

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF INDIAN AFFAIRS

SURFACE LEASE
OIL AND GAS

Southern Ute Indian Agency

Lease No. 750-11-6032
Energy Invoice #: BP-297
Tribal Resolution No: 2010-250
Adopted: October 25, 2010
Tribal Tract No. T 1053
TAAMS #: 5060321020

THIS CONTRACT, made and entered into this 25th day of October, 20 10 by and between the Southern Ute Indian Tribe of PO Box 1500, Ignacio, CO 81137 (the Secretary of the Interior, acting for and on behalf of the Tribe, and hereinafter called the "Lessor"), and BP AMERICA PRODUCTION COMPANY of 380 Airport Road, Durango, CO 81303, 970/247-6800, hereinafter called the "Lessee" in accordance with the provisions of existing law and regulations (25 CFR Parts 162, 211 & 225) which, by reference, are made a part hereof, and approved under Authority delegated to the Assistant Secretary - Indian Affairs by 209 DM 8 230 DM 1, and to the Southwest Regional Director by 3 IAM 4 (Release No. 00-003) and to the Superintendent by 10 BIAM 11, as amended by the Southwest Regional Addendum Release No. 9401, and any further delegations to effectuate the re-organization embodied in DM releases dated April 21, 2003; WITNESSETH: that for and in consideration of the rents, covenants, and agreements hereinafter provided, the lessor hereby lets and leases unto the lessee the land and premises described as follows to wit:

Township 33 North, Range 10 West, N.M.P.M., La Plata County, Colorado - So. Ute 33-10 29-1 #2 - (Thomas Jacquez - fee mineral owners) **OFF LEASE OPERATION**
Section 29: NW/4NE/4

A PERMITTED AREA FOR THE SOUTHERN UTE 33-10; 29-01 #2 WELL PAD IN THE NORTHEAST ONE-QUARTER OF SECTION 29, TOWNSHIP 33 NORTH, RANGE 10 WEST OF THE NEW MEXICO PRINCIPAL MERIDIAN, LA PLATA COUNTY, COLORADO. BEGINNING AT A POINT WHENCE THE NORTHEAST CORNER OF SAID SECTION 29 BEARS NORTH 78°06'55" EAST A DISTANCE OF 2242.32 FEET; THENCE SOUTH 13°43'32" EAST A DISTANCE OF 217.74 FEET; THENCE SOUTH 44°45'58" WEST A DISTANCE OF 139.57 FEET; THENCE SOUTH 23°33'36" WEST A DISTANCE OF 129.05 FEET; THENCE NORTH 54°41'32" WEST A DISTANCE OF 233.72 FEET; THENCE NORTH 56°39'57" WEST A DISTANCE OF 124.94 FEET; THENCE NORTH 41°08'07" EAST A DISTANCE OF 193.79 FEET; THENCE NORTH 31°46'26" EAST A DISTANCE OF 118.05 FEET; THENCE SOUTH 27°31'52" EAST A DISTANCE OF 126.19 FEET; THENCE NORTH 58°01'02" EAST A DISTANCE OF 171.35 FEET TO THE POINT OF BEGINNING. SAID PERMITTED AREA HAVING AN AREA OF 2.421 ACRES MORE OR LESS.

"See attached Southern Ute Tribal Resolution No. 2010-250, adopted 10/25/2010, the Surface Use Agreement between the Southern Ute Indian Tribe and BP America Production Company, and Exhibits A for metes and bounds description".

UNDER TITLE XIII, ARTICLE 1, SECTION 13-1-101(1)(E), THAT NEITHER THE SOUTHERN UTE INDIAN TRIBE AND SOUTHERN UTE WILDLIFE CONSERVATION DEPARTMENT NOR INDIVIDUAL TRIBAL MEMBERS ARE RESPONSIBLE FOR DAMAGES TO PERSONS OR PROPERTY CAUSED BY WILDLIFE. IT IS UNDERSTOOD AND AGREED THAT THE LESSEE DOES NOT CONTAIN HUNTING, FISHING, OR GRAZING PRIVILEGES BY VIRTUE OF THIS CONTRACT.

Limited to 2.4 acres, more or less, for the term of Ten (10) Years as stated in accordance with Southern Ute Tribal Resolution No. 2010-250 (Adopted: 10/25/10), beginning on the 25th day of October 20 10, fully to be completed and ended on the 24th day of OCTOBER, 20 20 to be used only for the following purposes: Surface user shall make use of the Property only to the extent reasonably necessary for the construction, operation and maintenance of a natural gas/coalbed methane well and shall use and locate on the Property only those fixtures and equipment which are reasonably necessary for the production, separation, compression and treating of natural gas, coalbed methane and/or the disposal of water. It is understood and agreed that Surface User has a right of ingress and egress to and from the Property for any and all purposes reasonably necessary and incident to the use described above. Surface User shall comply with the laws & regulations of the Tribe. The lessee, in consideration of the foregoing, covenants and agrees, as rental for the land and premises, to pay:

TO----	DATE DUE	AMOUNT
<u>Southern Ute Indian Tribe</u>	<u>UPON Approval</u>	<u>[REDACTED]</u>

Bond: Nationwide Bond in the amount of \$150,000.00

****Note: The pipeline right-of-way and access road will be granted separately on a Grant of Easement for Right-of-Way as per Southern Ute Tribal Resolution No. 2010-250, adopted 10/25/2010**

In the event of the death of any of the owners to whom, under the terms of this lease, rentals are to be paid direct, all rentals remaining due and payable shall be paid to the official of the Bureau of Indian Affairs having jurisdiction over the leased premises. This provision is applicable only while the leased premises are in trust or restricted status.

While the leased premises are in trust or restricted status, the Secretary may in his discretion, and upon notice to the lessee, suspend the direct rental payment provision of this lease in which event the rentals shall be paid to the official of the Bureau of Indian Affairs having jurisdictions over the leased premises.

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This lease is subject to the following provisions, unless otherwise stated in attached documents:

- 1. "SECRETARY"** as used herein means the Secretary of the Interior or his authorized representative.
- 2. INSURANCE** – The lessee hereunder shall furnish upon demand an insurance policy with a company acceptable to the lessor and of a risk value determined by the Secretary of the Interior or his authorized representative.
- 3. INTEREST** – It is understood and agreed between the parties hereto that, if any installment of rental is not paid within 30 days after becoming due, interest will be assessed at the existing prime rate, plus three (3) percent, times the amount owed for the period during which payments are delinquent. Interest will become due and payable from the date such rental becomes due and will run until said rental is paid. The interest rate formula is Interest = (Prime Rate = .03) times amount due.
- 4. HOLD HARMLESS AND INDEMNIFICATION:** Lessee shall indemnify and hold harmless the Southern Ute Tribe, allottee owners and the Bureau of Indian Affairs, their officers, agents, employees and representative from and against any claims, damages, losses and expenses, including reasonable attorney fees, for personal injury, property damage or death sustained by any person(s) or property caused by acts or omissions of Lessee, Lessee's officers, agents or employees. Lessee's guests and invitees, Lessee's contractors and their employees, and such contractor's subcontractor and their employees in the use of the property.
- 5. SUBLEASES AND ASSIGNMENTS.** - Unless otherwise provided herein, a sublease, assignment or amendment of this lease may be made only with the approval of the Secretary and the written consent of all parties to this lease, including the surety or sureties.
- 6. REPAIRS** – It is understood and agreed that the lessee is to keep the premises covered by this lease in good repair, and the said lessee will be responsible for all damages done to buildings and fences and other improvements, except the usual wear and decay.
- 7. UNLAWFUL CONDUCT** – The lessee agrees that he will not use or cause to be used any part of the leased premises for any unlawful conduct or create a nuisance on, or negligently use or waste the Leased Premises.
- 8. RELINQUISHMENT OF SUPERVISION BY THE SECRETARY** – Nothing contained in this lease shall operate to delay or prevent a termination of Federal trust responsibilities with respect to the land by the issuance of a fee patent or otherwise during the term of the lease; however, such termination shall not serve to abrogate the lease. The owners of the land and

the lessee and his surety or sureties shall be notified by the Secretary of any such change in the status of the land.

9. IMPROVEMENTS – Any improvements made to the property will become the property of the lessor (**subject to Paragraph 2 on Page 2 of Surface Use Agreement**).

10. VIOLATIONS OF LEASE – It is understood and agreed that violations of this lease shall be acted upon in accordance with the regulations in 25 CFR, Parts 162 and 211.

11. ASSENT NOT WAIVER OF FUTURE BREACH OF COVENANTS – No assent, express or implies, to any breach of any of the lessee's covenants, shall be deemed to be a waiver of any succeeding breach of covenants.

12. UPON WHOM BINDING – It is understood and agreed that the covenants and agreements hereinbefore mentioned shall extend to and be binding upon the heirs, assigns, executors, and administrators of the parties to this lease. While the leased premises are in trust or restricted status, all the lessee's obligations under this lease, and the obligations of its sureties, are to the United States as well as to the owner of the land.

13. INTEREST OF MEMBER OF CONGRESS – No Member of, or Delegate to Congress, or Resident Commissioner, shall be admitted to any share or part of this contract or to any benefit that may arise herefrom, but this provision shall not be construed to extend to this contract if made with a corporation or company for its general benefit.

14. NEPA – Lessee will comply and adhere to all environmental requirements, such as the Cultural, Threatened/Endangered, Army Corp, Environmental Policy and the National Environmental Policy Act

15. ADDITIONS – Prior to executive of this lease, provision(s) number(s) **'SEE ATTACHED SURFACE USE AGREEMENT between the Southern Ute Indian Tribe & BP AMERICA PRODUCTION COMPANY and Resolution No. 2010-250 & Exhibits'** has been added hereto and by reference is made a part hereof.

16. APPROVAL – It is understood and agreed that this lease shall be valid and binding only after approval by the Secretary.

17. Prior to the expiration of this lease, the area will be cleared of any debris, trash, or junk.

SURFACE USE AGREEMENT

THIS AGREEMENT is made this 25th of October, 2010, by and between the SOUTHERN UTE INDIAN TRIBE ("Tribe"), whose address is P.O. Box 1500, Ignacio, Colorado 81137, and BP AMERICA PRODUCTION COMPANY ("Surface User"), whose address is 380 Airport Road, Durango, Colorado 81303.

WHEREAS, in connection with the development of the underlying mineral estate which is not owned by the Tribe, the Surface User intends to use the Tribe's surface estate (hereinafter referred to as "the Property") of the following described real property located within the exterior boundaries of the Southern Ute Indian Reservation in the County of La Plata, State of Colorado, to wit:

A tract of land containing approximately 2.4 acres, more or less, located in the Northwest Quarter of the Northeast Quarter (NW/4NE/4) of Section 29, Township 33 North, Range 10 West, N.M.P.M., La Plata County, Colorado, and being further described on the attached Exhibit "A".

; and

WHEREAS, the development of the mineral estate underlying the Property will be conducted by the Surface User for the Southern Ute 33-10 29-1 #2 Well pursuant to that certain lease described as follows:

Oil & Gas Lease dated February 16, 1946 by Thomas Jacquez, as lessor covering the W/2SE/4; E/2SW/4 of Section 32, T34N, R10W, SW/4NW/4 of Section 4, N/2; W/2SW/4 of Section 5, E/2NE/4; S/2SE/4; SE/4SW/4 of Section 6, NE/4NW/4 of Section 7, S/2SE/4; N/2SW/4; SE/4NW/4 of Section 15, SW/4SE/4; S/2SW/4 of Section 16, NE/4NE/4; SE/4NW/4; E/2SW/4; W/2SE/4; SE/4SE/4 of Section 20, N/2NW/4; W/2NE/4; S/2SW/4 of Section 21, N/2NE/4 of Section 22, NW/4 of Section 23, S/2SW/4 of Section 27, SE/4; SW/4NE/4; SE/4SW/4; NE/4NW/4 of Section 28, W/2NE/4; NE/4NW/4 of Section 29, NE/4; E/2NW/4 of Section 33 and W/2NW/4 of Section 34, T34N, R10W, NW/4SE/4; S/2NE/4; NW/4NE/4; NE/4NE/4 except 1 acre in form of square out of NE corner of Section 1, T32N, R10W, La Plata County, Colorado.

(hereinafter referred to as "the Lease").

WHEREAS, the development of the mineral estate underlying the Property will be conducted by the Surface User for the Southern Ute 33-10 29-1 #2 Well.

NOW THEREFORE, in consideration of the terms and conditions of this Agreement, the Tribe and the Surface User agree as follows:

1. Use of the Property. Surface User shall make use of the Property only to the extent reasonably necessary for the construction, operation and maintenance of a natural gas/coalbed methane well and shall use and locate on the Property only those fixtures and equipment which are reasonably necessary for the production, separation, compression and treating of natural gas, coalbed methane and/or the disposal of water.

2. Access. It is understood and agreed that Surface User has a right of ingress and egress to and from the Property for any and all purposes reasonably necessary and incident to the use described above. In exercising its right of ingress and egress, Surface User shall comply with the laws and regulations of the Tribe regulating such access including but not limited to securing crossing permits, refraining from carrying firearms, and refraining from possessing alcoholic beverages while on Tribal lands.

3. Surface damage compensation and compensation for grant of permission. Surface User agrees to pay the Tribe surface damage and grant of permission compensation computed as set forth in the Tribal Council Policy regarding surface damage compensation for oil and gas related facilities adopted per Resolution #85-47, adopted April 30, 1985, and revised per resolution #90-9, adopted January 17, 1990, and revised per Resolution # 99-231, adopted on December 28, 1999, and revised per Resolution #2003-222, adopted on November 3, 2003 and further revised again per Resolution #2008-32 on February 11, 2008, to wit:

Computations:

2.4 acres class (B) lands X () per acre	
(surface damage compensation) =	()
2.4 acres X () per acre	
(grant of permission) =	()
TOTAL	()

This payment shall be due and payable upon receipt of invoice submitted along with Bureau of Indian Affairs' approval of Surface Lease Agreement.

4. Conduct of Surface User. Surface User shall conduct its activities under this Agreement as a reasonable prudent operator, in a good and workmanlike manner, with due diligence and dispatch, in accordance with good oilfield practice, and in compliance with applicable laws and regulations, and having due regard for prevention of damage to the environment, including damage to vegetation, wildlife and water resources, contamination of soils, and injury to workmen and the public.

5. Term. The term of this Agreement is for a period of time no longer than the period of time Surface User conducts operations under the Lease or ten (10) years from the date of execution by the Tribal Council Chairman of the approved Tribal Resolution, whichever is less. This Agreement may be renewed for an additional term upon such terms and conditions as may be mutually agreed upon by the parties.

6. Indemnification. Surface User shall at all times indemnify and hold harmless the Tribe or their authorized representatives against all legal actions, claims, losses, demands, costs, damages, expenses and liability of any kind, including reasonable attorneys fees, which may be brought or made against the Tribe, as a result of Surface User's operations pursuant to this Agreement including but not limited to those arising from allegations made by third parties that (1) the Property contains hazardous materials in violation of applicable environmental protection laws or regulations or (2) Surface User has failed to comply with applicable environmental protection laws or regulations in conducting its operations on the Property; but not including those resulting from the gross negligence of the Tribe, its employees or their authorized representatives or conditions existing prior to execution of this Agreement.

7. Surrender of the Property and removal of improvements and fixtures. Surface User shall have the right upon expiration of this Agreement and for one hundred eighty (180) days thereafter to remove any and all of its property placed on the Property pursuant to this Agreement. At the conclusion of the one hundred eighty (180) day period, if Surface User has not removed all of its property, then the Tribe shall have the option of either assuming ownership and control of the property or may require that Surface User, at Surface User's expense, remove and restore the surface to as near the original condition as reasonably possible.

8. Notice of cessation of operations. Surface User shall provide the Tribe with no less than forty-five (45) days advance written notice, at the address provided above, of its intent to cease operations on the Property pursuant to the Lease.

9. Binding effect. This Agreement shall extend to and be binding upon the parties hereto, their heirs, executors, administrators, successors and assigns.

10. Assignment. Subject to the approval of Tribe and the Secretary of the Interior or their authorized representative, either party hereto shall have the right to assign this Agreement in conformity with applicable federal and tribal law. Any such assignment shall not be binding upon the other party until written notice thereof has been given and an original or certified copy of the transfer instrument has been provided.

11. Bonding requirement. Surface User shall furnish a bond in accordance with 25 CFR §211.24 which shall be subject to cancellation only after surface inspection and approval.

IN WITNESS WHEREOF the parties hereto have caused this instrument to be executed the day and year first hereinabove written.

TRIBE:

SOUTHERN UTE INDIAN TRIBE

By:  _____
Matthew J. Box, Chairman
Southern Ute Indian Tribal Council

Date: 11-3-10

SURFACE USER:

BP AMERICA PRODUCTION COMPANY

By:  _____

Date: 10/29/2010

APPROVED:

U.S. DEPARTMENT OF INTERIOR
BUREAU OF INDIAN AFFAIRS

By: Dee J. Wacker

Date: December 23, 2010
SUPERINTENDENT

STATE OF COLORADO)

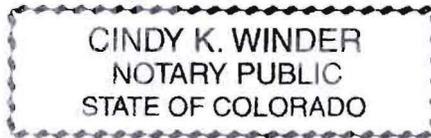
COUNTY OF LA PLATA)

Subscribed and sworn to me this 3 day of ^{November}~~October~~, 2010, by Matthew J. Box, Chairman of The Southern Ute Indian Tribal Council.

WITNESS my hand and official seal.

My commission expires:
My Commission Expires
05/03/2011

Cindy K. Winder
Notary Public



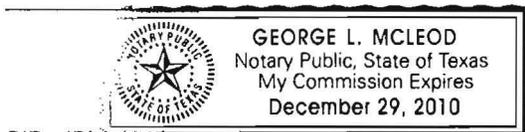
STATE OF TEXAS)

COUNTY OF HARRIS)

On this 29th day of October, 2010, before me personally appeared E. M. Sierra, to me personally known, who, being by me duly sworn, did say that _____ he is the Attorney-in-Fact, of BP AMERICA PRODUCTION COMPANY and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said E. M. Sierra _____ acknowledged said instrument to be free act and deed of said corporation.

WITNESS my hand and official seal.

My commission expires:



George L. McLeod
Notary Public