

AR220130

OIL AND GAS LEASE

AGREEMENT, made and entered into this 27th day of January, 1992, by and between

FARMERS RESERVOIR AND IRRIGATION COMPANY  
80 South 27th Avenue  
Brighton, Colorado 80601

Party of the first part, hereinafter called Lessor and Snyder Oil Corporation, 1625 Broadway, Suite 2200, Denver, Colorado 80202, Party of the second part, hereinafter called Lessee.

WITNESSETH, that the said lessor, for and in consideration of One Dollar (\$1.00) cash in hand paid, receipt of which is hereby acknowledged and of the covenants and agreements hereinafter contained on the part of the Lessee to be paid, kept and performed, has granted, demised, leased and let and by these presents does grant, demise, lease, and let exclusively to the said Lessee, its successors and assigns, for the sole and only purposes of surveying and exploring by geological, geophysical, and all other methods, operating for oil, gas and other hydrocarbons, that may be produced from any well drilled by Lessee on the leased premises hereinafter described, all those certain tracts of land together with any reversionary, remainderman and springing executory rights therein, situate in the County of Weld, State of Colorado, as described on the attached Exhibit "A," by this reference made a part hereof, sometimes referred to herein as "Leased Lands."

It is agreed that this lease shall remain in force for a term of five (5) years from the date hereof, and as long thereafter as oil, gas, or other hydrocarbons or either or any of them, is produced from said lands, or premises pooled, therewith in paying quantities or drilling operations are continued as hereinafter provided by the Lessee, its successors and assigns. During the term of this lease, Lessor agrees not to enter into any oil and gas lease with any other party covering any lands covered by this lease.

In consideration of the premises the Lessor and Lessee agree as follows:

1. The Lessee shall deliver to the credit of Lessor as royalty fifteen percent (15%) of the market value of all oil, gas, casinghead gas, condensate or other price received by Lessee at the wellhead but in no event shall the price paid to Lessor be lower than a price received by any other Lessor in the same drillsite spacing unit.
2. In case Lessee delivers gas to a third party for treatment, Lessee shall pay to Lessor: (i) fifteen percent (15%) of the net natural gasoline and other liquefied hydrocarbons redelivered to or for the account of Lessee and fifteen percent (15%) of the proceeds received by Lessee for the natural gasoline and other liquefied hydrocarbons sold by such third party for Lessee's account, after deducting the reasonable costs of delivery for the sale or other disposition thereof, and (ii) fifteen percent (15%) of any proceeds received by Lessee from the sale of residual dry gas redelivered to or for the account of Lessee and sold or utilized by or for the account of Lessee. If natural gasoline or other liquefied petroleum hydrocarbons are extracted by Lessee from the natural gas produced from the Leased Land, then Lessee shall pay to Lessor fifteen percent (15%) of the market value of such natural gasoline and other liquefied petroleum hydrocarbons less the actual direct costs of such extraction. Lessee shall not flare or waste gas, except as needed for production and testing, and shall make diligent efforts to find a market for all gas produced which is not used in operations on the Leased Land.
3. If at any time, either before or after the expiration of the primary term of this lease, there is any gas well on the lands

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covered by, or on other lands with which said lands are pooled or unitized, which is capable of producing in paying quantities, but which is shut-in either before or after production therefrom, and the production therefrom is not being sold or used, Lessee agrees to pay or tender to the Lessor, as royalty, the sum of Ten Dollars (\$10.00) per year under this lease. Such payment shall be made at the following time:

(a) If other portions of the drillsite spacing unit containing a portion of the Leased Lands are subject to a recorded oil and gas lease with a third party as lessor and the herein Lessee as Lessee and such oil and gas lease contains a shut-in royalty provision, then the aforementioned shut-in royalty amount shall be paid to Lessor in accordance with the same timing constraints for said third party oil and gas lease. If portions of the drillsite spacing unit are subject to more than one such oil and gas lease, then Lessee shall, at its sole selection, select one of such leases and promptly advise Lessor of the time any such shut-in royalty shall be paid. Notwithstanding the foregoing, in no event shall such payment be made more than one year after a well is shut-in, and annually thereafter unless prior to such date gas from the well is produced and sold or used.

(b) If other lands in a drillsite spacing unit containing portions of the Leased Lands are not subject to a third party recorded oil and gas lease or if any such lease does not contain a shut-in royalty clause, then the shut-in royalty described herein shall be made ninety (90) days after the well is shut-in and annually thereafter on the anniversary date of this lease, unless prior to such date gas from the well is produced and sold or used. In like manner, on or before each succeeding shut-in royalty payment date while such gas well remains shut-in, Lessee shall make payment of the shut-in royalty in the same amount and manner.

A shut-in gas well capable of producing in paying quantities shall be considered under all provisions of this lease as a producing well and this lease shall be in force and effect in like manner as though the gas therefrom were actually being produced and sold or used. The term "gas well" shall include wells capable of producing natural gas, condensate, distillate, or any gaseous substance, and wells classified as gas wells by any governmental authority. Notwithstanding any other provision hereof, this lease shall not continue in full force and effect by any such shut-in payments for a period in excess of five years from the date the initial shut-in payment is tendered.

4. If said Lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties herein provided shall be paid the Lessor only in the proportion which its interest bears to the whole and undivided fee. However, Lessor's share of such royalties shall be increased or decreased as appropriate effective at the next succeeding rental anniversary after Lessee has been notified of any revision having occurred in Lessor's interest. Any interest in the production from the above described land to which the interest of Lessor may be subject shall be deducted from the royalties provided for herein.

5. Lessee shall have the right to use, free of cost, gas and oil production on said land for its operations thereon. Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

6. Notwithstanding any other provision hereof, no well shall be located or any other actual operations conducted upon any lands covered by this lease, without written consent of the Lessor. Lessee shall not use the access roads to, along or appurtenant to said reservoirs, canals, ditches, and diversion structures without

the prior written consent of the Lessor. Lessee will not cross the reservoirs, canals, ditches, and diversion structures with any equipment without the prior written consent of the Lessor. Lessee will not run any pipelines over, under, through or across any reservoir, canal, ditch or diversion structure without prior written consent of Lessor. In addition to being a breach of this lease, Lessee shall pay for any and all damages caused by its operations to the reservoirs, canals, ditches and diversion structures on said lands.

7. If at the expiration of the primary term of this lease, oil, gas and other hydrocarbons and all other minerals or substances are not being produced on or from said land or said pooled premises, but Lessee is then engaged in drilling or reworking operations thereon, then this lease shall continue in force so long thereafter as drilling or reworking operations are being continuously prosecuted on said land or on a drilling or development or operating unit which includes all or part of said land; and drilling or reworking operations shall be considered to be continuously prosecuted if not more than sixty (60) days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling or reworking of another well. If oil and gas or either of them be found in paying quantities in any such well, this lease shall continue and be in force with like effect as if such well had been completed within the term of the years herein first mentioned.

8. Lessee, at its option, is hereby given the right and power at any time and from time to time as a recurring right, either before or after production, as to all or any part of the land described herein and as to any one or more of the formations hereunder, to pool or unitize the leasehold estate and the mineral estate covered by this lease with other land, lease or leases in the immediate vicinity for the production of oil and gas, or separately for the production of either, when in Lessee's judgment it is necessary or advisable to do so, and irrespective of whether authority similar to this exists with respect to such other land, lease or leases. Likewise, units previously formed to include formations not producing oil or gas, may be reformed to exclude such non-producing formations. The forming or reforming of any unit shall be accomplished by Lessee executing and filing of record a declaration of such unitization or reformation, which declaration shall describe the unit. Any unit may include land upon which a well has theretofore been completed or upon which operations for drilling have therefore been commenced. Production, drilling or reworking operations or a well shut-in for want of a market anywhere on a unit which includes all or part of this lease shall be treated as if it were production, drilling or reworking operations or a well shut-in for want of a market under this lease. In lieu of the royalties elsewhere herein specified, including shut-in gas royalties, Lessor shall receive on production from the unit so pooled royalties only on the portion of such production allocated to this lease; such allocation shall be that proportion of the unit production that the total number of surface acres covered by this lease and included in the unit bears to the total number of surface acres in such unit. In addition to the foregoing, Lessee shall have the right to unitize, pool, or combine all or any part of the above described lands as to one or more of the formations thereunder with other lands in the same general area by entering into a cooperative or unit plan of development or operation approved by any governmental authority and, from time to time, with like approval, to modify, change or terminate any such plan or agreement and, in such event, the terms, conditions and provisions of this lease shall be deemed modified to conform to the terms, conditions, and provisions of such approved cooperative or unit plan of development or operation and, particularly, all drilling and development requirements of this lease, express or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this lease

shall not terminate or expire during the life of such plan or agreement. In the event that said above described lands or any part thereof, shall hereafter be operated under any such cooperative or unit plan or development or operation whereby the production therefrom is allocated to different portions of the land covered by said plan, then the production allocated to any particular tract of land shall, for the purpose of computing the royalties to be paid hereunder to Lessor, be regarded as having been produced from the particular tract of land to which it is allocated and not to any other tract of land; and the royalty payments to be made hereunder to Lessor shall be based upon production only as so allocated. Lessor shall formally express lessor's consent to any cooperative or unit plan of development or operation adopted by Lessee and approved by any governmental agency by executing the same upon request of Lessee.

9. Within thirty (30) days after the expiration of the primary term, Lessee will execute and deliver to Lessor a release of this lease except as to those lands described on Exhibit "A" hereto: (i) which are within a drillsite spacing unit on which there is a well producing or capable of producing in paying quantities, (ii) any lands which are pooled or unitized with lands on which there is located a well which is producing or capable of producing in paying quantities or (iii) which are within a drillsite spacing unit on which drilling operations have been commenced and are diligently prosecuted in accord with applicable lease terms.

10. If, the estate of either party hereto is assigned or sublet, and the privilege of assigning or subletting in whole or in part is expressly allowed, the express and implied covenants hereof shall extend to the sublessees, successors, and assigns of the parties. No change in the ownership of the lands, rentals, or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee or require separate measuring or installation of separate tanks by Lessee. Notwithstanding any actual or constructive knowledge of or notice to Lessee, no change in the ownership of said land or the right to receive royalties hereunder, or of any interest therein, shall be binding on Lessee (except at Lessee's option in any particular case) until thirty (30) days after Lessee 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 to show a complete chain of title back to Lessor to the full interest claimed, and all advance payments of bonus, rentals or royalties made hereunder before receipt of said documents shall be binding on any direct or indirect assignee, grantee, devisee, administrator, executor, or heir of Lessor. It is hereby agreed in the event this lease shall be assigned as to a part or parts of the above described lands and the assignee or assignees of such part or parts shall fail or make default in the payment of the proportionate part of any royalties due from him or them, such default shall not operate to defeat or affect this lease insofar as it covers a part or parts of said lands which the said Lessee or any assignee thereof shall make due payment of said royalties.

11. All provisions hereof, express or implied, shall be subject to all applicable laws, governmental orders, rules and regulations. This lease shall not be terminated in whole or in part, nor Lessee held liable in damages, because of a temporary cessation of production or of drilling operations due to breakdown of equipment or due to the repairing of a well or wells, or because of a failure to comply with any of the express or implied provisions of this lease if such failure is the result of the

exercise of governmental authority, war, act of God, strike, fire, explosion, flood, or any other cause wholly beyond the control of Lessee. If Lessee shall 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 beyond the control of Lessee, 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 royalties due, if any, herein provided during such extended time.

12. Lessee may at any time surrender this lease, in whole or in part, by delivering or mailing a release to the Lessor, or by placing a release of record in the proper county and thereby be relieved of all obligations as to the acreage surrendered.

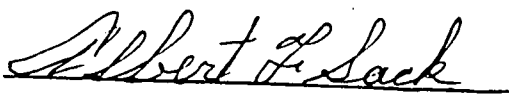
13. Lessor makes no representation or warranty with respect to title to the leased lands or any other matter, whether express, implied or statutory. Lessor, upon notice in writing to Lessee, shall have the right to audit Lessee's accounts and records relating to the leased land for any calendar year following the end of such calendar year. The Lessor shall make every reasonable effort to conduct audits in a manner which will result in a minimum of inconvenience to the Lessee at a time mutually agreed upon and at Lessee's main office. Lessee shall bear no portion of the Lessor's audit cost incurred under this paragraph, but shall cooperate fully and make available to Lessor all such information as it may reasonably request.

14. Subject to Lessee's safety and operational requirements, Lessor and its representatives and agents shall have the right on advance written notice and at its sole risk and expense during operating hours to enter upon the leased land, and lands pooled or unitized therewith, and to examine work done and in progress thereon and to inspect Lessee's works, tanks, and appliances thereon. At Lessor's expense, Lessor and its representatives and agents shall have the right to inspect logs, cores, samples and cuttings, if any, from any and all wells drilled by Lessee on the leased land, and lands pooled or unitized therewith, and to inspect logs of all such wells and daily drilling reports, and make copies thereof at Lessee's offices in Colorado. Lessor agrees that logs or other data will not be disclosed to third parties without Lessee's written consent.

15. Lessor hereby releases and relinquishes any right to homestead, dower or curtesy it or either of them may have in or to the leased land.

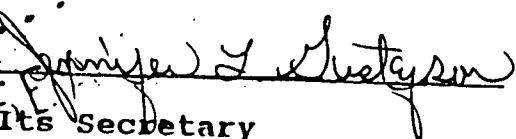
16. This lease and all its terms, conditions, and stipulations binds Lessor and shall extend to and be binding on its assigns, heirs, devisees and successors and those of the Lessee. Terms and provisions of the attached Exhibit B are incorporated herein. IN WITNESS WHEREOF, We sign the day and year first above written.

Farmers Reservoir and Irrigation Company



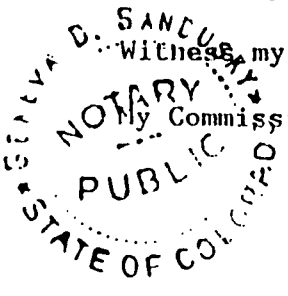
Its President

Attest:

  
Its Secretary

STATE OF COLORADO )  
                          )SS.  
COUNTY OF ADAMS    )

Subscribed and sworn to before me this 28 day of February,  
1992, by Albert F. Sack, as President of The Farmers Reservoir &  
Irrigation Company.



Witness my hand and official seal.

My Commission Expires: 2/5/93

Gerald D. SANCUS  
Notary Public  
80 South 27th Avenue  
Brighton, CO 80601

EXHIBIT "A"

Township 1 North, Range 65 West, 6th P.M.

Section 2: A 2.25 acre tract in SW $\frac{1}{4}$ NW $\frac{1}{4}$  described in  
Book: 327, Page: 313.

Section 5: A 2.44 acre tract in the NW $\frac{1}{4}$  described in  
Book: 936, Page: 93.

Township 2 North, Range 65 West, 6th P.M.

Section 10: A 4.44 acre tract in the NW $\frac{1}{4}$  described in  
Book: 388, Page: 514; AND a 1.88 acre tract  
in the W $\frac{1}{2}$ W $\frac{1}{2}$ E $\frac{1}{2}$  described in Book: 346, Page: 411;  
AND a 3.75 acre tract in the NE $\frac{1}{4}$  described in  
Book: 406, Page: 438.

Township 2 North, Range 66 West, 6th P.M.

Section 7: A 6.37 acre tract in W $\frac{1}{2}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$ NW $\frac{1}{4}$ , S $\frac{1}{2}$ SE $\frac{1}{4}$   
described in Book: 383, Page: 465; AND a  
2.35 acre tract in N $\frac{1}{2}$ SE $\frac{1}{4}$  described in Book: 393,  
Page: 175.

Township 3 North, Range 65 West, 6th P.M.

Section 4: A 4.62 acre tract in the NW $\frac{1}{4}$ NE $\frac{1}{4}$  being the Platte  
Valley Canal described in Book: 335, Page: 518;  
AND a 6.15 acre tract in the S $\frac{1}{2}$ NE $\frac{1}{4}$  and W $\frac{1}{2}$ SE $\frac{1}{4}$ ,  
being the Platte Valley Canal described in  
Book: 393, Page: 103.

Township 3 North, Range 64 West, 6th P.M.

Section 5: A 2.49 acre tract in the NW $\frac{1}{4}$ NW $\frac{1}{4}$  described in  
Book: 429, Page: 262.

Township 4 North, Range 65 West, 6th P.M.

Section 20: A 2.01 acre tract in the NE $\frac{1}{4}$  described in  
Book: 327, Page: 76.

Section 32: A 6.13 acre tract in the SW $\frac{1}{4}$  described in  
Book: 393, Page: 50.

Containing 44.88 acres, more or less in Weld County, Colorado.

EXHIBIT B

The following provisions shall additionally apply as terms and conditions of the lease dated ~~January~~ 27, 1992, between The Farmers Reservoir and Irrigation Company, Lessor, and Snyder Oil Corporation, Lessee: *AK*

As lessee, SOCO will promptly notify all operators with production associated with any or all of this lease, and will provide the necessary information and documentation to secure payment on said interest if not already being paid.

As lessee, SOCO also proposes to secure accrued back revenue and royalties for said interest and will do so on a best efforts basis partly in conjunction with FRICO's past and existing efforts. SOCO makes no claims or warranties as to the success in securing back revenue or the amount it will secure if any. SOCO shall be given the authority to make a settlement on past revenue and royalty claims up to the date of this agreement without the consent of FRICO unless the net amount contemplated for settlement exceeds \$200,000.00; in which case John Akolt of Clanahan, Tanner, Downing and Knowlton, will act as agent for FRICO and authorize a settlement with SOCO.

SOCO shall pursue all back revenue claims at its sole cost and expense and FRICO will be paid its 15% royalty interest on any amount secured by SOCO.

4.00B

BOOK 697

Form 88—(Producers)  
Kan., Okla. & Colo. 1957

C (Rev 1972)

# OIL AND GAS LEASE

TATLOCK'S  
A DIVISION OF STEEL  
1640 COUNTRY PLACE, Rm. 205  
DENVER, COLORADO 80202

THIS AGREEMENT, Entered into this the 26th day of July, 1973  
between James Pullos, 2370 Krameria, Denver, Colorado

and Gen Oil Inc., P. O. Box 370, Cody, Wyoming hereinafter called lessor,  
hereinafter called lessee, does witness:

1. That lessor, for and in consideration of the sum of Ten & more 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 power 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 2 North, Range 65 West, 6th P.M.  
Section 10: W2

and containing 320 acres, more or less.

2. It is agreed that this lease shall remain in full force for a term of one years from this date, and as long thereafter as oil or gas, or either of them, is produced from said land (or from lands with which said land is consolidated) or the premises are being developed or operated.

3. In consideration of the premises the said lessee covenants and agrees:  
To deliver to the credit of lessor, free of cost, in the pipe line to which lessee may connect his wells, the equal one-eighth (1/8) part of all oil produced and saved from the leased premises.

4. The lessee shall monthly pay lessor as royalty on gas marketed from each well where gas only is found, one-eighth (1/8) of the proceeds if sold at the well, or if marketed by lessee off the leased premises, then one-eighth (1/8) of its market value at the well. The lessee shall pay the lessor: (a) one-eighth (1/8), of the proceeds received by the lessee from the sale of casinghead gas, produced from any oil well; (b) one-eighth (1/8) of the value, at the mouth of the well, computed at the prevailing market price, of the casinghead gas, produced from any oil well and used by lessee off the leased premises for any purpose or used on the leased premises by the lessee for purposes other than the development and operation thereof. Lessor shall have the privilege at his own risk and expense of using gas from any gas well on said land for stoves and inside lights in the principal dwelling located on the leased premises by making his own connections thereto.

Where gas from a well or wells, capable of producing gas only, is not sold or used for a period of one year, lessee shall pay or tender as royalty, an amount equal to the delay rental as provided in paragraph (5) hereof payable annually on the anniversary date of this lease following the end of each such year during which such gas is not sold or used, and while said royalty is so paid or tendered this lease shall be held as a producing property under paragraph numbered two hereof.

5. If operations for the drilling of a well for oil or gas are not commenced on said land on or before the          day of         , 1973, 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

~~Bank at         , 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          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. Lessee may at any time execute and deliver to Lessor, or place of record, a release or releases covering any portion or portions of the above described premises 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 hereon is reduced by said release or releases.

6. Should the first well drilled on the above described land be a dry hole, then, and in that event, if a second well is not commenced on said land within twelve months from expiration of the last rental period for which rental has been paid, this lease shall terminate as to both parties, unless the lessee on or before the expiration of said twelve months shall resume the payment of rentals in the same amount and in the same manner as hereinbefore provided. And it is agreed that upon the resumption of the payment of rentals, as above provided, that the last preceding paragraph hereof, governing the payment of rentals and the effect thereof shall continue in force just as though there had been no interruption in the rental payments.

7. If 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 shall be paid the 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. Lessee agrees, upon the completion of any test as a dry hole or upon the abandonment of any producing well, to restore the premises to their original contour as near as practicable and to remove all installations within a reasonable time.

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. 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.

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 re-working or 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.

13. Lessee is hereby expressly granted the right and privilege (which Lessee may exercise at any time either before or after production has been obtained upon this premises or any premises consolidated herewith) to consolidate the gas leasehold estate created by the execution and delivery of this lease, or any part or parts thereof, with any other gas leasehold estate or estates to form one or more gas operating units of not to exceed approximately 640 acres each. If such operating unit or units is so created by Lessee, Lessor agrees to accept and shall receive out of the gas production from each such unit such portion of the gas royalty as the number of acres out of this lease placed in such unit bears to the total number of acres included in such unit. The commencement or completion of a well, or the continued operation or production of gas from an existing well, on any portion of an operating unit shall be construed, and considered as the commencement or completion of a well, or the continued operation of, or production of gas from a well on each and all of the lands within and comprising such operating unit; provided, that the provisions of this paragraph shall not affect the payment or non-payment of delay rentals with respect to portions of this premises not included in a unit. Lessee shall execute in writing and record in the conveyance records of the county in which the land herein leased is situated an instrument identifying and describing the consolidated acreage.

14. This lease and all its terms, conditions and stipulations shall extend to, and be binding on each of the parties who signs this lease, regardless of whether such lessor is named above and regardless of whether it is signed by any of the other parties herein named as lessors. This lease may be signed in counterparts, each to have the same effect as the original.

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

Witness:

James Pullos  
JAMES PULLOS

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2401618978  
00021  
AUG--9-73

STATE OF Colorado  
City and County of Denver } ss.

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

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this 26<sup>th</sup>  
day of July, 1973, personally appeared James Pullos

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

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.  
My Commission Expires March 17, 1974 \_\_\_\_\_ Kanda L. Bell  
Notary Public.

STATE OF \_\_\_\_\_ }  
COUNTY OF \_\_\_\_\_ } ss.

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

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this \_\_\_\_\_  
day of \_\_\_\_\_, 19\_\_\_\_\_, personally appeared \_\_\_\_\_

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

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.  
My Commission Expires \_\_\_\_\_  
Notary Public.

State of \_\_\_\_\_ }  
County of \_\_\_\_\_ } ss.

ACKNOWLEDGMENT (For use by Corporation)

On this \_\_\_\_\_ day of \_\_\_\_\_, A. D. 19\_\_\_\_\_, before me personally  
appeared \_\_\_\_\_, to me personally known, who, being by  
me duly sworn, did say that he is the \_\_\_\_\_ of \_\_\_\_\_  
\_\_\_\_\_ and that the seal affixed to said instrument is the corporate seal of said corpora-  
tion and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said  
\_\_\_\_\_ acknowledged said instrument to be the free act and deed of said corporation.

Witness my hand and seal this \_\_\_\_\_ day of \_\_\_\_\_, A. D. 19\_\_\_\_\_

(SEAL) \_\_\_\_\_  
Notary Public.  
My Commission expires \_\_\_\_\_

No. <b>1618978</b>	FROM	TO	Dated _____ 19____	No. Acres _____	County _____	Term _____
This instrument was filed for record on the <b>AUG 9 1973</b> day of <u>August</u> at <u>8:00</u> o'clock <u>a</u> .M., and duly recorded in Volume <u>697</u> Page _____ of the records of this office.						
By <u>Ann Spomer</u> County Clerk. <u>Leticia M. Coover</u> Deputy.						
When recorded return to <u>John Q. Messer</u> <u>9th &amp; 3rd Johnson Blvd</u> <u>Denver, Colo. 80202</u>						

OIL, GAS AND MINERAL LEASE

3-603

INDEXED

THIS AGREEMENT made this 3rd day of March, 1970 between Max and Rose Katchen, husband and wife of 220 South Kearney, Denver, Colo., Bessie Katchen of 1526 Quitman, Denver, Colo.

Lessor (whether one or more), and Tom Vessels, First National Bldg., Denver, Colo.

Lessee, WITNESSETH:

1. Lessor in consideration of Ten and more \$10.00 Dollars, in hand paid, 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, gas, other hydrocarbons and other minerals whether similar or dissimilar to those particularly specified herein, 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:

S1

Use for copies

of Section 3 Township 2 North Range 65 West

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 lands owned or claimed by Lessor which are adjacent, contiguous to or form a part of the lands above particularly described, including all oil, gas, other hydrocarbons and all other minerals underlying lakes, rivers, streams, roads, easements and 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 20 acres, whether it actually comprises more or less.

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

3. The royalties to be paid by Lessee are: (a) on oil, one-eighth of that produced and saved from said land, the same to be delivered at the wells, or to the credit of Lessor into the pipe line to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefor prevailing for the field where produced on the date of purchase; (b) on gas, including casinghead gas or other hydrocarbon substance, 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 one-eighth of the gas so sold or used, provided that on gas sold at the wells the royalty shall be one-eighth of the amount realized from such sale; (c) on all other minerals mined and marketed, one-tenth either in kind or value at the well or mine, at Lessee's election, except that on sulfur the royalty shall be fifty cents (50¢) per long ton. Lessee shall have free use of oil, gas, coal, wood 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. If a well capable of producing gas in paying quantities is completed on the above described land and is shut in, this lease shall continue in effect for a period of one year from the date such well is shut in. Lessee or any assignee may thereafter, in the manner provided herein for the payment or tender of delay rentals, pay or tender to Lessor as royalty, on or before one year from the date such well is shut in, the sum of \$100.00 per well, and, if such payment or tender is made, this lease shall continue in effect for a further period of one year. In like manner and upon like payments or tenders annually, made on or before each anniversary of the shut-in date of such well, this lease shall continue in effect for successive periods of twelve (12) months each.

4. 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 or to the credit of Lessor in

First National Bank of Denver, Colorado (which bank and its successors are Lessor's agent and shall continue as the depository for all rentals payable hereunder regardless of changes in ownership of said land or the rentals either by conveyance or by the death or incapacity of Lessor) the sum of \$320.00 Dollars

(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, or said bank, on or before the rental paying date, shall be deemed payment as herein provided. If such bank (or any successor bank) should fail, liquidate or be succeeded by another bank, or for any reason fail or refuse to accept rental, Lessee shall not be held in default for failure to make such payment or tenderments or tenders. The down cash payment is consideration for this lease according to its terms and shall not be allocated as mere rental for a period. Lessee may at any time execute and deliver to Lessor or to the depository above named or place of record a release or releases covering any portion or portions of the above described premises 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 or deposit rental to a Lessor entitled thereto under this lease according to Lessee's records or to a Lessor who, prior to such attempted payment or deposit, has given Lessee notice, in accordance with the terms of this lease hereinafter set forth, of his right to receive rental, and if such payment or deposit shall be erroneous in any regard (whether deposited in the wrong depository, paid to persons other than the parties entitled thereto as shown by Lessee's records, in an incorrect amount, or otherwise), Lessee shall be unconditionally obligated to pay to such 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 or deposit had been properly made, provided that the erroneous rental payment or deposit be corrected within 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.

5. 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 4 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 other hydrocarbons on said land Lessee should drill a dry hole thereon, or if after discovery of oil, gas, or other 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, other hydrocarbons or other mineral is 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.

6. 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 above provided, 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 thereof 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 his acreage placed in the unit or his royalty interest therein 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 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.

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

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 obligation as to the acreage surrendered. Lessee shall have the right at any time during or 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. When required by Lessor, Lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred (200) feet of any residence or barn now on said land without Lessor's consent. The Lessee agrees to promptly pay to the owner thereof any damages to crops, or improvements, caused by or resulting from any operations of Lessee.

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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.

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 *Max Katchen*  
 x *Rose Katchen*  
 x *Bessie Katchen*

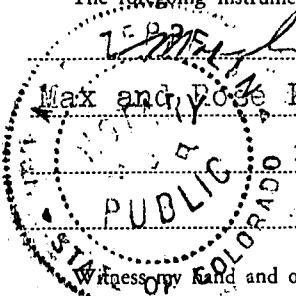
STATE OF COLORADO,  
 City and County of Denver } ss.

Colorado Acknowledgment

The foregoing instrument was acknowledged before me this 4 day of

....., A.D., 19 70 by

Max and Rose Katchen, husband and wife, and Bessie Katchen



Witness my hand and official seal:

My commission expires.....

*Howard Upton*  
 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. 1543878

OIL, GAS AND MINERAL LEASE

FROM

TO

Dated....., 19.....

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

No. of Acres.....

County, Colorado

STATE OF COLORADO } ss.

County of Weld

This instrument was filed for record on the

**MAR 16 1970**

day of....., 19.....

at 8:04 o'clock A. M., and duly recorded

in book 622 page 2 of the records of this office.

*Ann Spomer*  
 Register of Deeds.

By *Nelle McV...* Deputy.

When Recorded Return to *Charles A. Redgate, Jr.*

*326 - Patterson Bldg.*

*Denver, Colo. 80203*