

OIL AND GAS LEASE
(PAID-UP)

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11:44:31 AM, 1 OF 4, OGL, Rec Fee \$21.00
Arapahoe County CO Nancy A. Doty,
Clerk & Recorder

Pm
THIS LEASE AGREEMENT is made as of the 10th day of May, 2010, between Hawthorne Family Limited Partnership, LTD, a Colorado Limited Partnership, whose mailing address is 35288 E. 6th Avenue, Watkins, Colorado 80137-9001 as Lessor (whether one or more), and Transcontinent Oil Company, whose mailing address is 621 17th Street, Suite 2501, Denver, Colorado 80293 as Lessee. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

1. **Grant of Leased Premises.** In consideration of a cash bonus in hand paid and the covenants herein contained, Lessor hereby grants, leases and lets exclusively to Lessee the following described land, hereinafter called leased premises:

Township 3 South, Range 64 West of the 6th Principal Meridian

Section 31: W/2SE/4NW/4, SW/4NW/4

Township 4 South, Range 64 West of the 6th Principal Meridian

Section 8: NW/4, SE/4, NE/4

Arapahoe

in the County of Adams and Arapahoe, State of Colorado, containing 540.00 gross acres, more or less (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and nonhydrocarbon substances produced in association therewith ("Oil and Gas Substances"). The term "gas" as used herein includes helium, carbon dioxide, gaseous sulfur compounds, methane produced from coal formations and other commercial gases, as well as normal hydrocarbon gases. In addition to the above-described land, this lease and the term "leased premises" also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described land, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any payments based on acreage hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

2. **Ancillary Rights.** The rights granted to Lessee hereunder shall include the right of ingress and egress on the leased premises or lands pooled or unitized therewith, along with such rights as may be reasonably necessary to conduct operations for exploring, developing, producing and marketing Oil and Gas Substances, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to explore, discover, produce, store, treat and/or transport Oil and Gas Substances and water produced from the leased premises or other lands that share central facilities and are jointly operated with the leased premises for gathering, treating, compression and water disposal. Lessee may use in such operations, free of cost, any oil, gas, water and/or other substances produced on the leased premises, except water from Lessor's wells or ponds. In exploring, developing, producing or marketing from the leased premises or lands pooled or unitized therewith, the ancillary rights granted herein shall apply (a) to the entire leased premises, notwithstanding any partial release or other partial termination of this lease; and (b) to any other lands in which Lessor now or hereafter has authority to grant such rights in the vicinity of the leased premises or lands pooled or unitized therewith. When requested by Lessor in writing, Lessee shall bury its pipelines below ordinary plow depth on cultivated lands. No well shall be located less than 200 feet from any house or barn now on the leased premises or other lands of Lessor used by Lessee hereunder, without Lessor's consent, and Lessee shall pay for damage caused by its operations to buildings and other improvements now on the leased premises or such other lands, and to commercial timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises or such other lands during the term of this lease or within a reasonable time thereafter.

3. **Term of Lease.** This lease shall be in force for a primary term of Three (3) year(s) from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced from the leased premises or from lands pooled or unitized therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof. Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term.

4. **Operations.** If Lessee drills a well which is incapable of producing in paying quantities (hereinafter called "dry hole") on the leased premises or lands pooled or unitized therewith, or if all production (whether or not in paying quantities) permanently ceases from any cause, including a revision of unit boundaries pursuant to the provisions of this lease or the action of any governmental authority, then in the event this lease is not otherwise being maintained in force it shall nevertheless remain in force if Lessee commences further operations for reworking an existing well or for drilling an additional well or for otherwise obtaining or restoring production on the leased premises or lands pooled or unitized therewith within 120 days after completion of operations on such dry hole or within 120 days after such cessation of all production. If after the primary term this lease is not otherwise being maintained in force, but Lessee is then engaged in Operations, as defined below, this lease shall remain in force so long as any one or more of such Operations are prosecuted with no interruption of more than 120 consecutive days, and if any such Operations result in the production of Oil and Gas Substances, as long thereafter as there is production in paying quantities from the leased premises or lands pooled or unitized therewith. After completion of a well capable of producing in paying quantities hereunder, Lessee shall drill such additional wells on the leased premises or lands pooled or unitized therewith as a reasonably prudent operator would drill under the same or similar circumstances to (a) develop the leased premises as to reservoirs then capable of producing in paying quantities on the leased premises or lands pooled or unitized therewith, or (b) protect the leased premises from uncompensated drainage by any well or wells located on other lands not pooled or unitized therewith. There shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein. As used herein, the term Operations shall mean any activity conducted on or off the leased premises that is reasonably calculated to obtain or restore production, including without limitation, (i) drilling or any act preparatory to drilling (such as obtaining permits, surveying a drill site, staking a drill site, building roads, clearing a drill site, or hauling equipment or supplies); (ii) reworking, plugging back, deepening, treating, stimulating, refitting, installing any artificial lift or production-enhancement equipment or technique; (iii) constructing facilities related to the production, treatment, transportation and marketing of substances produced from the lease premises; (iv) contracting for marketing services and sale of Oil and Gas Substances; and (v) construction of water disposal facilities and the physical movement of water produced from the leased premises.

5. **Shut-in Royalty.** If after the primary term one or more wells on the leased premises or lands pooled or unitized therewith are capable of producing Oil and Gas Substances in paying quantities, but such well or wells are either shut in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease. If for a period of 90 consecutive days such well or wells are shut in or production therefrom is not sold by Lessee, then Lessee shall pay an aggregate shut-in royalty of one dollar per acre then covered by this lease. The payment shall be made to Lessor on or before the first anniversary date of the lease following the end of the 90 day period and thereafter on or before each anniversary while the well or wells are shut in or production therefrom is not being sold by Lessee; provided that if this lease is otherwise being maintained by operations under this lease, or if production is being sold by Lessee from another well or wells on the leased premises or lands pooled or unitized therewith, no shut-in royalty shall be due until the first anniversary date of the lease following the end of the 90 day period after the end of the period next following the cessation of such operations or production, as the case may be. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease.

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6. **Royalty Payment.** For all Oil and Gas Substances that are physically produced from the leased premises, or lands pooled, unitized or communitized therewith, and sold, lessor shall receive as its royalty Three-Sixteenths (3/16) of the sales proceeds actually received by lessee or, if applicable, its affiliate, as a result of the first sale of the affected production to an unaffiliated party, less this same percentage share of all Post Production Costs and this same percentage share of all production, severance and ad valorem taxes. As used in this provision, Post Production Costs shall mean all costs actually incurred by lessee or its affiliate and all losses of produced volumes whether by use as fuel, line loss, flaring, venting or otherwise from and after the wellhead to the point of sale. These costs include without limitation, all costs of gathering, marketing, compression, dehydration, transportation, removal of liquid or gaseous substances or impurities from the affected production, and any other treatment or processing required by the first unaffiliated party who purchases the affected production. For royalty calculation purposes, lessee shall never be required to adjust the sales proceeds to account for the purchaser's costs or charges downstream of the point of sale.

Lessee or its affiliate shall have the right to construct, maintain and operate any facilities providing some or all of the services identified as Post Production Costs. If this occurs, the actual costs of such facilities shall be included in the Post Production Costs as a per barrel or per mcf charge, as appropriate, calculated by spreading the construction, maintenance and operating costs for such facilities over the reasonably estimated total production volumes attributable to the well or wells using such facilities.

If Lessee uses the Oil and Gas Substances (other than as fuel in connection with the production and sale thereof) in lieu of receiving sale proceeds, the price to be used under this provision shall be based upon arm's-length sale(s) to unaffiliated parties for the applicable month that are obtainable, comparable in terms of quality and quantity, and in closest proximity to the leased premises. Such comparable arm's-length sales price shall be less any Post Production Costs applicable to the specific arms-length transaction that is utilized.

7. **Pooling.** Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of drilling or production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The creation of a unit by such pooling shall be based on the following criteria (hereinafter called "pooling criteria"): A unit for an oil well (other than a horizontal completion) shall not exceed 40 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or, if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with an initial gas-oil ratio of 100,000 cubic feet or more per barrel, based on a 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment; and the term "horizontal completion" means a well in which the horizontal component of the completion interval in the reservoir exceeds the vertical component in such interval. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total acreage in the unit, but only to the extent such proportion of unit production is sold by Lessee. In the event a unit is formed hereunder before the unit well is drilled and completed, so that the applicable pooling criteria are not yet known, the unit shall be based on the pooling criteria Lessee expects in good faith to apply upon completion of the well; provided that within a reasonable time after completion of the well, the unit shall be revised if necessary to conform to the pooling criteria that actually exist. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority. To revise a unit hereunder, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly.

8. **Unitization.** Lessee shall have the right but not the obligation to commit all or any part of the leased premises or interest therein to one or more unit plans or agreements for the cooperative development or operation of one or more oil and/or gas reservoirs or portions thereof, if in lessee's judgment such plan or agreement will prevent waste and protect correlative rights, and if such plan or agreement is approved by the federal, state or local governmental authority having jurisdiction. When such a commitment is made, this lease shall be subject to the terms and conditions of the unit plan or agreement, including any formula prescribed therein for the allocation of production from a unit. Upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. Pooling hereunder shall not constitute a cross-conveyance of interests.

9. **Payment Reductions.** If Lessor owns less than the full mineral estate in all or any part of the leased premises, payment of royalties and shut-in royalties hereunder shall be reduced as follows: royalties and shut-in royalties for any well on any part of the leased premises or lands pooled therewith shall be reduced to the proportion that Lessor's interest in such part of the leased premises bears to the full mineral estate in such part of the leased premises. To the extent any royalty or other payment attributable to the mineral estate covered by this lease is payable to someone other than Lessor, such royalty or other payment shall be deducted from the corresponding amount otherwise payable to Lessor hereunder.

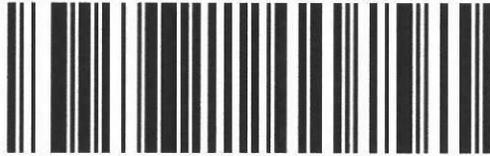
10. **Ownership Changes.** The interest of either Lessor or Lessee hereunder may be assigned, devised or otherwise transferred in whole or in part, by area and/or by depth or zone, and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns. No change in Lessor's ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until 60 days after Lessee has been furnished the original or duly authenticated copies of the documents establishing such change of ownership to the satisfaction of Lessee or until Lessor has satisfied the notification requirements contained in Lessee's usual form of division order. In the event of the death of any person entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to the credit of decedent or decedent's estate. If at any time two or more persons are entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to such persons either jointly or separately in proportion to the interest which each owns. If Lessee transfers its interest hereunder in whole or in part Lessee shall be relieved of all obligations thereafter arising with respect to the transferred interest, and failure of the transferee to satisfy such obligations with respect to the transferred interest shall not affect the rights of Lessee with respect to any interest not so transferred. If Lessee transfers a full or undivided interest in all or any portion of the area covered by this lease, the obligation to pay or tender shut-in royalties hereunder shall be divided between Lessee and the transferee in proportion to the net acreage interest in this lease then held by each.

11. **Release of Lease.** Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases less than all of the interest or area covered hereby, Lessee's obligation to pay or tender shut-in royalties shall be proportionately reduced in accordance with the net acreage interest retained hereunder.

12. **Regulation and Delay.** Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction, including restrictions on the drilling and production of wells, and regulation of the price or transportation of oil, gas and other substances covered hereby. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a



Land > Lease > Lease



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Attribute	Value
Description	OIL AND GAS LEASE
Document Date	05/10/2010
Lease Document Type	Original Lease
New Lease Packet	Yes
New Well Handoff	No
Lease Number Suffix	CO-000015856/001
Group Code	LSE
Lease End Date	05/10/2013
Lessor Name	HAWTHORNE FAMILY LIMITED PARTNERSHIP LTD
Prospect Name	AURORA PROSPECT (APC)/F-43100180
State County	COLORADO:ARAPAHOE(005)

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Arapahoe County CO Nancy A. Doty,
Clerk & Recorder

PAID-UP OIL AND GAS LEASE

Producers 88
Rev. 2008

THIS LEASE AGREEMENT is made as of the 7th day of December, 2010, but effective January 3, 2011, between Furniture Row USA, LLC, whose address is 5603 Broadway, Denver, CO 80216, as Lessor (whether one or more), and Anadarko E&P Company LP, whose address is 1099 18th Street, Suite 1800, Denver, CO 80202, as Lessee. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

1. **Grant of Leased Premises.** In consideration of a cash bonus in hand paid and the covenants herein contained, Lessor hereby grants, leases and lets exclusively to Lessee the following described land, hereinafter called leased premises:

Township 4 South, Range 65 West, 6th P.M.
Section 12: W2, W2E2
Section 24: NW

Township 4 South, Range 64 West, 6th P.M.
Section 8: SW

in the County of Arapahoe, State of Colorado, containing 770.06 gross acres, more or less (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and nonhydrocarbon substances produced in association therewith ("Oil and Gas Substances"). The term "gas" as used herein includes helium, carbon dioxide, gaseous sulfur compounds, methane produced from coal formations and other commercial gases, as well as normal hydrocarbon gases. In addition to the above-described land, this lease and the term "leased premises" also covers accretions and any small strips or parcels of land now owned by Lessor which are contiguous or adjacent to the above-described land, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered.

2. **Ancillary Rights.** The rights granted to Lessee hereunder are specifically made subject to and are limited by the parties' Surface Use Agreement of even date herewith, between Lessor and Lessee. The rights granted to Lessee shall include the right of ingress and egress on the leased premises or lands pooled or unitized therewith, along with such rights as may be reasonably necessary to conduct operations for exploring, developing, producing and marketing Oil and Gas Substances, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, pipelines, tanks, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to explore, discover, produce, store, treat and/or transport Oil and Gas Substances from the leased premises or other lands in which Lessor owns the surface and Lessee owns the oil and gas that share central facilities and are jointly operated with the leased premises for gathering, treating, and water disposal. Lessee may use in such operations, free of cost, any oil, gas, and/or other substances produced on the leased premises. Lessee shall not use any water found on or under the leased premises without Lessor's prior written consent. In exploring, developing, producing or marketing from the leased premises or lands pooled or unitized therewith, the ancillary rights granted herein shall apply (a) to the entire premises subject to this lease, but not to any portion thereof that have been released from this lease; and (b) lands pooled or unitized therewith. Lessee shall bury its pipelines below ordinary plow depth on cultivated lands. At the time of drilling, no well shall be located less than 200 feet from any house or barn then located on the leased premises, without Lessor's consent, and Lessee shall pay for damage caused by its operations to buildings and other improvements then located on the leased premises and to Lessor's tenants for damage to commercial timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises during the term of this lease or within 180 days following the termination of this lease.

3. **Term of Lease.** This lease shall be in force for a primary term of 3 years and 6 months from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled or unitized therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof. Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term.

4. **Operations.** If Lessee drills a well which is incapable of producing in paying quantities (hereinafter called "dry hole") on the leased premises or lands pooled or unitized therewith, or if all production (whether or not in paying quantities) permanently ceases from any cause, including a revision of unit boundaries pursuant to the provisions of this lease or the action of any governmental authority, then in the event this lease is beyond the primary term or the extended term provided for in Paragraph 16 it shall nevertheless remain in force if Lessee commences further Operations for reworking an existing well or for drilling an additional well or for otherwise obtaining or restoring production on the leased premises or lands pooled or unitized therewith within 90 days after completion of operations on such dry hole or within 90 days after such cessation of all production in paying quantities. If after the primary term this lease is not otherwise being maintained in force, but Lessee is then engaged in Operations, as defined below, this entire lease shall remain in force for an additional 90 days from the completion of operations on such dry hole or the cessation of all production in paying quantities, and if any such Operations result in the production of Oil and Gas Substances, as long thereafter as there is production in paying quantities from the leased premises or lands pooled or unitized therewith. As used herein, the term Operations shall mean any activity continuously conducted on the leased premises or pooled therewith that is customary and reasonably calculated to obtain or restore production, including without limitation, (i) drilling or acts preparatory to drilling actually conducted on the leased premises or lands pooled therewith (such as building roads or constructing a drill site as long as actual drilling operations are commenced forthwith following the completion of the preparatory acts); (ii) completing, reworking, plugging back, deepening, treating, stimulating, refitting, installing any artificial lift or production-enhancement equipment or technique; and (iii) constructing facilities to enable the production, treatment, transportation and marketing of substances produced from the lease premises.

5. **Shut-in Royalty.** If after the primary term one or more wells on the leased premises or lands pooled or unitized therewith are capable of producing Oil and Gas Substances in paying quantities, but such well or wells are either shut in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease. If for a period of 90 consecutive days such well or wells are shut in or production therefrom is not sold by Lessee, then Lessee shall pay an aggregate shut-in royalty of ten dollars per acre then covered by this lease. The payment shall be made to Lessor on or before the first anniversary date of the lease following the end of the 90-day period and thereafter on or before each anniversary while the well or wells are shut in or production therefrom is not being sold by Lessee; provided that if this lease is otherwise being maintained by operations under this lease, or if production is being sold by Lessee from another well or wells on the leased premises or lands pooled or unitized therewith, no shut-in royalty shall be due until the first anniversary date of the lease following the end of the 90-day period after the end of the period next following the cessation of such operations or production, as the case may be. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease. However, after the expiration of the primary term, this lease may not be maintained in force by the payment of shut in royalties for any period in excess of 2 consecutive years from the date the well is first shut in.

6. **Royalty Payment.** For all Oil and Gas Substances that are physically produced from the leased premises, or lands pooled, unitized or communitized therewith, and sold, Lessor shall receive a royalty of 20.00 % of the weighted average sales price actually received by Lessee or, if applicable, its affiliate, as a result of all sales of the affected production to an unaffiliated party. Lessor's royalty shall not be subject to its proportionate share of Post Production Costs but will bear its proportionate share of all production, severance and ad valorem taxes. As used in this provision, Post Production Costs shall mean all costs actually incurred by lessee or its affiliate and all losses of produced volumes used as fuel, line loss, flaring, venting or otherwise from and after the wellhead until the Oil and Gas Substances are in a marketable condition and have reached a recognized market for the same. Post Production Costs include without limitation, all costs of

gathering, marketing, compression, dehydration, removal of liquid or gaseous substances or impurities from the affected production prior to the time Oil and Gas Substances produced from the leased premises or from land pooled therewith are in a marketable condition and have reached a recognized market for the same and any other treatment or processing required by the first unaffiliated party who purchases the affected production. For royalty calculation purposes, Lessee shall deduct all transportation fees and fuel charges incurred and paid by it after Oil and Gas Substances produced from the leased premises or from land pooled therewith are in a marketable condition and have reached a market for the same.

Lessee or its affiliate shall have the right to construct, maintain and operate any facilities providing some or all of the services identified as Post Production Costs. If Lessee uses the Oil and Gas Substances (other than as fuel in connection with the production and sale thereof) in lieu of receiving sale proceeds, the price to be used to pay Lessor's royalty under this provision shall be the weighted average sales price referred to above for the applicable month.

7. Pooling. Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of drilling or production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The creation of a unit by such pooling shall be based on the following criteria (hereinafter called "pooling criteria"): A unit for an oil well (other than a horizontal completion) shall not exceed 40 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or, if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with an initial gas-oil ratio of 100,000 cubic feet or more per barrel, based on a 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment; and the term "horizontal completion" means a well in which the horizontal component of the completion interval in the reservoir exceeds the vertical component in such interval. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total acreage in the unit, but only to the extent such proportion of unit production is sold by Lessee. In the event a unit is formed hereunder before the unit well is drilled and completed, so that the applicable pooling criteria are not yet known, the unit shall be based on the pooling criteria Lessee expects in good faith to apply upon completion of the well; provided that within a reasonable time after completion of the well, the unit shall be revised if necessary to conform to the pooling criteria that actually exist. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority. To revise a unit hereunder, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly.

8. Unitization. Lessee shall have the right but not the obligation to commit all or any part of the leased premises or interest therein to one or more unit plans or agreements for the cooperative development or operation of one or more oil and/or gas reservoirs or portions thereof, if in lessee's judgment such plan or agreement will prevent waste and protect correlative rights, and if such plan or agreement is approved by the federal, state or local governmental authority having jurisdiction. When such a commitment is made, this lease shall be subject to the terms and conditions of the unit plan or agreement, including any formula prescribed therein for the allocation of production from a unit. Upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. Pooling hereunder shall not constitute a cross-conveyance of interests.

9. Payment Reductions. If Lessor owns less than the full mineral estate in all or any part of the leased premises, payment of royalties and shut-in royalties hereunder shall be reduced as follows: royalties and shut-in royalties for any well on any part of the leased premises or lands pooled therewith shall be reduced to the proportion that Lessor's interest in such part of the leased premises bears to the full mineral estate in such part of the leased premises. To the extent any royalty or other payment attributable to the mineral estate covered by this lease is payable to someone other than Lessor, such royalty or other payment shall be deducted from the corresponding amount otherwise payable to Lessor hereunder.

10. Ownership Changes. The interest of either Lessor or Lessee hereunder may be assigned, devised or otherwise transferred in whole or in part, by area and/or by depth or zone, and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns. No change in Lessor's ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until 60 days after Lessee has been furnished the original or duly authenticated copies of the documents establishing such change of ownership to the satisfaction of Lessee or until Lessor has satisfied the notification requirements contained in Lessee's usual form of division order. In the event of the death of any person entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to the credit of decedent or decedent's estate. If at any time two or more persons are entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to such persons either jointly or separately in proportion to the interest which each owns. If Lessee transfers its interest hereunder in whole or in part Lessee shall be relieved of all obligations thereafter arising with respect to the transferred interest, and failure of the transferee to satisfy such obligations with respect to the transferred interest shall not affect the rights of Lessee with respect to any interest not so transferred. If Lessee transfers a full or undivided interest in all or any portion of the area covered by this lease, the obligation to pay or tender shut-in royalties hereunder shall be divided between Lessee and the transferee in proportion to the net acreage interest in this lease then held by each.

11. Release of Lease. Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released which arise after the date of the release. If Lessee releases less than all of the interest or area covered hereby, Lessee's obligation to pay or tender shut-in royalties shall be proportionately reduced in accordance with the net acreage interest retained hereunder.

12. Regulation and Delay. Lessee's operations and obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction, including restrictions on the drilling and production of wells, and regulation of the price or transportation of oil, gas and other substances covered hereby. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this lease shall not terminate because of such prevention or delay, and, at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any provisions or implied covenants of this lease when drilling, production or other operations are so prevented or delayed.

13. Breach or Default. Any dispute arising under this lease shall be resolved in accordance with the dispute resolution procedures set out in the parties' Surface Use Agreement. If Lessor believes that Lessee is in default of any covenant or condition of this lease, it may give Lessee written notice thereof which notice shall describe the claimed default in reasonable detail. Lessee shall have 30 days to cure the claimed default, commence action to cure the claimed default if 30 days is not sufficient to cure the same or deny the existence of the claimed default. If Lessee commences action to cure the claimed default if 30 days is not sufficient to cure the same, it shall diligently pursue such action until the default is cured to the reasonable satisfaction of Lessor for a period not to exceed 90 days. No mediation or arbitration shall be initiated by Lessor for damages, forfeiture or cancellation with respect to any claimed default by Lessee hereunder during such 30 day period (or longer if Lessee has commenced action to cure the claimed default). If the matter is arbitrated in accordance with the

said Surface Use Agreement and there is a final determination that a default has occurred, this lease shall not be forfeited or cancelled in whole or in part unless Lessee is given a reasonable time, not to exceed 90 days, after said determination to remedy the default and Lessee fails to do so.

14. **Warranty of Title.** Lessee at Lessee's option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the leased premises. If Lessee exercises such option, Lessee shall be subrogated to the rights of the party to whom payment is made, and, in addition to its other rights, may reimburse itself out of any royalties or shut-in royalties otherwise payable to Lessor hereunder. In the event Lessee is made aware of any claim inconsistent with Lessor's title, Lessee may suspend the payment of royalties and shut-in royalties hereunder, without interest, until Lessee has been furnished satisfactory evidence that such claim has been resolved.

15. **Indemnity.** Lessee will indemnify and hold Lessor, its officers, directors, employees, agents, successors and assigns (hereafter collectively referred to as "Indemnified Parties") harmless from any and all claims, demands, suits, losses, damages, and costs (including, without limitation, any attorney fees) incurred by the Indemnified Parties which may be asserted against the Indemnified Parties by reason of or which may arise out of or which may be related to Lessee's activities or Operations on the leased premises (including, without limitation, any claims by any owners or lessees of minerals that Lessee's operations hereunder are either illegal, unauthorized, or constitute an improper interference with their rights). This indemnity specifically includes any claim of whatever nature which may be asserted by reason of or which may arise out of or which may be related to the completion or fracturing or refracturing of any well drilled by Lessee on the leased premises or lands pooled or unitized therewith and shall survive the termination of this lease.

16. **Option to Extend.** This lease may, at Lessee's option, be extended as to all or part of the lands covered hereby for an additional primary term of 2 years commencing on the date that the lease would have expired but for the extension. Lessee may exercise its option by giving Lessor written notice thereof not less than 30 days prior to the expiration of the primary term. If Lessee exercises its option to extend the primary term of this lease, Lessor within 5 days of receiving Lessee's notice, will provide Lessee with its wire instructions. Within 5 days of receiving Lessor's wire instructions, Lessee will pay by wire to Lessee an extension payment of the amount equal to the original bonus amount paid for this lease per net mineral acre. If Lessee exercises this option, the primary term of this lease shall be considered to be continuous, commencing on the date of the lease and continuing from that date to the end of the extended primary term.

17. **Depth Restriction.** This lease is limited in depth from the surface of the earth down to the top of the "D" Sand formation, identified as 8,424' as seen in the induction log lithology response in the Amoco-Westan-Fischahs #1 well, located in the SW4SW4 of Section 2, Township 4 South, Range 65 West.

18. **Other Provisions.**

(a). Lessee agrees to provide Lessor, at Lessor's written request, no more frequently than the payment period provided for royalties under this lease, information related to the volumes and prices of oil and gas produced and sold from the lands to which this Lease relates, for which Lessor is being paid for the most recent period and for any other previous periods within five (5) years from the date of production for which Lessee has not already provided such information. Lessee's records as to production, sales, prices and payments pursuant to this lease shall be available to Lessor and its authorized agents at Lessee's Denver, Colorado office during Lessee's normal business hours. Lessor shall have the right to audit the records, books and other accounting documentation relating to payment of all amounts due pursuant to this lease after first giving written notice to Lessee of its desire to do so. Any such audit shall take place at times and locations convenient to Lessee and Lessee shall utilize its best efforts to accommodate Lessor's written requests for information relevant to such audit. All information provided hereunder shall remain strictly confidential and shall not be disclosed by Lessee without the prior written consent of Lessee.

(b). Lessee agrees to comply with all applicable local, state and federal laws and regulations governing the operations of the Lessee with respect to all environmental matters, including, but not limited to, release or discharge of any material into the air, ground or water or the discharge of produced water, provided that Lessor shall not have a private right of action to enforce any such laws or regulations.

(c). Subject to the provisions of Paragraph 4 above, at the expiration of the primary term, as the same may have been extended, this lease shall automatically terminate and expire as to all lands that are subject to this lease which are located outside the boundaries of a spacing unit established by the Colorado Oil and Gas Conservation Commission, upon which there is a producing well or a well capable of producing in paying quantities which is shut-in for the reasons stated in this Lease.. Lessee shall file a release of those portions of the leased premises in the Arapahoe County records within 30 days of such termination.

(d). If some or all of the leased premises are unitized pursuant to paragraph 8 hereof and a portion of the lands covered by this lease are committed to a unit area and a portion of the lands covered by this lease are outside of such unit area, this lease shall be vertically segregated into separate leases, one covering all formations underlying the lands within such unit area and the other covering all formations underlying the lands outside such unit area, such segregation to be effective as of the anniversary date of this lease next ensuing after the expiration of ninety (90) days from the effective date of unitization; provided, however, that the segregated lease as to the outside lands shall continue in force and effect for the primary term thereof, but not for less than two (2) years from the date of such segregation and so long thereafter as operations are conducted under the provisions of this lease. The provisions of this paragraph shall survive any unitization of this lease, notwithstanding the provisions of any unit agreement to the contrary.

(e). Lessee agrees to use commercially reasonable efforts to explore, develop and market the oil or gas produced from the leased premises to the mutual economic benefit of Lessor and Lessee hereunder, and to operate as a reasonable and prudent operator all the oil and gas wells drilled and completed and all of the facilities installed by Lessor on the leased premises.

(f). Lessee agrees to notify Lessor in writing at the address shown above, at least ten (10) days prior to any hearing set before or any proceeding instituted by it or participated in by it before the Colorado Oil and Gas Conservation Commission affecting the leased acreage.

(g). The rights of Lessor and Lessee hereunder may be assigned in whole or in part and any such assignee shall be bound by the terms hereof, provided that Lessee may not execute a partial assignment of this Lease covering less than a governmental quarter-quarter section or comparable legal subdivision. Lessee shall notify Lessor in writing of the name and address of any party to which Lessee assigns any interest in this Lease.

(h). Operations on the leased premises shall be conducted by Lessee pursuant to all of the terms and conditions of that certain Surface Use Agreement of even date herewith, between Lessor and Lessee, which are incorporated herein by this reference. All disputes arising out of this Lease shall be resolved using the same dispute resolution procedures that are found in the Surface Use Agreement. In the event of any conflict between this Lease and the Surface Use Agreement, the provisions of the Surface Use Agreement shall control.

IN WITNESS WHEREOF, this lease is executed to be effective as of the date first written above, but upon execution shall be binding on the signatory and the signatory's heirs, devisees, executors, administrators, successors and assigns, whether or not this lease has been executed by all parties hereinabove named as Lessor.

WITNESSES AND/OR ATTESTATIONS:

LESSOR

Furniture Row USA, LLC

By: 
Name: Gregory A. Ruegsegger

Title: Manager

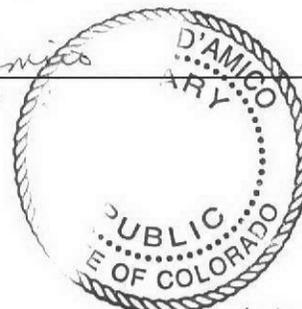
ACKNOWLEDGEMENTS

STATE OF COLORADO)
County of ADAMS) ss.

On this 7th day of December, 2010, before me, the undersigned Notary Public in and for said county and state, personally appeared Gregory A. Ruegsegger, known to me to be the person or persons whose names are subscribed to the foregoing instrument, and acknowledged that the same was executed and delivered as his free and voluntary act for the purposes therein set forth. In witness whereof I hereunto set my hand and official seal as of the date hereinabove stated.

My Commission Expires 5/10/11

Mantrek D'Amico
Notary Public



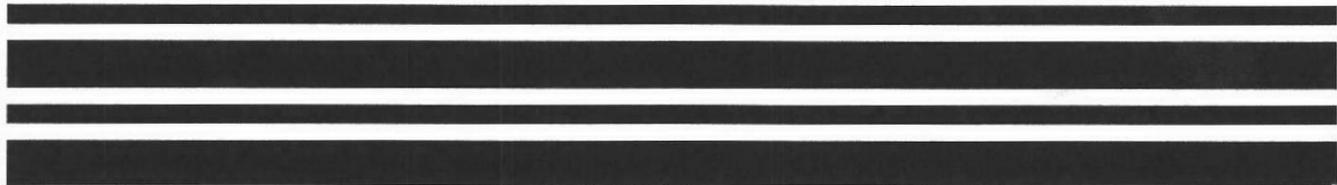
RECORDING INFORMATION

STATE OF _____)
County of _____) ss.

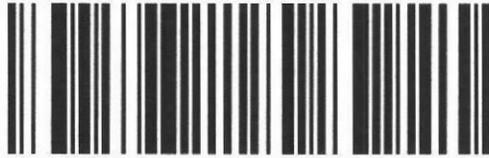
My Commission Expires 5/10/11

This instrument was filed for record on the _____ day of _____, 20____, at _____ o'clock __M., and duly recorded in Book _____, Page _____ of the _____ records of this office.

By _____
Clerk (or Deputy)



Land > Lease > Lease



D0001476991

Sender Name: Shari Burns
 Date Created: 01/13/2011
 Barcode Expires: **02/12/2011**
 Department: Land Record
 Security: Non-Privileged
 BLACK AND WHITE DOCUMENT

Attribute	Value
Description	OIL AND GAS LSE
Document Date	01/03/2011
Lease Document Type	Original Lease
New Lease Packet	Yes
New Well Handoff	No
Lease Number Suffix	CO-000015858/001
Group Code	LSE
Lease End Date	07/03/2014
Lessor Name	FURNITURE ROW USA LLC
Prospect Name	AURORA PROSPECT (APC)/F-43100180
State County	COLORADO:ARAPAHOE(005)

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