall bury all pipelines below plow depth where they cross cultivated land, shall construct gates where necessary for crossing fenced lands and keep the gates in repair and closed. Lessee shall not permit any lien or other encumbrance to be filed or to remain against the leased premises as a result of operations hereunder. Irrespective of whether Lessor has consented to an assignment, farmout or other arrangement whereby Lessee consents to drilling or other operations on the leased premises by a third party, Lessee shall be responsible for any and all claims, demands, actions and causes of action or liens arising out of such operations, whether arising in law, at equity or administratively.
- (16) In the event of Lessee's breach of this lease, Lessor shall notify Lessee by certified mail of such breach, and Lessee shall have thirty (30) working days from the receipt thereof to comply with this lease. If Lessee fails to remedy a material breach within the period above provided, and provided such notice patently mentioned the termination rights next described, Lessor may, at its option, promptly following such period terminate this lease and be relieved from any obligation hereunder. If the parties are unable to agree upon whether or not a breach is material, such determination shall be made by arbitration. If either party invokes its right to arbitration, then the parties shall attempt to arbitrate the matter by selecting one arbitrator who is acceptable to both parties. However, if the parties are unable to select one arbitrator who is acceptable to both of them, then each party shall select one arbitrator, and the two arbitrators so selected shall select a third arbitrator. If the arbitration is handled by a single arbitrator, the parties shall each pay one-half (1/2) of the fees of the arbitrator, as well as on-half (1/2) of the costs and expenses of the arbitration, excluding the costs and expenses of either party's representatives, witnesses and attorneys. If three arbitrators are selected, each party shall bear the costs and expenses of the fees of the arbitrator it selects, and the two parties shall each pay on-half (1/2) of the fees of the third arbitrator, as well as one-half (1/2) of the costs and expenses of the arbitration, excluding the costs and expenses of either party's representatives, witnesses and attorneys. Unless otherwise specifically agreed by both parties in writing, the rules and procedures set forth in the arbitration laws of the state in which the leased premises are located shall govern the arbitration proceeding as fully as if all of such laws were set forth in full herein. Irrespective of whether Lessor elects to terminate this lease or exercise any other right or remedy under this lease or at law, Lessor shall be entitled to other available remedies, including specific performance to require Lessee to (a) abandon any well and/or restore the surface of the leased premises to its condition existing prior to entry thereon by Lessee, (b) furnish any reports required hereunder or information required hereunder from operations on the leased premises or land pooled therewith, and/or (c) make any payment due hereunder. Except as otherwise expressly provided in this lease, any notices or other communications required or permitted hereunder shall be in writing and shall be deemed given only when received by the party to whom the same is directed at the address shown at the top of page 1 of this lease or to such other address as is provided to the other party with proper notice. As to any breach of this lease by Lessee or, except to the extent caused by the negligence of Lessor, any claim or suit of a third party resulting from Lessee's activities hereunder, Lessee shall indemnify and hold Lessor harmless against any expense, including attorneys' fees and costs of court, preparation and investigation, that Lessor would incur in enforcing its rights under this lease or defending said third party claims.

(17) Sections 18 through 26, inclusive, listed on Exhibit "A-1", attached hereto and hereby made a part hereof, are incorporated into this lease by reference. Subject to Section 9, all the provisions of this lease shall inure to the benefit of and be binding upon the parties hereto, their successors and assigns.

IN WITNESS WHEREOF, this lease is executed on the date of the respective acknowledgements hereinbelow, but shall be effective from the date first hereinabove written.

UNION PACIFIC RESOURCES COMPANY

By: Elly Baines  
Its Attorney-in-Fact

SNYDER OIL CORPORATION

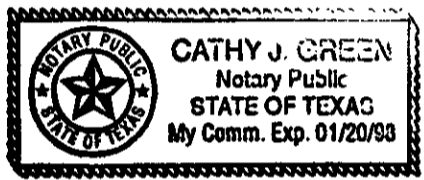
By: Mark J. Choury  
Mark J. Choury  
Its Attorney-in-Fact

STATE OF TEXAS )  
COUNTY OF TARRANT )

The foregoing instrument was acknowledged before me this 18<sup>th</sup> day of April, 1995, by Elly Baines, Attorney-in-fact of UNION PACIFIC RESOURCES, COMPANY, a Delaware corporation, on behalf of the corporation.

Witness my hand and official seal.

SEAL



Cathy J. Green  
Signature

Cathy J. Green  
Name (Print)

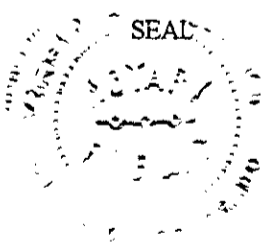
My commission expires 1-20-98

Attorney-in-fact  
Title of Officer

STATE OF COLORADO )  
CITY AND )  
COUNTY OF DENVER )

The foregoing instrument was acknowledged before me this 12<sup>th</sup> day of May, 1995, by Mark J. Choury, Attorney-in-Fact, of SNYDER OIL CORPORATION, a Delaware corporation, on behalf of the corporation.

Witness my hand and official seal.



Virginia F. Larson  
Signature

VIRGINIA F. LARSON  
Name (Print)

My commission expires 4-13-96

Attorney-in-fact  
Title of Officer

## OPTIONAL SECTIONS

### EXHIBIT "A-1"

Attached to and made a part of that certain Oil and Gas Lease dated December 9, 1994, by and between Union Pacific Resources Company, as Lessor and Snyder Oil Corporation, as Lessee.

#### LAND GRANT

- (18) This lease is subject to the exceptions and reservations set forth in:
- (a) Quitclaim Deed(s), as applicable, dated as of April 1, 1971, from Union Pacific Railroad Company to Union Pacific Land Resources Corporation, filed for record April 14, 1971, and appearing in Book 644, Reception No. 1565712, in the office of the County Clerk and Register of Deeds of Weld County and
  - (b) Mineral Deed dated August 31, 1973, from Union Pacific Land Resources Corporation to Lessor.

Lessee recognizes that among the exceptions and reservations set forth in the above deeds are the rights of Lessor's predecessors in interest to use such portions of the leased premises as may not be required for the proper conduct of oil and gas operations for all purposes not inconsistent with such operations and without liability for compensation or damages. Lessee shall so conduct its operations so as not to interfere unreasonably with such reserved use; provided, nevertheless, that such other use of the leased premises shall not unreasonably interfere with the operations of the Lessee. Unless the requirement is waived in writing by Lessor at its discretion, no entry shall be made for drilling operations and no facility shall be installed upon any of the leased premises in which Lessor owns the mineral rights only, until a written agreement with the surface owner has been secured by Lessor in a form satisfactory to Lessor. Lessee shall request Lessor to obtain such agreement or to waive the requirement therefor at least thirty (30) days prior to the date Lessee intends to commence such operations. Payments out of or measured by production which the Lessor elects to pay to the surface owners shall be paid by Lessor out of its royalty.

#### DEPTH LIMIT FOR FARMOUT

(19) This lease covers only those depths and formations from the surface of the earth to the base of the Codell formation, as found in the UPV 33-8J6 Well located in the SE/4NE/4 of Section 33-T3N-R66W Weld County, Colorado. Lessor reserves all other rights, horizons, strata, and formations, including, but not limited to, the right to the concurrent use of the surface and the right to drill through the leased interval. This lease is subject to all the terms and provisions of that certain Agreement dated February 8, 1994, effective March 1, 1994, between Union Pacific Resources Company and Snyder Oil Corporation, and such terms and provisions shall survive the execution of this lease.

#### WELL DATA AND ACCESS

(20) Lessor shall be given fifteen (15) days' notice prior to commencement of all drilling operations. Lessor's representative (as appointed by Lessor) shall have the right, at Lessor's risk, to have access to the derrick floor and to observe all operations on all wells drilled on the leased premises or land pooled therewith. Lessee shall promptly furnish Lessor's representative with not less than one copy of all applications and reports pertaining to the leased premises, of each daily drilling report, and of each well log, core analysis or other data taken from wells located on the leased premises. Lessee agrees, at Lessor's request, to furnish Lessor's representative true and correct information pertaining to each well, the production therefrom (including true and complete copies of all contracts or agreements (and all amendments and modifications thereof) for sale, processing or other disposition of any product produced from the leased premises) and such technical information as Lessee may acquire with respect to sands and formations encountered. Lessor's representative shall have the right to be present when wells are tested and/or tanks are gauged and shall have the right to examine all run tickets and to have full information as to production and runs, including copies of all run tickets upon request. In the event Lessee notifies Lessor in writing that Lessee considers any such information or data to be confidential, Lessor agrees, until the termination of this lease or for a period not to exceed the period that a particular matter is held confidential by the state agency, whichever is the shorter period of time, not to disclose such information or data to any third party unless such information or data previously has been available to or examined by the third party or otherwise generally available to the public or any governmental authority or agency, other than the state agency. This shall not be interpreted to require Lessee to furnish Lessor or Lessor's representative with any interpretive information or data, or any information or data which Lessee is obligated to keep confidential.

#### OFFSET

(21) In the event a well producing oil or gas in paying quantities is completed on lands in which Lessor does not own all of the oil and gas mineral estate within six hundred and sixty (660) feet of or draining the leased premises, Lessee shall, unless Lessee has already drilled or is drilling a well to the same zone or zones as are producing in the draining well and which a prudent operator would consider to have previously satisfied or to soon satisfy this offset obligation, within ninety (90) days after the commencement of production from such draining well, commence the drilling or recompletion of an offset well on the leased premises and shall make a good faith effort to establish commercial production in the sands or formations from which the draining well is producing. If at the time such offset

obligation accrues, Lessee shall be engaged in the drilling of another well on the leased premises, then Lessee shall have not more than thirty (30) days after the date of completion or abandonment of such other well drilled by Lessee within which to commence the actual drilling of such offset well. If Lessee fails to timely drill a required offset well, it shall promptly surrender this lease except as to existing wellbores and reasonable use of the surface for ingress and egress, operations in the immediate vicinity of the surface location of the wells, and necessary telephone, pipeline, and utility easements.

#### **VERTICAL PUGH CLAUSE**

(22) This lease shall terminate as to all non-producing formation four (4) years from the expiration of the primary term hereof.

#### **RIGHT TO PURCHASE NATURAL GAS LIQUIDS**

(23) Lessor shall have the right, at any time and from time to time, upon not less than 10 days' advance written notice to Lessee, to purchase all or any part of Lessee's share of natural gas liquids recovered from a gas processing facility which are allocable to production from or attributed to the leased premises. The price payable for such natural gas liquids shall be a competitive market price paid for such products at the plant in the area by unrelated third parties.

#### **RIGHT OF FIRST REFUSAL TO MARKET**

(24) If Lessee determines that it will no longer take an active role in marketing its share of the gas produced from the leased premises ("the Leased Premises Gas Production") and the majority of all of the other gas owned or controlled by Lessee in the DJ Basin, and if Lessee chooses to solicit the services of an unaffiliated third party to purchase or market on a fee basis the Leased Premises Gas Production and its other DJ Basin gas, then Lessee shall notify Lessor of the terms it is willing to accept from such a third party. Lessor shall have 10 business days from its receipt of such notice to accept such terms and conditions and thereafter market the Leased Premises Gas Production. If Lessor declines to accept the terms and conditions offered (a failure to respond within such 10 days period shall constitute a determination to decline), Lessee may contract with a third party or parties to market the Leased Premises Gas Production on substantially the same terms and conditions as those offered Lessor. If the third party or parties decline to accept Lessee's terms and conditions and proposes less favorable terms and conditions to Lessee and if Lessee determines that it would accept such less favorable terms and conditions, it shall notify Lessor in writing of the new terms and conditions, and Lessor shall have 10 business days from its receipt of such notice to accept these new terms and conditions (a failure to respond within such 10-day period shall constitute a determination to decline) and thereafter market the Leased Premises Gas Production. If Lessor declines a proposal by Lessee to market the Leased Premises Gas Production and it becomes subject to a third party contract, the right of first refusal provided for herein shall again apply when, if ever, the Leased Premises Gas Production is no longer subject to such third party contract. Nothing contained herein is intended to restrict Lessee's right to sell the leased Premises Gas Production to a variety of third parties without providing Lessor a right to purchase, so long as Lessee continues to play an active role in marketing Lessee's DJ Basin gas to a variety of gas purchasers, including third party marketing companies.

#### **RIGHT TO TAKE PRODUCTION IN KIND**

(25) Lessor hereby reserves the right, at any time and from time to time, to take in kind or separately dispose of its share of all oil, gas, and related hydrocarbons produced from the leased premises, or lands and leases unitized therewith. If Lessor elects to take its share of production in kind, then it shall make its own arrangements to dispose of such production, including gathering, transportation, treating, and processing arrangements. If Lessor fails to take in kind or separately dispose of its share of production, then Lessee shall have the right, but not the obligation, to sell such production to others for the price actually received by Lessee and shall be entitled to deduct therefrom the costs of gathering, transportation, treating, and processing of such production. If Lessee or an affiliate of Lessee gathers, transports, treats, or processes such production, then Lessee or such affiliate may charge such amounts as is comparable to the amount charged in the area by unrelated third parties under similar circumstances, taking into account applicable quantities, terms, and other current conditions.

#### **TAXES**

(26) Lessor shall bear its proportionate share of all ad valorem, severance, and other taxes on production.

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00121 2691553460  
AUG-21-70

Recorded at 303 o'clock M. AUG 21 1970

Rec. No. 15 460 Ann Spomer, Recorder

INDEXED

OIL AND GAS LEASE

THIS AGREEMENT made this 30th day of July

1970, between UNION PACIFIC RAILROAD COMPANY, a Utah corporation authorized to do business in the State of Colorado, Lessor, and PAN AMERICAN PETROLEUM CORPORATION, a Delaware corporation authorized to do business in said State, Lessee,

WITNESSETH:

1. Lessor, for a good and valuable consideration, receipt of which is hereby acknowledged and in consideration of the royalties herein provided, and of the agreement of Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil and gas (gas for all purposes being defined without limitation, to include dry gas, casinghead gas, distillate, condensate, helium and all other gaseous substances), and associated liquid hydrocarbons, and, subject to the provisions of Sections 14, 15 and 16 hereof, laying pipe lines, building tanks, power stations, telephone lines and other structures thereon to produce, save, take care of, treat, transport and own said products and housing its employees,

the following described land in Weld County, Colorado

to-wit: Township 3 North, Range 65 West	Township 3 North, Range 66 West
Section 7: Lots 1(39.88), 2(39.88), 3(39.88), 4(39.88), E $\frac{1}{2}$ W $\frac{1}{2}$ , SE $\frac{1}{4}$	Section 13: NW $\frac{1}{4}$ , S $\frac{1}{2}$
Section 17: NW $\frac{1}{4}$ , S $\frac{1}{2}$	Section 15: NW $\frac{1}{4}$ , S $\frac{1}{2}$
Section 19: SE $\frac{1}{4}$ , S $\frac{1}{2}$ NE $\frac{1}{4}$	Section 23: NW $\frac{1}{4}$ , S $\frac{1}{2}$
Section 21: NW $\frac{1}{4}$ , S $\frac{1}{2}$	Section 25: NW $\frac{1}{4}$ , S $\frac{1}{2}$
Section 29: NW $\frac{1}{4}$ , S $\frac{1}{2}$	Section 27: NW $\frac{1}{4}$ , S $\frac{1}{2}$
	Section 29: SE $\frac{1}{4}$ , SW $\frac{1}{4}$ NE $\frac{1}{4}$ ✓
	Section 33: NW $\frac{1}{4}$ , S $\frac{1}{2}$
	Section 35: NW $\frac{1}{4}$ , S $\frac{1}{2}$

USE FOR Making copies

In addition to the land above described, Lessor hereby grants, leases and lets exclusively unto Lessee to the same extent as if specifically described herein all oil, gas and associated liquid hydrocarbons underlying lakes, rivers, streams, roads, easements and rights-of-way (other than railroad rights-of-way) which traverse or adjoin any of said lands. For rental payment purposes, the land included within this lease shall be deemed to contain 5,719.52 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall be for a term of 5 years from its date (called "primary term") and as long thereafter as oil, gas or associated liquid hydrocarbons or any of them are produced from said land hereunder, or drilling or reworking operations are conducted thereon.

3. Lessee, within three months from the date of this lease, shall commence the actual drilling of a test well on the leased premises; and thereafter shall prosecute the drilling of said well diligently, without unnecessary delay and in a workmanlike manner. If the actual drilling of said well is not commenced within the time prescribed, this lease will automatically terminate.

4. The royalties to be paid by Lessee are: (a) on oil and on associated liquid hydrocarbons, 15% of that produced and saved from said land, the same to be delivered free of cost at the wells, or to the credit of Lessor into the pipe line to which the wells may be connected; (b) on gas produced from said land and sold or used off the premises or in the manufacture of gasoline or other products therefrom, the market value at the well of 15% of the gas so sold or used; provided that on gas sold at the wells the royalty shall be 15% of the amount realized from such sale. Lessee shall have free use of oil, gas and water from said land, except water from Lessor's wells, for all operations hereunder, and the royalty on oil and gas shall be computed after deducting any so used.

While there is a well on the leased premises or on acreage pooled therewith capable of producing only gas, but from which well production is not being sold or used, and in the absence of oil or other production from said premises, this lease shall be extended for a period of 90 days from the date such well is shut-in, and Lessee may tender or pay annually as royalty a sum equal to the amount of annual rentals which would be payable during the primary term to defer drilling operations on the leased premises then subject to this lease; payment or tender of such royalty to be made as provided in Section 5 hereof, with the first payment to be made on or before 90 days from and after the date on which such well is shut-in and a similar payment to be made annually thereafter on or before the anniversary date on which such well is shut-in. If such payments are so made, it shall be considered that gas is being produced in paying quantities from the leased premises under all the terms and provisions of this lease.

If any portion of the leased premises is included in a pooled unit, the amount of the shut-in royalty applicable to the Lessor's interest therein shall be reduced in the proportion that the amount of Lessor's net mineral acres included in any such pooled unit upon which such gas well is situated bears to the total acreage contained in such pooled unit as provided in Section 7 hereof.

Lessee shall use reasonable diligence to market gas capable of being produced in paying quantities from a shut-in well, but shall be under no obligation to market same under terms, conditions or circumstances which, in Lessee's good faith judgment, are unreasonable or unsatisfactory.

Lessee may from time to time purchase any royalty portion of oil or associated liquid hydrocarbons in its possession, paying the market price therefor prevailing in the field where produced on the date of purchase; provided, however, that if Lessor shall so elect, Lessee shall deliver to Lessor in kind its royalty share of oil and associated liquid hydrocarbons. In the event of such election, Lessor shall give to Lessee not less than 60 days' notice of its election and shall take said royalty share in kind for a period of not less than six (6) months following the termination of said sixty (60) day period. Any such deliveries are to be made from the facilities of Lessee, which shall have been installed for its own convenience at times and in amounts which equitably adjust deliveries of both parties.

5. If the well provided for in Section 3 hereof is drilled and completed as a dry hole and if operations for drilling are not commenced on said land as hereinafter provided on or before one year from this date, the lease shall then terminate as to both parties, unless on or before such anniversary date Lessee shall pay or tender to Lessor, Att'n: Assistant Treasurer, 1416 Dodge St., Omaha, Nebraska 68102, the sum of Five Thousand Seven Hundred Nineteen and 52/100 Dollars (\$5,719.52), (herein called rental), which shall cover the privilege of deferring commencement of operations for drilling for a period of twelve (12) months. In like manner and upon like payments or tenders annually the commencement of operations for drilling may be further deferred for successive periods of twelve (12) months each during the primary term. The payment or tender of rental herein referred to may be made in currency, draft or check at the option of the Lessee; and the depositing of such currency, draft or check in any post office, properly addressed to the Lessor, on or before the rental paying date, shall be deemed payment as herein provided. Lessee may at any time execute and place of record a release or releases covering any portion or portions of the above described premises, furnishing a copy thereof to Lessor, and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered, and thereafter the rentals payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

If Lessee shall, on or before any rental date, make a bona fide attempt to pay rental to Lessor and if such payment shall be in an incorrect amount, Lessee shall be unconditionally obligated to pay to Lessor the rental properly payable for the rental period involved, but this lease shall be maintained in the same manner as if such erroneous rental payment had been properly made, provided that the erroneous rental payment be corrected within thirty (30) days after receipt by Lessee of written notice from such Lessor of such error accompanied by any documents and other evidence necessary to enable Lessee to make proper payment.

6. Should any well drilled on the above described land during the primary term before production is obtained be a dry hole, or should production be obtained during the primary term and thereafter cease, then and in either event, if operations for drilling an additional well are not commenced or operations for reworking an old well are not pursued on said land on or before the first rental paying date next succeeding the cessation of production or drilling or reworking on said well or wells, then this lease shall terminate unless Lessee, on or before said date, shall resume the payment of rentals. Upon resumption of the payment of rentals, Section 5 governing the payment of rentals, shall continue in force just as though there had been no interruption in the rental payments. If during the last year of the primary term and prior to the discovery of oil, gas or associated liquid hydrocarbons on said land Lessee should drill a dry hole thereon, or if after discovery of oil, gas or associated liquid hydrocarbons before or during the last year of the primary term the production thereof should cease during the last year of said term from any cause, no rental payment or operations are necessary in order to keep the lease in force during the remainder of the primary term. If, at the expiration of the primary term, Lessee is conducting operations for drilling a new well or reworking an old well, this lease nevertheless shall continue in force as long as such drilling or reworking operations continue, or if, after the expiration of the primary term, production on this lease shall cease, this lease nevertheless shall continue in force if drilling or reworking operations are commenced within sixty (60) days after such cessation of production; if production is restored or additional production is discovered as a result of any such drilling or reworking operations, conducted without cessation of more than sixty (60) days, this lease shall continue as long thereafter as oil, gas or associated liquid hydrocarbons are produced and as long as additional drilling or reworking operations are had without cessation of such drilling or reworking operations for more than sixty (60) consecutive days.

7. Lessee, at its option, is hereby given the right and power to pool or combine the land covered by this lease, or any portion thereof, as to oil and gas, or either of them, with any other land, lease or leases when in Lessee's judgment it is necessary or advisable to do so in order to properly develop and operate said premises, such pooling to be into a well unit or units not exceeding forty (40) acres, plus an acreage tolerance of ten per cent (10%) of forty (40) acres, for oil, and not exceeding six hundred and forty (640) acres, plus an acreage tolerance of ten per cent (10%) of six hundred and forty (640) acres, for gas, except that larger units may be created to conform to any spacing or well unit pattern that may be prescribed by governmental authorities having jurisdiction. Lessee may pool or combine acreage covered by this lease, or any portion thereof, as to oil or gas in any one or more strata, and units so formed need not conform in size or area with the unit or units into which the lease is pooled or combined as to any other stratum or strata, and oil units need not conform as to area with gas units. The pooling in one or more instances shall not exhaust the rights of the Lessee hereunder to pool this lease or portions thereof into other units. Lessee shall execute in writing and place of record an instrument or instruments identifying and describing the pooled acreage. The entire acreage so pooled into a unit shall be treated for all purposes, except the payment of royalties, as if it were included in this lease, and drilling or reworking operations thereon or production of oil or gas therefrom, or the completion thereon of a well as a shut-in gas well, shall be considered for all purposes, except the payment of royalties, as if such operations were on or such production were from or such completion were on the land covered by this lease, whether or not the well or wells be located on the premises covered by this lease. In lieu of the royalties elsewhere herein specified, Lessor shall receive from a unit so formed, only such portion of the royalty stipulated herein as the amount of its net mineral acres placed in the unit bears to the total acreage so pooled in the particular unit involved. Should any unit as originally created hereunder contain less than the maximum number of acres hereinabove specified, then Lessee may at any time thereafter, whether before or after production is obtained on the unit, enlarge such unit by adding additional acreage thereto, but the enlarged unit shall in no event exceed the acreage content hereinabove specified. In the event an existing unit is so enlarged, Lessee shall execute and place of record a supplemental declaration of unitization identifying and describing the land added to the existing unit; provided, that if such supplemental declaration of unitization is not filed until after production is obtained on the unit as originally created, then and in such event the supplemental declaration of unitization shall not become effective until the first day of the calendar month next following the filing thereof. In the absence of production Lessee may terminate any unitized area by filing of record notice of termination.

This Section 7 shall not affect the provisions of Section 3.

8. Lessee shall have the right at any time without Lessor's consent to surrender all or any portion of the leased premises and be relieved of all obligations as to the acreage surrendered arising subsequent to the date of surrender. Lessee shall have the right at any time during or within one year after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing.

9. The rights of either party hereunder may be assigned, in whole or in part, and the provisions hereof shall extend to the successors and assigns of the parties hereto, but no change or division in ownership of the land, rentals, or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee. No change in the ownership of the land, or any interest therein, shall be binding on Lessee until Lessee shall be furnished with a certified copy of all recorded instruments, all court proceedings and all other necessary evidence of any transfer, inheritance, or sale of said rights. In event of the assign-

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ment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportionable among the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. In case Lessee assigns this lease, in whole or in part, Lessee shall be relieved of all obligations with respect to the assigned portion or portions arising subsequent to the date of assignment.

10. 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, or if prevented by an act of God, of the public enemy, labor disputes, inability to obtain material, failure of transportation, or other cause beyond the control of Lessee other than financial.

11. During the term of this lease, oil or gas or associated liquid hydrocarbons are discovered upon the leased premises, but Lessee is prevented from producing the same by reason of any of the causes set out in this Section, this lease shall nevertheless be considered as producing and shall continue in full force and effect until Lessee is permitted to produce the oil, gas or associated liquid hydrocarbons, and as long thereafter as such production continues in paying quantities or drilling or reworking operations are continued as elsewhere herein provided.

12. Lessee at its option may discharge any tax, mortgage or other lien upon said land, either in whole or in part, and in event Lessee does so, it shall be subrogated to such lien with the right to enforce same and apply rentals and royalties accruing hereunder toward satisfying same. If Lessor owns an interest in said land less than the entire fee simple estate in and to oil, gas and associated liquid hydrocarbons, then the royalties and rentals to be paid Lessor shall be reduced proportionately.

13. This lease does not cover oil shale.

14. The rights granted under this lease are granted without covenants of title or to give possession or for quiet enjoyment.

15. Lessor reserves the right to use such portions of the leased premises as may not be required by Lessee in the conduct of its operations hereunder, for all purposes not inconsistent with the rights granted hereby, and Lessee shall so conduct its operations as not to interfere unreasonably with such use; provided, nevertheless, that the use of the leased premises by the Lessor shall not unreasonably interfere with the operations of the Lessee.

16. Lessee shall not make any entry upon or under any portion of the right of way or station grounds of Lessor for any of the purposes of this lease, and shall not drill any well or maintain any structures within two hundred feet (200') (a) of any railroad tracks or buildings on said right of way or station grounds, or (b) of any buildings upon the leased premises.

17. Notwithstanding anything to the contrary in this lease contained, no well shall be drilled upon or into and no facilities shall be installed upon any lands in which Lessor owns the mineral rights only, until the consents of the surface owners have been obtained under written instruments satisfactory to Lessor. Lessor will endeavor to obtain such consents and the Lessee agrees to cooperate. Any payments which the Lessor elects to pay to the surface owners shall be paid by Lessor out of its royalty.

Lessee shall pay for all damage to surface owners' lands, buildings and growing crops caused by construction, operations or maintenance of facilities, shall bury all pipe lines below plow depth where they cross cultivated lands, shall construct gates where necessary for crossing fenced lands and keep the gates in repair and closed, and shall indemnify Lessor with respect to such obligations.

18. Lessee agrees to hold Lessor harmless from and to indemnify it against any and all claims, demands, actions and causes of action for injury to or loss or destruction of property, and for injury to or death of any person, arising out of or in connection with operations hereunder.

Lessee shall not permit or suffer any lien or other encumbrance to be filed or to remain against the leased premises as a result of its operations hereunder, and Lessee agrees to hold Lessor harmless from and to indemnify it against any and all claims, demands, actions and causes of action which may result from the filing of any such lien or encumbrance.

All of the provisions of this lease shall inure to the benefit of and be binding upon the parties hereto, their successors and assigns.

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

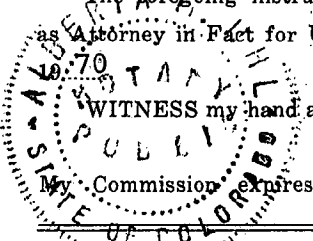
UNION PACIFIC RAILROAD COMPANY

By J. A. Redeker  
Its Attorney in Fact

STATE OF COLORADO  
COUNTY OF ARAPAHOE } ss.

Colorado-Wyoming  
Acknowledgment

The foregoing instrument was acknowledged before me by J. A. Redeker  
as Attorney in Fact for UNION PACIFIC RAILROAD COMPANY, this 30th day of July



WITNESS my hand and official seal.

Alberta M. Uhl  
Notary Public

My Commission Expires October 23, 1971  
STATE OF \_\_\_\_\_ } ss.  
COUNTY OF \_\_\_\_\_

Utah-Nebraska  
Acknowledgment

On the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, personally appeared before me, a Notary Public in and for said County, \_\_\_\_\_, personally known to me, who, being by me duly sworn did say that he is the Attorney in Fact of UNION PACIFIC RAILROAD COMPANY and that said instrument was signed as his voluntary act as Attorney in Fact for and in behalf of said corporation by authority and said \_\_\_\_\_ acknowledged to me that he, as such Attorney in Fact, executed the same.

WITNESS my hand and notarial seal the date last aforesaid.

Notary Public

My Commission expires \_\_\_\_\_

No. 1553460

OIL AND GAS LEASE

FROM  
UNION PACIFIC RAILROAD COMPANY  
TO  
PAN AMERICAN PETROLEUM CORPORATION

Dated \_\_\_\_\_, 19\_\_\_\_  
Section \_\_\_\_\_ Township \_\_\_\_\_ Range \_\_\_\_\_  
No. of Acres \_\_\_\_\_  
County, \_\_\_\_\_

STATE OF \_\_\_\_\_ } ss.  
COUNTY OF WELD COUNTY, COLORADO

This instrument was filed for record on the  
day of AUG 21 1970  
19\_\_\_\_ at 3:02 o'clock P. M., and duly  
recorded in book \_\_\_\_\_, page \_\_\_\_\_ of  
the records of this office.

By Ann Spomer  
Mary Hope

When Recorded Return to \_\_\_\_\_

## LEASE DESCRIPTION-EXHIBIT "A"

Township 3 North, Range 67 West

Section 13: SE/4 NE/4, S/2 NE/4 NE/4

Section 15: W/2 NE/4, SE/4 NE/4

Section 19: W/2 SE/4, SE/4 SE/4

Township 2 North, Range 67 West

Section 25: S/2 NW/4, N/2 SW/4, S/2 NW/4 NW/4

Section 31: SE/4, S/2 NE/4

Section 35: W/2 NE/4, SE/4 NE/4

Township 2 North, Range 68 West

Section 1: NW/4 SE/4, SE/4 SE/4

Section 9: SE/4 SW/4

Township 3 North, Range 66 West

Section 29: SW/4

Section 31: E/2 SW/4, SE/4, SW/4 NE/4, S/2 SE/4 NE/4

Township 2 North, Range 66 West

Section 5: Lot 2 (N/2 NW/4) (73.69), S/2 NW/4, SE/4, SW/4 NE/4

Section 9: NW/4, S/2 NE/4

Section 17: S/2 SW/4, NW/4 SW/4

Section 21: W/2 NE/4, SE/4 NE/4

Section 33: SE/4, S/2 NE/4

Township 1 North, Range 66 West

Section 9: SE/4, S/2 NE/4

Section 31: SE/4 NW/4, SW/4 NE/4

Township 1 North, Range 67 West

Section 3: SW/4, S/2 SE/4

Section 7: Lots 1 and 2 (W/2 W/2) (147.88), E/2 W/2, SE/4

Section 11: SW/4, S/2 NW/4

Section 15: W/2, SW/4 NE/4

Section 17: NW/4, S/2

Section 21: W/2, SW/4 NE/4

Section 27: NW/4, S/2

Section 35: NW/4, S/2 SE/4

Township 1 North, Range 68 West

Section 1: NW/4 SE/4, W/2 NE/4 SE/4

Containing 5741.57 acres, more or less

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MAY-12-70

THIS AGREEMENT, Entered into this the 25th day of March, 1970

between Lawrence E. Dever and Henrietta M. Dever, his wife  
Route 1 Box 212A  
Platteville, Colorado

and T.S. Pace, 318 Patterson Bldg., Denver, Colorado 80202

hereinafter called lessor, hereinafter called lessee, does witness:  
1. That lessor, for and in consideration of the sum of Ten Dollars in hand paid and of the covenants and agreements hereinafter contained to be performed by the lessee, has this day granted, leased, and let and by these presents does hereby grant, lease, and let exclusively unto the lessee the hereinafter described land, 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 lands covered thereby as hereinafter provided, for the purpose of carrying on geological, geophysical and other exploratory work, including core drilling, and the drilling, 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, and for constructing roads, laying pipe lines, building tanks, storing oil, building powers, stations, telephone lines and other structures thereon necessary or convenient for the economical operation of said land alone or conjointly with neighboring lands, to produce, save, take care of, and manufacture all of such

substances, and for housing and boarding employees, said tract of land with any reversionary rights therein being situated in the County of Weld State of Colorado and described as follows:  
Township 3 North, Range 66 West  
Section 34: NW 4

in Section XXXX Township XXXX Range XXXX and containing 160 acres, more or less.

2. This lease shall remain in force for a term of Five years and as long thereafter as oil, gas, casinghead gas, casinghead gasoline or any of the products covered by this lease is or can be produced.

3. The lessee shall deliver to lessor as royalty, free of cost, on the lease, or into the pipe line to which lessee may connect its wells the equal one-eighth part of all oil produced and saved from the leased premises, or at the lessee'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 pay to lessor for gas produced from any oil well and used by the lessee for the manufacture of gasoline or any other product as royalty  $\frac{1}{4}$  of the market value of such gas at the mouth of the well; if said gas is sold by the lessee, then as royalty  $\frac{1}{4}$  of the proceeds of the sale thereof at the mouth of the well. The lessee shall pay lessor as royalty  $\frac{1}{4}$  of the proceeds from the sale of gas as such at the mouth of the well where gas only is found and where such gas is not sold or used, lessee shall pay or tender annually at the end of each yearly period during which such gas is not sold or used, as royalty, an amount equal to the delay rental provided in paragraph 5 hereof, and while said royalty is so paid or tendered this lease shall be held as a producing lease under paragraph 2 hereof; the lessor to have gas free of charge from any gas well on the leased premises for stoves and inside lights in the principal dwelling house on said land by making his own connections with the well, the use of such gas to be at the lessor's sole risk and expense.

5. If operations for the drilling of a well for oil or gas are not commenced on said land on or before the 25th day of March, 1971, this lease shall terminate as to both parties, unless the lessee shall on or before said date pay or tender to the lessor or for the lessor's credit in the First National Bank at Longmont, Colorado or its successors, which Bank and its successors are the lessor's agent and shall continue as the depository of any and all sums payable under this lease regardless of changes of ownership in said

land or in the oil and gas or in the rentals to accrue hereunder, the sum of One hundred sixty Dollars, which shall operate as a rental and cover the privilege of deferring the commencement of operations for drilling for a period of one year. In like manner and upon like payments or tenders the commencement of operations for drilling may further be deferred for like periods successively. All payments or tenders may be made by check or draft of lessee or any assignee thereof, mailed or delivered on or before the rental paying date, either direct to lessor or assigns or to said depository bank, and it is understood and agreed that the consideration first recited herein, the down payment, covers not only the privilege granted to the date when said first rental is payable as aforesaid, but also the lessee's option of extending that period as aforesaid and any and all other rights conferred. Notwithstanding the death of the lessor or his successors in interest, the payment or tender of rentals in the manner above shall be binding on the heirs, devisees, executors, and administrators of such persons.

6. If at any time prior to the discovery of oil or gas on this land and during the term of this lease, the lessee shall drill a dry hole, or holes on this land, this lease shall not terminate, provided operations for the drilling of a well shall be commenced by the next ensuing rental paying date, or provided the lessee begins or resumes the payment of rentals in the manner and amount hereinabove provided, and in this event the preceding paragraphs hereof governing the payment of rentals and the manner and effect thereof shall continue in force.

7. In case 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 for shall be paid the said lessor only in the proportion which his interest bears to the whole and undivided fee. However, such rental shall be increased at the next succeeding rental anniversary after any reversion occurs to cover the interest so acquired.

8. The lessee shall have the right to use, free of cost, gas, oil and water found on said land for its operations thereon, except water from the wells of the lessor. When required by lessor, the lessee shall bury its pipe lines below plow depth and shall pay for damage caused by its operations to growing crops on said land. No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of the lessor. Lessee shall have the right at any time during, or after the expiration of, this lease to remove all machinery, fixtures, houses, buildings and other structures placed on said premises, including the right to draw and remove all casing, but lessee shall be under no obligation to do so, nor shall lessee be under any obligation to restore the surface to its original condition, where any alterations or changes were due to operations reasonably necessary under this lease.

9. 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 the heirs, devisees, executors, administrators, successors, and assigns, but no change of ownership in the land or in the rentals or 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 rentals made hereunder before receipt of said documents shall be binding on any direct or indirect assignee, grantee, devisee, administrator, executor, or heir of lessor.

10. If the leased premises are now or shall hereafter be owned in severally or in separate tracts, the premises nevertheless shall be developed and operated as one lease, and all royalties accruing hereunder shall be treated as an entirety and shall be divided among and paid to such separate owners in the proportion that the acreage owned by each separate owner bears to the entire leased acreage. There shall be no obligation on the part of the lessee to offset wells on separate tracts into which the land covered by this lease may be hereafter divided by sale, devise, descent or otherwise or to furnish separate measuring or receiving tanks. 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 land and the holder or owner of any such part or parts shall make default in the payment of the proportionate part of the rent due from him or them, such default shall not operate to defeat or affect this lease insofar as it covers a part of said land upon which the lessee or any assignee hereof shall make due payment of said rentals.

11. Lessor hereby warrants and agrees to defend the title to the land herein described and agrees that the lessee, at its option, may pay and discharge in whole or in part any taxes, mortgages, or other liens existing, levied, or assessed on or against the above described lands and, in event it exercises such option, it shall be subrogated to the rights of any holder or holders thereof and may reimburse itself by applying to the discharge of any such mortgage, tax or other lien, any royalty or rentals accruing hereunder.

12. Notwithstanding anything in this lease contained to the contrary, it is expressly agreed that if lessee shall commence operations for drilling at any time while this lease is in force, this lease shall remain in force and its terms shall continue so long as such operations are prosecuted and, if production results therefrom, then as long as production continues.

13. If within the primary term of this lease, production on the leased premises shall cease from any cause, this lease shall not terminate provided operations for the drilling of a well shall be commenced before or on the next ensuing rental paying date; or, provided lessee begins or resumes the payment of rentals in the manner and amount hereinbefore provided. If, after the expiration of the primary term of this lease, production on the leased premises shall cease from any cause, this lease shall not terminate provided lessee resumes operations for drilling a well within sixty (60) days from such cessation, and this lease shall remain in force during the prosecution of such operations and, if production results therefrom, then as long as production continues.

14. Lessee may at any time surrender or cancel this lease in whole or in part by delivering 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 determine and any rentals thereafter paid may be apportioned on an acreage basis, but as to the 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.

15. All provisions hereof, express or implied, shall be subject to all federal and state laws and the orders, rules, or regulations (and interpretations thereof) of all governmental agencies administering the same, and this lease shall not be in any way terminated wholly or partially nor shall the lessee be liable in damages for failure to comply with any of the express or implied provisions hereof if such failure accords with any such laws, orders, rules or regulations (or interpretations thereof). If lessee should be prevented during the last six months of the primary term hereof from drilling a well hereunder by the order of any constituted authority having jurisdiction thereover, or if lessee should be unable during said period to drill a well hereunder due to equipment necessary in the drilling thereof not being available on account of any cause, the primary term of this lease shall continue until six months after said order is suspended and/or said equipment is available, but the lessee shall pay delay rentals herein provided during such extended time.

16. The unitization of this lease or any portion thereof with any other lease or leases or portions thereof shall be accomplished by the execution and filing by lessee in the recording office of said county of an instrument declaring its purpose to unitize and describing the leases and land unitized, which unitization shall cover the gas rights only and comprise an area not exceeding approximately 640 acres. The royalty provided for herein with respect to gas from gas wells shall be apportioned among the owners of such royalty on minerals produced in the unitized area in the proportion that their interests in the minerals under the lands within such unitized area bear to the minerals under all of the lands in the unitized area. Any well drilled on such unit shall be for all purposes a well under this lease and shall satisfy the rental provision of this lease as to all of the land covered thereby; Provided, however, lessee shall be under no obligation, express or implied, to drill more than one gas well on said Unit.

17. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said lessor and lessee.

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

(SEAL) Lawrence E. Dever (SEAL)  
(SEAL) Henrietta M. Dever (SEAL)  
(SEAL) Henrietta M. Dever (SEAL)

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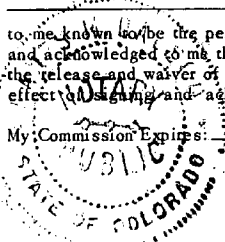
BOOK 625

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STATE OF Colorado }
COUNTY OF Weld } ss
On March 25, 19 70, before me personally appeared Lawrence E. Dever
and Henrietta M. Dever, his wife

to me known to be the person(s) described in and whose name(s) (are) subscribed and who executed the foregoing instrument and acknowledged to me that he (she) (they) duly executed the same as his (her) (their) free and voluntary act and deed, including the release and waiver of the right of homestead, the said wife (wives) having been by me fully apprised of her (their) right(s) and effect of signing and acknowledging the said instrument. Given under my hand and seal the day and year last above written.

My Commission Expires: 7-1-73



Hanes M. Dawson
Notary Public
Residing at:

STATE OF \_\_\_\_\_ }
COUNTY OF \_\_\_\_\_ } ss
On \_\_\_\_\_, 19\_\_\_\_, before me personally appeared \_\_\_\_\_

to me known to be the person(s) described in and whose name(s) is (are) subscribed and who executed the foregoing instrument and acknowledged to me that he (she) (they) duly executed the same as his (her) (their) free and voluntary act and deed, including the release and waiver of the right of homestead, the said wife (wives) having been by me fully apprised of her (their) right(s) and effect of signing and acknowledging the said instrument. Given under my hand and seal the day and year last above written.

My Commission Expires: \_\_\_\_\_

Notary Public
Residing at:

STATE OF \_\_\_\_\_ }
COUNTY OF \_\_\_\_\_ } ss
On \_\_\_\_\_, 19\_\_\_\_, before me personally appeared \_\_\_\_\_

to me known to be the person(s) described in and whose name(s) is (are) subscribed and who executed the foregoing instrument and acknowledged to me that he (she) (they) duly executed the same as his (her) (their) free and voluntary act and deed, including the release and waiver of the right of homestead, the said wife (wives) having been by me fully apprised of her (their) right(s) and effect of signing and acknowledging the said instrument. Given under my hand and seal the day and year last above written.

My Commission Expires: \_\_\_\_\_

Notary Public
Residing at:

1547103

OIL AND GAS LEASE
FROM \_\_\_\_\_ TO \_\_\_\_\_
Date \_\_\_\_\_, 19\_\_\_\_
Section \_\_\_\_\_ Twp. \_\_\_\_\_ Rge. \_\_\_\_\_
No. of Acres \_\_\_\_\_ Term \_\_\_\_\_ County \_\_\_\_\_

STATE OF Colorado }
County of Weld } ss
This instrument was filed for record on the
day of MAY 12 1970 19
at 9:30 o'clock P.M., and duly recorded
in Book 625 Page \_\_\_\_\_ of
the records of this office.
By \_\_\_\_\_ Register of Deeds.
When recorded, return to
Pan American Petroleum Co
Security Life Bldg
Denver, Co 80202

STATE OF \_\_\_\_\_ }
COUNTY OF \_\_\_\_\_ } ss
On \_\_\_\_\_, 19\_\_\_\_, before me personally came the above named \_\_\_\_\_
\_\_\_\_\_ (who being by me duly sworn, did say that he is the \_\_\_\_\_

President of \_\_\_\_\_
a corporation, and that the seal affixed to said instrument is the corporate seal of said corporation) who is personally known to me to be the identical person and officer whose name is affixed to the above instrument as \_\_\_\_\_ President of said corporation, and acknowledged the instrument to be his free and voluntary act and deed and the free and voluntary act and deed of said corporation; that said corporation executed said instrument and that said instrument was executed, signed and sealed on behalf of said corporation by authority of its Board of Directors or by authority of its By-Laws.

My Commission Expires: \_\_\_\_\_

Notary Public
Residing at:



9. The rights of either party hereunder may be assigned, in whole or in part, and the provisions hereof shall extend to the heirs, successors and assigns of the parties hereto, but no change or division in ownership of the land, rentals, or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee. No change in the ownership of the land, or any interest therein, shall be binding on Lessee until Lessee shall be furnished with a certified copy of all recorded instruments, all court proceedings and all other necessary evidence of any transfer, inheritance, or sale of said rights. In event of the assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportionable among the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. In case Lessee assigns this lease, in whole or in part, Lessee shall be relieved of all obligations with respect to the assigned portion or portions arising subsequent to the date of assignment.

10. 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, or if prevented by an act of God, of the public enemy, labor disputes, inability to obtain material, failure of transportation, or other cause beyond the control of Lessee.

11. If, during the term of this lease, oil or gas or other hydrocarbons or other mineral is discovered upon the leased premises, but Lessee is prevented from producing the same by reason of any of the causes set out in this Section, this lease shall nevertheless be considered as producing and shall continue in full force and effect until Lessee is permitted to produce the oil, gas, other hydrocarbons, or other mineral and as long thereafter as such production continues in paying quantities or drilling or reworking operations are continued as elsewhere herein provided.

11. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land, either in whole or in part, and in event Lessee does so, it shall be subrogated to such lien with the right to enforce same and apply rentals and royalties accruing hereunder toward satisfying same. Without impairment of Lessee's rights under the warranty in event of failure of title, it is agreed that if Lessor owns an interest in said land less than the entire fee simple estate, then the royalties and rentals to be paid Lessor shall be reduced proportionately.

All of the provisions of this lease shall inure to the benefit of and be binding upon the parties hereto, their heirs, administrators, successors and assigns. This agreement shall be binding on each of the above named parties who sign the same, regardless of whether it is signed by any of the other parties.

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

WITNESSES:

X *William J. Mayer*  
William J. Mayer

X *Madeline E. Mayer*  
Madeline E. Mayer

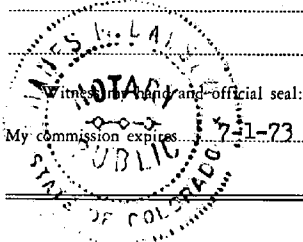
STATE OF COLORADO, }  
County of Weld } SS.

Colorado Acknowledgment

The foregoing instrument was acknowledged before me this 24th day of

March, A.D., 1970 by William J. Mayer and

Madeline E. Mayer, his wife



*Hanes M. Dawson*  
Hanes M. Dawson Notary Public.

STATE OF COLORADO, }  
County of..... } SS.

Colorado Acknowledgment

The foregoing instrument was acknowledged before me this.....day of

....., A.D., 19..... by.....

Witness my hand and official seal:

My commission expires.....

Notary Public.

No. **1547419**

**OIL, GAS AND MINERAL LEASE**

FROM.....

TO.....

Dated..... 19.....

Section..... Township..... Range.....

No. of Acres.....

County, Colorado.....

STATE OF COLORADO }  
WELD COUNTY, COLORADO } ss.

This instrument was filed for record on the MAY 15 1970 day of 1970 at 1:25 o'clock P.M., and duly recorded in book 625 page..... of the records of this office.

By *Ann Spore* Register of Deeds.  
*Nelle M. Reimer* Deputy.

When Recorded Return to.....

OIL AND GAS LEASE

THIS LEASE made as of December 15, 1994, between Union Pacific Resources Company, a Delaware corporation, whose address is P.O. Box 7, Fort Worth, Texas 76101-0007, as Lessor, and Snyder Oil Corporation, a Delaware corporation, whose address is 1625 Broadway, Suite 2200, Denver, Colorado 80202, as Lessee.

WITNESSETH:

(1) Lessor, for good and valuable consideration, receipt of which is hereby acknowledged, and in consideration of the royalties herein provided and of the agreement of Lessee herein contained and subject to the limitations herein provided, grants, leases and lets unto Lessee for the purposes of investigating, exploring, prospecting, drilling and mining for and producing oil and gas [including, without limitation, nitrogen, carbon dioxide, hydrogen sulphide, helium, and other gaseous substances (except steam) and products associated therewith] and associated liquid hydrocarbons, and laying pipelines, building tanks, power stations, telephone lines and other structures thereon to produce, save, take care of, treat, refine, process, store, transport, own, sell and dispose of said oil, gas and associated liquid hydrocarbons, 100 percent (100%) of Lessor's right, title and interest in and to the oil and gas in and under the leased premises described as follows:

Township 3North, Range 66 West, 6th P.M.  
Section 33: NE/4NE/4  
Weld County, Colorado

For shut-in royalty payment purposes, the land included in this lease shall be deemed to contain 40 acres, whether it actually comprises more or less.

(2) This is a paid-up lease and there shall be no requirement for Lessee to pay delay rentals.

(3) Subject to the other provisions herein contained, this lease shall be for a primary term which expires at twelve o'clock (12:00) noon, Central Time, on December 15, 1995, which term shall hereinafter be referred to as "the primary term", and as long thereafter as oil, gas, or associated liquid hydrocarbons or any of them are produced from the leased premises in paying quantities hereunder, or drilling or reworking operations are conducted thereon under the terms hereof.

(4) Subject to the right of election reserved to Lessor below to take its share of production in kind, the royalties to be paid by Lessee are 15 percent (15%) of eight-eighths (8/8ths) of: (a) the greater of the market value at the well or the amount realized from the sale of oil and liquid petroleum products recovered at the well and (b) the market value at the well of gas sold, used off the leased premises or delivered to Lessee at the tailgate of the plant to which the gas is delivered, plus the market value of the products recovered when such gas is processed; provided that on gas sold at the well by Lessee in an arm's length transaction, the royalty shall be the same percentage of the amount realized from such sale. For avoidance of doubt, royalty is to be paid on all payments received by Lessee under or as a result of a gas purchase contract, including, but not limited to reservation charges and, subject to credit to Lessee when gas for which payment has been made earlier is eventually produced, take-or-pay or contract settlement proceeds and amounts paid for gas not taken. Lessee shall have free use of oil and gas from said land for operations on the leased premises, and the royalty on oil and gas shall be computed after deducting any production so used.

The royalties payable under this lease shall be free and clear of costs or deductions for exploration, drilling, development, and production, including but not limited to, costs of marketing, dehydration, storage, compression, separation by mechanical means and stabilization of the hydrocarbons. If Lessee treats and/or processes its gas in a natural gas plant (either on or off the leased premises), whether in Lessee's plant or in the plant of an under contract with a third party, Lessee shall treat and/or process or cause Lessor's gas to be treated and/or processed. In the event of any such treating and/or processing, Lessee shall be entitled to deduct from the value of the products recovered by the treating and/or processing of the gas, or if Lessor is taking its production in kind to charge Lessor for, the actual costs incurred by Lessee for such treating and/or processing, which costs shall include gathering or transportation costs required to transport the gas to the plant. If Lessor elects, Lessee shall deliver to Lessor in kind its royalty share of oil and other liquid hydrocarbons saved at the well, into storage tanks on the leased premises; products recovered in a processing plant, into storage tanks or onto storage sites at the plant; and gas, at the tailgate of the plant, if processed, or at the well if the gas is sold at the well. In the event of such election with respect to oil and products, Lessor shall give to Lessee not less than sixty (60) days notice of its election and shall take said royalty share in kind for a period of not less than six (6) months following the termination of said sixty (60) day period. Any deliveries of production are to be made from Lessee's facilities at times and amounts which equitably adjust deliveries between the parties. With respect to gas, Lessee shall give Lessor notice if it intends to enter into a gas contract on its share of the gas, and Lessor shall have a period of thirty (30) days from receipt of a copy of the gas sales agreement which Lessee is willing to execute to notify Lessee in writing that Lessor elects to take in kind and separately dispose of its share of such gas.

If there is a gas well on the leased premises or on land pooled therewith capable of producing in paying quantities, but from which gas is not being sold, and in the absence of oil or other production from the leased premises or on land pooled therewith sufficient to maintain this lease in full force and effect, this lease shall be extended for a period of ninety (90) days from the date such well is or was shut-in, whereupon this lease shall terminate unless Lessee shall pay to Lessor as royalty, a sum equal to One Dollar (\$1.00) per net acre covered by this lease, which payment shall be made to Lessor at P.O. Box 7, Fort Worth, Texas 76101-0007, ATTN: Manager, Land Administration, on or before the ninetieth (90th) day from and after the date on which such well is or was shut-in, and annually thereafter a similar payment may be made on or before the anniversary date on which such well was shut-in. If such payment, or payments, are timely made, it shall be considered that

gas is being produced in paying quantities from the leased premises under all the terms and provisions of this lease (but only for so long as the well continues to be capable of producing in paying quantities); however, this lease may not be maintained by shut-in payments more than three (3) (cumulative) years during any five (5) year period.

Lessee shall be obligated to use diligence to market gas capable of being produced in paying quantities from a shut-in well, but shall be under no obligation to market same under terms, conditions or circumstances which are unreasonable.

(5) Lessee may at any time execute and place of record a release or releases covering any portion or portions of the above described leased premises, furnishing a copy thereof to Lessor, and thereby surrender this lease as to such portion or portions and be relieved as to the acreage surrendered of all obligations not arising from activities of Lessee prior to said release. Upon the expiration of any portion of this lease, Lessee shall promptly record an appropriate, legally effective release or releases of said expired portion and provide Lessor a copy of the recorded instrument within ninety (90) days of said expiration.

(6) If Lessee is drilling a new well or reworking an old well at the expiration of the primary term, this lease shall continue in force as long as such drilling or reworking operations are prosecuted with no cessation of more than ninety (90) days, and if such drilling or reworking operations result in production of oil or gas or associated liquid hydrocarbons in paying quantities, then for so long thereafter as such production in paying quantities continues or this lease is otherwise maintained in full force and effect under the provisions hereof. If production on this lease ceases after the expiration of the primary term, this lease shall continue in force if drilling or reworking operations are commenced within sixty (60) days after such cessation of production; and if production is restored or new production is discovered as a result of any such drilling or reworking operations, conducted without cessation of more than ninety (90) days, this lease shall continue so long thereafter as production in paying quantities, or additional drilling or reworking operations are had without cessation of such production, drilling or reworking operations for more than ninety (90) consecutive days.

(7) Lessee, at its option, is hereby given the right and power to pool or combined the leased premises or any portion thereof, as to oil and gas, or either of them, with any other land, lease or leases, when in Lessee's judgment it is necessary or advisable to do so in order to properly develop and operate the leased premises. Any such pooling shall be into a well unit or units not exceeding forty (40) acres, plus an acreage tolerance of ten percent (10%), for oil, and not exceeding one hundred sixty (160) acres, plus an acreage tolerance of ten percent (10%), for gas, except that larger units may be created to conform to any spacing or well unit pattern that may be prescribed by state governmental authorities having jurisdiction. Lessee may pool or combine acreage covered by this lease, or any portion thereof, as above provided, as to oil or gas in any one or more strata, and oil units need not conform as to area with gas units. The pooling in one (1) or more instances shall not exhaust the right of the Lessee hereunder to pool this lease or portions thereof into other units. Lessee shall execute in writing and place of record an instrument or instruments identifying and describing the pooled acreage. In order to be effective, Lessee shall promptly furnish to Lessor a copy of the document pooling the acreage. The entire acreage so pooled into a unit shall be treated for all purposes, except the payment of royalties, as if it were included in this lease, and drilling and reworking operations thereon, and production of oil and gas therefrom, or the completion thereon of a well as a shut-in gas well, shall be considered for all purposes, except the payment of royalties, as if such operations were on, or such production were from, or such completion were on the leased premises, whether or not the well or wells be located on the leased premises. In lieu of the royalties elsewhere herein provided, Lessor shall receive from a unit so formed, only such portion of the royalty stipulated herein as the amount of its net mineral acres placed in the unit bears to the total acreage so pooled in the particular unit involved. Should any unit as originally created hereunder contain less than the maximum number of acres hereinabove specified, then Lessee may at any time thereafter, whether before or after production is obtained on the unit, enlarge such unit by adding additional acreage thereto, but the enlarged unit shall in no event exceed the acreage content hereinabove specified. In the event an existing unit is so enlarged, Lessee shall execute and place of record a supplemental declaration of pooling identifying and describing the land added to the existing unit; provided, that if such supplemental declaration of pooling is not filed until after production is obtained on the unit as originally created, then and in such event the supplemental declaration of pooling shall not become effective until the first day of the calendar month next following the filing thereof and the furnishing to Lessor of a copy of such supplemental declaration. In the absence of production, Lessee may terminate the unitized area by filing with Lessor and of record a notice of termination.

(8) Insofar as Lessor may grant such right, Lessee shall have the right at any time during the term of this lease or within six (6) months after the expiration of this lease to remove all property and fixtures placed by Lessee on the leased premises, including the right to draw and remove all casing.

(9) The rights of Lessor may be assigned in whole or in part. This lease may not be assigned by Lessee in whole or in part, without the prior written consent of Lessor, which consent shall not be unreasonably refused. Refusal shall be deemed reasonably denied if, in Lessor's judgment, the numbers of assignees are excessive, an assignee's technical competence or financial ability could be inadequate or Lessee refuses to accept responsibility for the performance of any of its successors in interest. Any attempted assignment by Lessee of the rights arising under this lease without such consent shall be void and of no effect. No change in the ownership of the land, or any interest therein, shall be binding on Lessee or any purchaser of production hereunder, until Lessee shall be furnished with a certified copy of all recorded instruments, all court proceedings, and all other necessary evidence of any transfer, inheritance, or sale of said rights. Unless provided otherwise, in Lessor's approval of an assignment to be made by Lessee, Lessee shall continue to be responsible to Lessor for all unpaid sums then due to Lessor and obligations under Section 15 below with respect to the assigned portion or portions having to do with activities conducted prior to the date of assignment. In addition, the assignment of this lease, in whole or in part, shall not be valid as to Lessor until Lessor shall have been furnished a true and correct certified copy of such assignment. No change or division in ownership of the land, shut-in payments, or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee.

(10) All express or implied covenants of this lease shall be subject to all applicable laws, orders, rules or regulations, and this lease shall not terminate, in whole or in part, nor shall Lessee be held liable in damages for failure to comply therewith, if compliance is prevented by, or if failure is the result of any applicable law, order, rule or regulation, or if prevented by an act of God, of the public enemy, or labor strikes.

(11) Lessee at its option may discharge any tax, mortgage, or other lien upon the leased premises, either in whole or in part, and in the event Lessee does so, it shall be subrogated to any lawful and enforceable rights of the prior creditor with the right to enforce same and apply shut-in payments and royalties accruing hereunder towards satisfying same. Except as provided in the immediately preceding sentence, Lessee shall not acquire or attempt to acquire, directly or indirectly, from any person other than Lessor, any rights or interests in the oil and gas estate in the leased premises or take any action inconsistent with or adverse to the ownership and quiet enjoyment by Lessor of its oil and gas estate in the leased premises. If Lessor owns an interest in the leased premises less than the entire fee simple estate, or if this lease covers less than Lessors entire interest in the leased premises, then the shut-in payments and royalties to be paid Lessor shall be reduced proportionately. If any portion of the leased premises is included in a pooled unit, the amount of the shut-in royalty applicable to the Lessor's interest therein shall be based upon the amount of Lessor's net mineral acres included in any such pooled unit upon which such gas well is situated.

(12) The rights granted under this lease are granted WITHOUT WARRANTY, EXPRESS OR IMPLIED, and without covenants of title, including, without limitation, covenants to give possession or for quiet enjoyment.

(13) Without the prior written consent of the owner thereof, Lessee shall not make any entry upon or under any portion of any railroad right-of-way or station grounds for any of the purposes of this lease, and shall not drill any well or maintain any structures or facilities within two hundred feet (200') (by surface or subsurface measurement) of: (a) any railroad tracks or buildings on such right-of-way, or station grounds, or (b) any buildings upon the leased premises.

(14) Lessee shall be responsible for injury to or loss or destruction of property, and for injury to or death or illness of any person, arising out of or in connection with operations hereunder. Lessee expressly agrees to and shall assume all obligations and responsibility with respect to being in, establishing, achieving, documenting, or reporting full compliance with any and all applicable laws, orders, rules, regulations and standards with respect to pollution, the continued operation and eventual plugging, replugging, and abandonment obligations of any unplugged or improperly plugged wells on the leased premises or land pooled therewith.

(15) Without limiting the generality of Section 14, Lessee shall pay either the tenant or the surface owner (whichever is appropriate) for any and all damages to land, structures, roads, fences, gates, cattle guards, trees, growing crops, irrigation facilities, equipment, and livestock caused by construction, operations, or maintenance of facilities, shall bury all pipelines below plow depth where they cross cultivated land, shall construct gates where necessary for crossing fenced lands and keep the gates in repair and closed. Lessee shall not permit any lien or other encumbrance to be filed or to remain against the leased premises as a result of operations hereunder. Irrespective of whether Lessor has consented to an assignment, farmout or other arrangement whereby Lessee consents to drilling or other operations on the leased premises by a third party, Lessee shall be responsible for any and all claims, demands, actions and causes of action or liens arising out of such operations, whether arising in law, at equity or administratively.

(16) In the event of Lessee's breach of this lease, Lessor shall notify Lessee by certified mail of such breach, and Lessee shall have thirty (30) working days from the receipt thereof to comply with this lease. If Lessee fails to remedy a material breach within the period above provided, and provided such notice patently mentioned the termination rights next described, Lessor may, at its option, promptly following such period terminate this lease and be relieved from any obligation hereunder. If the parties are unable to agree upon whether or not a breach is material, such determination shall be made by arbitration. If either party invokes its right to arbitration, then the parties shall attempt to arbitrate the matter by selecting one arbitrator who is acceptable to both parties. However, if the parties are unable to select one arbitrator who is acceptable to both of them, then each party shall select one arbitrator, and the two arbitrators so selected shall select a third arbitrator. If the arbitration is handled by a single arbitrator, the parties shall each pay one-half (1/2) of the fees of the arbitrator, as well as on-half (1/2) of the costs and expenses of the arbitration, excluding the costs and expenses of either party's representatives, witnesses and attorneys. If three arbitrators are selected, each party shall bear the costs and expenses of the fees of the arbitrator it selects, and the two parties shall each pay on-half (1/2) of the fees of the third arbitrator, as well as one-half (1/2) of the costs and expenses of the arbitration, excluding the costs and expenses of either party's representatives, witnesses and attorneys. Unless otherwise specifically agreed by both parties in writing, the rules and procedures set forth in the arbitration laws of the state in which the leased premises are located shall govern the arbitration proceeding as fully as if all of such laws were set forth in full herein. Irrespective of whether Lessor elects to terminate this lease or exercise any other right or remedy under this lease or at law, Lessor shall be entitled to other available remedies, including specific performance to require Lessee to (a) abandon any well and/or restore the surface of the leased premises to its condition existing prior to entry thereon by Lessee, (b) furnish any reports required hereunder or information required hereunder from operations on the leased premises or land pooled therewith, and/or (c) make any payment due hereunder. Except as otherwise expressly provided in this lease, any notices or other communications required or permitted hereunder shall be in writing and shall be deemed given only when received by the party to whom the same is directed at the address shown at the top of page 1 of this lease or to such other address as is provided to the other party with proper notice. As to any breach of this lease by Lessee or, except to the extent caused by the negligence of Lessor, any claim or suit of a third party resulting from Lessee's activities hereunder, Lessee shall indemnify and hold Lessor harmless against any expense, including attorneys' fees and costs of court, preparation and investigation, that Lessor would incur in enforcing its rights under this lease or defending said third party claims.

(17) Sections 18 through 26, inclusive, listed on Exhibit "A-1", attached hereto and hereby made a part hereof, are incorporated into this lease by reference. Subject to Section 9, all the provisions of this lease shall inure to the benefit of and be binding upon the parties hereto, their successors and assigns.

IN WITNESS WHEREOF, this lease is executed on the date of the respective acknowledgements hereinbelow, but shall be effective from the date first hereinabove written.

UNION PACIFIC RESOURCES COMPANY

By: Elly Barnes 76  
Its Attorney-in-Fact

SNYDER OIL CORPORATION

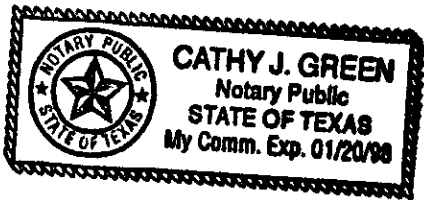
By: Mark J. Choury  
Mark J. Choury  
Its Attorney-in-Fact

STATE OF TEXAS )  
COUNTY OF TARRANT )

The foregoing instrument was acknowledged before me this 20th day of April, 1995  
by Elly Barnes, Attorney in Fact of  
UNION PACIFIC RESOURCES, COMPANY, a Delaware corporation, on behalf of the corporation.

Witness my hand and official seal.

SEAL



Cathy J. Green  
Signature

Cathy J. Green  
Name (Print)

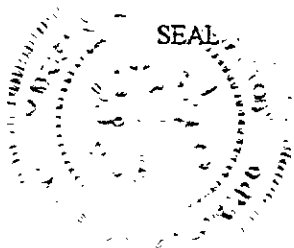
My commission expires 1-20-98

Attorney in Fact  
Title of Officer

STATE OF COLORADO )  
CITY AND )  
COUNTY OF DENVER )

The foregoing instrument was acknowledged before me this 12th day of May, 1995  
by Mark J. Choury, Attorney-in-Fact, of SNYDER OIL CORPORATION, a Delaware corporation, on behalf of the corporation.

Witness my hand and official seal.



SEAL

Virginia F. Larson  
Signature

VIRGINIA F. LARSON  
Name (Print)

My commission expires 4-13-96

Attorney-in-fact  
Title of Officer

## OPTIONAL SECTIONS

### EXHIBIT "A-1"

Attached to and made a part of that certain Oil and Gas Lease dated December 15, 1994, by and between Union Pacific Resources Company, as Lessor and Snyder Oil Corporation, as Lessee.

#### LAND GRANT

- (18) This lease is subject to the exceptions and reservations set forth in:
- (a) Quitclaim Deed(s), as applicable, dated as of April 1, 1971, from Union Pacific Railroad Company to Union Pacific Land Resources Corporation, filed for record April 14, 1971, and appearing in Book 644, Reception No. 1565712, in the office of the County Clerk and Register of Deeds of Weld County and
  - (b) Mineral Deed dated August 31, 1973, from Union Pacific Land Resources Corporation to Lessor.

Lessee recognizes that among the exceptions and reservations set forth in the above deeds are the rights of Lessor's predecessors in interest to use such portions of the leased premises as may not be required for the proper conduct of oil and gas operations for all purposes not inconsistent with such operations and without liability for compensation or damages. Lessee shall so conduct its operations so as not to interfere unreasonably with such reserved use; provided, nevertheless, that such other use of the leased premises shall not unreasonably interfere with the operations of the Lessee. Unless the requirement is waived in writing by Lessor at its discretion, no entry shall be made for drilling operations and no facility shall be installed upon any of the leased premises in which Lessor owns the mineral rights only, until a written agreement with the surface owner has been secured by Lessor in a form satisfactory to Lessor. Lessee shall request Lessor to obtain such agreement or to waive the requirement therefor at least thirty (30) days prior to the date Lessee intends to commence such operations. Payments out of or measured by production which the Lessor elects to pay to the surface owners shall be paid by Lessor out of its royalty.

#### DEPTH LIMIT FOR FARMOUT

(19) This lease covers only those depths and formations from the surface of the earth to the base of the Codell formation, as found in the UPV 33-1J6 Well located in the NE/4NE/4 of Section 33-T3N-R66W, Weld County, Colorado. Lessor reserves all other rights, horizons, strata, and formations, including, but not limited to, the right to the concurrent use of the surface and the right to drill through the leased interval. This lease is subject to all the terms and provisions of that certain Agreement dated February 8, 1994, effective March 1, 1994, between Union Pacific Resources Company and Snyder Oil Corporation, and such terms and provisions shall survive the execution of this lease.

#### WELL DATA AND ACCESS

(20) Lessor shall be given fifteen (15) days' notice prior to commencement of all drilling operations. Lessor's representative (as appointed by Lessor) shall have the right, at Lessor's risk, to have access to the derrick floor and to observe all operations on all wells drilled on the leased premises or land pooled therewith. Lessee shall promptly furnish Lessor's representative with not less than one copy of all applications and reports pertaining to the leased premises, of each daily drilling report, and of each well log, core analysis or other data taken from wells located on the leased premises. Lessee agrees, at Lessor's request, to furnish Lessor's representative true and correct information pertaining to each well, the production therefrom (including true and complete copies of all contracts or agreements (and all amendments and modifications thereof) for sale, processing or other disposition of any product produced from the leased premises) and such technical information as Lessee may acquire with respect to sands and formations encountered. Lessor's representative shall have the right to be present when wells are tested and/or tanks are gauged and shall have the right to examine all run tickets and to have full information as to production and runs, including copies of all run tickets upon request. In the event Lessee notifies Lessor in writing that Lessee considers any such information or data to be confidential, Lessor agrees, until the termination of this lease or for a period not to exceed the period that a particular matter is held confidential by the state agency, whichever is the shorter period of time, not to disclose such information or data to any third party unless such information or data previously has been available to or examined by the third party or otherwise generally available to the public or any governmental authority or agency, other than the state agency. This shall not be interpreted to require Lessee to furnish Lessor or Lessor's representative with any interpretive information or data; or any information or data which Lessee is obligated to keep confidential.

#### OFFSET

(21) In the event a well producing oil or gas in paying quantities is completed on lands in which Lessor does not own all of the oil and gas mineral estate within six hundred and sixty (660) feet of or draining the leased premises, Lessee shall, unless Lessee has already drilled or is drilling a well to the same zone or zones as are producing in the draining well and which a prudent operator would consider to have previously satisfied or to soon satisfy this offset obligation, within ninety (90) days after the commencement of production from such draining well, commence the drilling or recompletion of an offset well on the leased premises and shall make a good faith effort to establish commercial production in the sands or formations from which the draining well is producing. If at the time such offset

obligation accrues, Lessee shall be engaged in the drilling of another well on the leased premises, then Lessee shall have not more than thirty (30) days after the date of completion or abandonment of such other well drilled by Lessee within which to commence the actual drilling of such offset well. If Lessee fails to timely drill a required offset well, it shall promptly surrender this lease except as to existing wellbores and reasonable use of the surface for ingress and egress, operations in the immediate vicinity of the surface location of the wells, and necessary telephone, pipeline, and utility easements.

#### **VERTICAL PUGH CLAUSE**

(22) This lease shall terminate as to all non-producing formation four (4) years from the expiration of the primary term hereof.

#### **RIGHT TO PURCHASE NATURAL GAS LIQUIDS**

(23) Lessor shall have the right, at any time and from time to time, upon not less than 10 days' advance written notice to Lessee, to purchase all or any part of Lessee's share of natural gas liquids recovered from a gas processing facility which are allocable to production from or attributed to the leased premises. The price payable for such natural gas liquids shall be a competitive market price paid for such products at the plant in the area by unrelated third parties.

#### **RIGHT OF FIRST REFUSAL TO MARKET**

(24) If Lessee determines that it will no longer take an active role in marketing its share of the gas produced from the leased premises ("the Leased Premises Gas Production") and the majority of all of the other gas owned or controlled by Lessee in the DJ Basin, and if Lessee chooses to solicit the services of an unaffiliated third party to purchase or market on a fee basis the Leased Premises Gas Production and its other DJ Basin gas, then Lessee shall notify Lessor of the terms it is willing to accept from such a third party. Lessor shall have 10 business days from its receipt of such notice to accept such terms and conditions and thereafter market the Leased Premises Gas Production. If Lessor declines to accept the terms and conditions offered (a failure to respond within such 10 days period shall constitute a determination to decline), Lessee may contract with a third party or parties to market the Leased Premises Gas Production on substantially the same terms and conditions as those offered Lessor. If the third party or parties decline to accept Lessee's terms and conditions and proposes less favorable terms and conditions to Lessee and if Lessee determines that it would accept such less favorable terms and conditions, it shall notify Lessor in writing of the new terms and conditions, and Lessor shall have 10 business days from its receipt of such notice to accept these new terms and conditions (a failure to respond within such 10-day period shall constitute a determination to decline) and thereafter market the Leased Premises Gas Production. If Lessor declines a proposal by Lessee to market the Leased Premises Gas Production and it becomes subject to a third party contract, the right of first refusal provided for herein shall again apply when, if ever, the Leased Premises Gas Production is no longer subject to such third party contract. Nothing contained herein is intended to restrict Lessee's right to sell the leased Premises Gas Production to a variety of third parties without providing Lessor a right to purchase, so long as Lessee continues to play an active role in marketing Lessee's DJ Basin gas to a variety of gas purchasers, including third party marketing companies.

#### **RIGHT TO TAKE PRODUCTION IN KIND**

(25) Lessor hereby reserves the right, at any time and from time to time, to take in kind or separately dispose of its share of all oil, gas, and related hydrocarbons produced from the leased premises, or lands and leases unitized therewith. If Lessor elects to take its share of production in kind, then it shall make its own arrangements to dispose of such production, including gathering, transportation, treating, and processing arrangements. If Lessor fails to take in kind or separately dispose of its share of production, then Lessee shall have the right, but not the obligation, to sell such production to others for the price actually received by Lessee and shall be entitled to deduct therefrom the costs of gathering, transportation, treating, and processing of such production. If Lessee or an affiliate of Lessee gathers, transports, treats, or processes such production, then Lessee or such affiliate may charge such amounts as is comparable to the amount charged in the area by unrelated third parties under similar circumstances, taking into account applicable quantities, terms, and other current conditions.

#### **TAXES**

(26) Lessor shall bear its proportionate share of all ad valorem, severance, and other taxes on production.