

THIS AGREEMENT, Entered into this the 12th day of February, 1970  
between DONALD COOK,  
351 South 6th Avenue, Brighton, Colorado

and D. L. Percell, Denver, Colorado

hereinafter called lessor,

hereinafter called lessee, does witness:

1. That lessor, for and in consideration of the sum of \$10.00 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 66 West  
Section 12: NW $\frac{1}{4}$ ; N $\frac{1}{2}$ NE $\frac{1}{4}$ ; SW $\frac{1}{4}$ NE $\frac{1}{4}$ ; N $\frac{1}{2}$ SE $\frac{1}{4}$ NE $\frac{1}{4}$

in Section 12 Township 2 North Range 66 West, and containing 300 acres, more or less.

2. It is agreed that this lease shall remain in full force for a term of 5 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 ( $\frac{1}{8}$ ) 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 ( $\frac{1}{8}$ ) of the proceeds if sold at the well, or if marketed by lessee off the leased premises, then one-eighth ( $\frac{1}{8}$ ) of its market value at the well. The lessee shall pay the lessor: (a) one-eighth ( $\frac{1}{8}$ ) of the proceeds received by the lessee from the sale of casinghead gas, produced from any oil well; (b) one-eighth ( $\frac{1}{8}$ ) 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 12th day of February, 1971, this lease shall terminate as to both parties, unless the lessee shall on or before said date pay or tender to the lessor or for the lessor's credit in the

First National Bank at Brighton, Colorado Bank at Brighton, Colorado or its successors, which Bank and its successors are the lessor's agent and shall continue as the depository of any and all sums payable under this lease regardless of changes of ownership in said

land or in the oil and gas or in the rentals to accrue hereunder, the sum of Three Hundred & No/100----- 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 in no way 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, but this lease as to such portions of this premises not included in a unit, shall be deemed to be a separate lease. In the event portions of the above described lands are included in several units, each portion so included shall constitute a separate lease, and the particular owner or owners of the lands under each separate lease shall be solely entitled to the benefits of and be subject to the obligations of lessor under each separate lease. 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:

Donald Cook  
DONALD COOK

Recorded at 826 A APR 6 1970  
by Ann Spomer, Recorder



COUNTY OF \_\_\_\_\_ } ss

On 24<sup>th</sup> DAY OF MARCH, 1976, before me personally appeared

DONALD COOK

Wyoming, Utah, Kansas, North Dakota, South Dakota, Montana,

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

My Commission Expires: 10-27-1-1970

Notary Public  
Residing at:

STATE OF \_\_\_\_\_ } ss

COUNTY OF \_\_\_\_\_ } ss

On \_\_\_\_\_, 19\_\_\_\_, before me personally appeared \_\_\_\_\_

INDIVIDUAL(S) ACKNOWLEDGEMENT (Colorado, Nebraska,  
Wyoming, Utah, Kansas, North Dakota, South Dakota, Montana,

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

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

Notary Public  
Residing at:

STATE OF \_\_\_\_\_ } ss

COUNTY OF \_\_\_\_\_ } ss

On \_\_\_\_\_, 19\_\_\_\_, before me personally appeared \_\_\_\_\_

INDIVIDUAL(S) ACKNOWLEDGEMENT (Colorado, Nebraska,  
Wyoming, Utah, Kansas, North Dakota, South Dakota, Montana,

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

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

Notary Public  
Residing at:

No. 1544938

OIL AND GAS LEASE

FROM

TO

Date \_\_\_\_\_, 19\_\_\_\_  
Section \_\_\_\_\_ Twp. \_\_\_\_\_ Rgc. \_\_\_\_\_  
No. of Acres \_\_\_\_\_ Term \_\_\_\_\_ County \_\_\_\_\_

STATE OF Colorado } ss  
County of Weld

This instrument was filed for record on the  
day of APR 6 1970  
at 826 o'clock A.M., and duly recorded  
in Book 623 Page \_\_\_\_\_ of  
the records of this office  
By Wanda J. Pomeroy  
Register of Deeds.

When recorded, return to

Martin J. Friedman

STATE OF \_\_\_\_\_ } ss

COUNTY OF \_\_\_\_\_ } ss

On \_\_\_\_\_, 19\_\_\_\_, before me personally came the above named \_\_\_\_\_

(who being by me duly sworn, did say that he is the \_\_\_\_\_

President of \_\_\_\_\_

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

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

Notary Public  
Residing at:



4203  
AUG--3-73 00027 4251618581 9

BOOK 697

CORRECTION OF DESCRIPTION

WHEREAS, under date of February 12, 1970, a certain oil and gas lease was executed by ~~Donald Cook~~ as lessor, unto D. L. Purcell, as lessee, which lease is recorded in Book 623, Reception No. 1544938, of the records of Weld county, Colorado, and which lease covered certain lands situate in said Weld county, Colorado, described therein as follows:

Township 2 North, Range 66 West, 6th P.M.  
Section 12: NW $\frac{1}{4}$  and the N $\frac{1}{2}$ NE $\frac{1}{4}$  and the SW $\frac{1}{4}$ NE $\frac{1}{4}$  and N $\frac{1}{2}$ SE $\frac{1}{4}$ NE $\frac{1}{4}$

AND WHEREAS said description is erroneous and the lands intended to be covered by said lease, and situate in said county and state, are more accurately described as follows:

Township 2 North, Range 66 West, 6th P.M.  
Section 12: NW $\frac{1}{4}$ , N $\frac{1}{2}$ NE $\frac{1}{4}$ , SW $\frac{1}{4}$ NE $\frac{1}{4}$ , W $\frac{1}{2}$ SE $\frac{1}{4}$ NE $\frac{1}{4}$

AND WHEREAS the undersigned are the owners of interests in the lands last above described, or in the above-mentioned oil and gas lease, which interests are affected by said lease.

NOW, THEREFORE, for the purpose of making said lease definite and certain in respect to the identity of the lands intended to be covered thereby, we do hereby acknowledge that it was the intention of the lessor in the aforesaid lease to lease for oil and gas mining purposes all of the lands last above described; and we hereby amend said lease in respect to the description of the lands included therein, and ratify and adopt the same as so amended.

WITNESS our hands and seals this 7th day of September, 1972.  
MACHII-ROSS PETROLEUM CO.,  
A partnership

By: KAR PETROLEUM COMPANY  
Partner  
By: Kenneth A. Ross, Jr.  
Kenneth A. Ross, Jr.  
General Partner

MACHII-ROSS PETROLEUM CO.  
By: Donald Cook  
~~Donald Cook~~

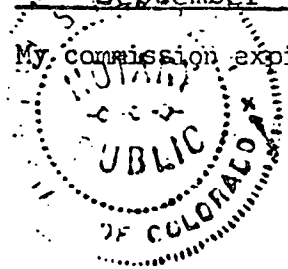
ACKNOWLEDGMENT

STATE OF COLORADO )  
COUNTY OF WELD ) ss.

The foregoing instrument was acknowledged before me this 8th day of September, 1972 by ~~Donald Cook~~ Donald Cook

My commission expires 7-1-73

Hanes M. Dawson  
Notary Public  
Hanes M. Dawson



BOOK 697  
Recorded at 8:00 o'clock A.M. AUG 3 1973  
Rec. No. 1618581 Ann Spomer, Recorder INDEXED

2-1

613532A



On this \_\_\_\_\_ day of \_\_\_\_\_, 1972, before me personally appeared \_\_\_\_\_, who, being by me duly sworn, did say that he is the \_\_\_\_\_ President of Machii-Ross Petroleum Co., who is personally known to me to be the identical person and officer whose name is affixed to the above instrument as \_\_\_\_\_ President of said Machii-Ross Petroleum Co., and acknowledged the instrument to be the free and voluntary act and deed of said Machii-Ross Petroleum Co.; that said Machii-Ross Petroleum Co. executed said instrument and that said instrument was executed, signed and sealed on behalf of said Machii-Ross Petroleum Co. by authority of its board of directors or by authority of its by-laws.

My commission expires \_\_\_\_\_

Notary Public

STATE OF CALIFORNIA )

SS:

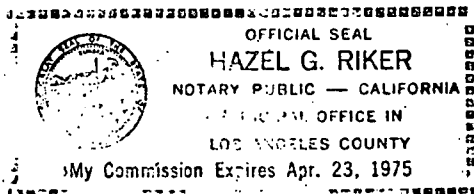
COUNTY OF LOS ANGELES )

The foregoing instrument was acknowledged before me this

16th day of November, 1972 by KENNETH A. ROSS, JR.  
as General Partner of KAR PETROLEUM COMPANY.

WITNESS my hand and official seal.

My Commission Expires: April 23, 1975



*Hazel G. Riker*  
Notary Public  
Hazel G. Riker

*4101 1/2  
Goulson, Charles & Peter  
1776 Lincoln  
Suite 1000  
Denver, Colo.  
80203*

*RECORDED  
INDEXED  
Carmel Jones*

STATE OF COLORADO }  
COUNTY OF WELD }  
I HEREBY CERTIFY THAT THIS INSTRUMENT  
WAS FILED FOR RECORD IN MY OFFICE AT  
8:08 O'CLOCK A.M. AUG 3 1973  
AND IS DULY RECORDED IN BOOK NO. 697  
PAGE \_\_\_\_\_



928 A MAY 1 1970  
Recorded at \_\_\_\_\_ of \_\_\_\_\_  
Rec. No. 1546495 Ann Spomer, Recorder

3258  
BOOK 624  
Form 88—(Producers)  
Kan., Okla. & Colo. 1942 Rev.  
9  
00059 2601546495  
MAY-1-70

**OIL AND GAS LEASE**

THIS AGREEMENT, Entered into this the 7th day of April, 1970  
between Verne Hagans & Grace Hagans, his wife  
RR 2 Box 194  
Ft. Lupton, Colorado 80621  
hereinafter called lessor,  
and Leland S. Vance 1645 Court Place Denver, Colorado 80202 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 utilize this lease or any part thereof with other oil and gas leases as to all or any part of the lands covered thereby as hereinafter provided, for the purpose of carrying on geological, geophysical and other exploratory work, including core drilling, and the drilling, mining, and operating for, producing, and saving all of the oil, gas, casinghead gas, casinghead gasoline and all other gases and their respective constituent vapors, and for constructing roads, laying pipe lines, building tanks, storing oil, building powers, stations, telephone lines and other structures thereon necessary or convenient for the economical operation of said land alone or conjointly with neighboring lands, to produce, save, take care of, and manufacture all of such substances, and for housing and boarding employees, said tract of land with any reversionary rights therein being situated in the County of \_\_\_\_\_

Weld State of Colorado and described as follows:  
Township 2 North, Range 66 West Of The 6th P.M.  
Section 12: S4

In Section XXX Township XXX Range XXX and containing 320 acres, more or less.

2. This lease shall remain in force for a term of five (5) years and as long thereafter as oil, gas, casinghead gas, casinghead gasoline or any of the products covered by this lease is or can be produced.

3. The lessee shall deliver to lessor as royalty, free of cost, on the lease, or into the pipe line to which lessee may connect its wells the equal one-eighth part of all oil produced and saved from the leased premises, or at the lessee's option may pay to the lessor for such one-eighth royalty the market price for oil of like grade and gravity prevailing on the day such oil is run into the pipe line or into storage tanks.

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

5. If operations for the drilling of a well for oil or gas are not commenced on said land on or before the 7th day of April, 1971, this lease shall terminate as to both parties, unless the lessee shall on or before said date pay or tender to the lessor or for the lessor's credit in the Ft. Lupton State Bank at Ft. Lupton, Colorado, or its successors, which Bank and its successors are the lessor's agent and shall continue as the depository of any and all sums payable under this lease regardless of changes of ownership in said

land or in the oil and gas or in the rentals to accrue hereunder, the sum of Three Hundred Twenty & NO/100 dollars, which shall operate as a rental and cover the privilege of deferring the commencement of operations for drilling for a period of one year. In like manner and upon like payments or tenders the commencement of operations for drilling may further be deferred for like periods successively. All payments or tenders may be made by check or draft of lessee or any assignee thereof, mailed or delivered on or before the rental paying date, either direct to lessor or assigns or to said depository bank, and it is understood and agreed that the consideration first recited herein, the down payment, covers not only the privilege granted to the date when said first rental is payable as aforesaid, but also the lessee's option of extending that period as aforesaid and any and all other rights conferred. Notwithstanding the death of the lessor or his successors in interest, the payment or tender of rentals in the manner above shall be binding on the heirs, devisees, executors, and administrators of such persons.

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

7. In case said lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein then the royalties and rentals herein provided for shall be paid the said lessor only in the proportion which his interest bears to the whole and undivided fee. However, such rental shall be increased at the next succeeding rental anniversary after any reversion occurs to cover the interest so acquired.

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

9. If the estate of either party hereto is assigned (and the privilege of assigning in whole or in part is expressly allowed), the covenants hereof shall extend to the heirs, devisees, executors, administrators, successors, and assigns, but no change of ownership in the land or in the rentals or royalties or any sum due under this lease shall be binding on the lessee until it has been furnished with either the original recorded instrument of conveyance or a duly certified copy thereof or a certified copy of the will of any deceased owner and of the probate thereof, or certified copy of the proceedings showing appointment of an administrator for the estate of any deceased owner, whichever is appropriate, together with all original recorded instruments of conveyance or duly certified copies thereof necessary in showing a complete chain of title back to lessor to the full interest claimed, and all advance payments of rentals made hereunder before receipt of said documents shall be binding on any direct or indirect assignee, grantee, devisee, administrator, executor, or heir of lessor.

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

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

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

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

14. Lessee may at any time surrender or cancel this lease in whole or in part by delivering or mailing such release to the lessor, or by placing same of record in the proper county. In case said lease is surrendered and canceled as to only a portion of the acreage covered thereby, then all payments and liabilities thereafter accruing under the terms of said lease as to the portion canceled shall cease and determine and any rentals thereafter paid may be apportioned on an acreage basis, but as to the portion of the acreage not released the terms and provisions of this lease shall continue and remain in full force and effect for all purposes.

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

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

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

IN WITNESS WHEREOF, we sign the day and year first above written.  
Leland S. Vance (SEAL)  
Verne Hagans (SEAL)  
Grace Hagans (SEAL)

312822 325



Before me, the undersigned, a Notary Public, within and for said county and state, on this 8th day of April, 1970, personally appeared Verne Hagans and Grace Hagans, his wife

to me personally known to be the identical personS who executed the within and foregoing instrument and acknowledged to me that they executed the same as their free and voluntary act and deed for the uses and purposes therein set forth. IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year last above written.

My commission expires May 23, 1971 Shirley R. Madden Notary Public.

STATE OF ss. ACKNOWLEDGMENT FOR INDIVIDUAL (Kans., Okla., and Colo.)

COUNTY OF

Before me, the undersigned, a Notary Public, within and for said county and state, on this day of 19, personally appeared and

to me personally known to be the identical person who executed the within and foregoing instrument and acknowledged to me that 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 official seal the day and year last above written.

My commission expires Notary Public.

STATE OF ss. ACKNOWLEDGMENT FOR CORPORATION

COUNTY OF

On this day of, A. D., 19, before me, the undersigned, a Notary Public in and for the county and state aforesaid, personally appeared to me personally known to be the identical person who signed the name of the maker thereof to the within and foregoing instrument as its President and acknowledged to me that executed the same as free and voluntary act and deed, and as the free and voluntary act and deed of said corporation, for the uses and purposes therein set forth.

Given under my hand and seal the day and year last above written.

My commission expires Notary Public.

No. 1546495

OIL AND GAS LEASE

FROM

TO

Date, 19

Section Twp. Rge.

No. of Acres Term

County

STATE OF ss. WELD COUNTY, COLORADO

County of

This instrument was filed for record on the

938 day of MAY 1 1970

at o'clock A. M., and duly recorded

in Book 624 Page of

the records of this office.

By Register of Deeds.

When recorded, return to

THE KANSAS BLUE PRINT CO.  
117 NORTH MARKET ST. WICHITA, KANSAS  
PHOTOSTAT SERVICE-UP-TO-DATE OIL MAPS

NOTE: When signature by mark in Kansas, said mark to be witnessed by at least one person and also acknowledged. For acknowledgment by mark, use regular Kansas acknowledgment.

STATE OF ss. ACKNOWLEDGMENT FOR INDIVIDUAL (Kans., Okla., and Colo.)

COUNTY OF

Before me, the undersigned, a Notary Public, within and for said county and state, on this day of 19, personally appeared and

to me personally known to be the identical person who executed the within and foregoing instrument and acknowledged to me that 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 official seal the day and year last above written.

My commission expires Notary Public.



693 1.  
LDA # 92243-98  
C01-M0000763

2614693 05/22/1998 02:51P Weld County CO  
1 of 12 R 61.00 D 0.00 JA Suki Tsukamoto

## OIL AND GAS LEASE

**THIS LEASE** made as of May 15, 1998, between **UNION PACIFIC RESOURCES COMPANY**, a corporation, whose address is P. O. Box 7, Fort Worth, Texas 76101-0007, as Lessor, and **UNITED STATES EXPLORATION, INC.**, a corporation, whose address is 1560 Broadway, Suite 1900, Denver, Colorado 80202, as Lessee..

### WITNESSETH:

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

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

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

(3) Subject to the other provisions herein contained, this lease shall be for a primary term which expires at twelve o'clock (12:00) noon, Central Time, on May 15, 2001, which term shall hereinafter be referred to as "the primary term", and as long thereafter as oil, gas, or associated liquid hydrocarbons or any of them are produced from the leased premises in paying quantities hereunder, or drilling or reworking operations are conducted thereon under the terms hereof.

(4) Subject to the right of election reserved to Lessor below to take its share of production in kind, the royalties to be paid by Lessee are **Seventeen and One-Half Percent (17.50%)** of eight-eighths (8/8ths) of: (a) the greater of the market value at the well or the amount realized from the sale of oil and liquid petroleum products recovered at the well and (b) the market value at the well of gas sold, used off the leased premises or delivered to Lessee at the tailgate of the plant to which the gas is delivered, plus the market value of the products recovered when such gas is processed; provided that on gas sold at the well by Lessee in an arm's length transaction, the royalty shall be the same percentage of the amount realized from such sale. For avoidance of doubt, royalty is to be paid on all payments received by Lessee under or as a result of a gas purchase contract, including, but not limited to reservation charges and, subject to credit to Lessee when gas for which payment has been made earlier is eventually produced, take-or-pay or contract settlement proceeds and amounts paid for gas not taken. Lessee shall have free use of oil and gas from said land for operations on the leased premises, and the royalty on oil and gas shall be computed after deducting any production so used.

The royalties payable under this lease shall be free and clear of costs or deductions for exploration, drilling, development, and production, including but not limited to, costs of marketing,



dehydration, storage, compression, separation by mechanical means and stabilization of the hydrocarbons, but shall include gathering and transportation costs required to transport the gas to the plant. If Lessee treats and/or processes its gas in a natural gas plant (either on or off the leased premises), whether in Lessee's plant or in the plant of and under contract with a third party, Lessee shall treat and/or process or cause Lessor's gas to be treated and/or processed. In the event of any such treating and/or processing, Lessee shall be entitled to deduct from the value of the products recovered by the treating and/or processing of the gas, or if Lessor is taking its production in kind to charge Lessor for, the actual costs incurred by Lessee for such treating and/or processing, which costs shall include gathering or transportation costs required to transport the gas to the plant.

If there is a gas well on the leased premises or on land pooled therewith capable of producing in paying quantities, but from which gas is not being sold, and in the absence of oil or other production from the leased premises or on land pooled therewith sufficient to maintain this lease in full force and effect, this lease shall be extended for a period of ninety (90) days from the date such well is or was shut-in, whereupon this lease shall terminate unless Lessee shall pay to Lessor as royalty, a sum equal to One Dollar (\$1.00) per net acre covered by this lease, which payment shall be made to Lessor at P.O. Box 7, Fort Worth, Texas 76101-0007, ATTN: Manager, Land Administration, on or before the ninetieth (90th) day from and after the date on which such well is or was shut-in, and annually thereafter a similar payment may be made on or before the anniversary date on which such well was shut-in. If such payment, or payments, are timely made, it shall be considered that gas is being produced in paying quantities from the leased premises under all the terms and provisions of this lease (but only for so long as the well continues to be capable of producing in paying quantities); however, this lease may not be maintained by shut-in payments more than three (3) (cumulative) years during any five (5) year period.

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

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

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

(7) At the expiration of the primary term, this lease shall terminate as to all land which is not located in a drillsite spacing unit (as hereinafter defined) in which there is a well on the leased premises or on



2614693 05/22/1998 02:51P Weld County CO  
3 of 12 R 61.00 D 0.00 JA Suki Tsukamoto

land pooled therewith, producing oil or gas in paying quantities, or a shut-in gas well, and in any such producing drillsite spacing unit or units, this lease shall terminate as to those depths lying below the stratigraphic equivalent of the deepest producing horizon in each drillsite spacing unit of land. For purposes hereof, drillsite spacing unit is defined as the minimum amount of land included in the drilling and production unit established under then-existing rules established by the state or federal regulatory authority having jurisdiction for the then-productive formation of the well; if no unit or spacing rule exists, then drillsite spacing unit shall be defined as the eighty (80) acre tract surrounding an oil well or three hundred twenty (320) acre tract surrounding a gas well. If Lessee is engaged in actual drilling or reworking operations on the leased premises or land pooled therewith at the expiration of the primary term, this provision shall be suspended for so long as Lessee continues such drilling or reworking operations on the leased premises or land pooled therewith with no cessation of more than ninety (90) consecutive days between the completion or abandonment of such drilling or reworking operations on one (1) well, and the commencement of actual drilling or reworking operations on the next well; provided, further, that irrespective of any such continuous drilling or reworking operations, the termination of this lease as to non-producing land and depths shall not be suspended for more than five (5) years from the expiration of the primary term hereof. If the leased premises are included in a Federal Unit then for the purposes of this provision the references to land pooled with the leased premises shall include only that land which is included in an approved participating area.

(8) Lessee, at its option, is hereby given the right and power to pool or combine the leased premises or any portion thereof, as to oil and gas, or either of them, with any other land, lease or leases, when in Lessee's judgment it is necessary or advisable to do so in order to properly develop and operate the leased premises. Any such pooling shall be into a well unit or units not exceeding eighty (80) acres, plus an acreage tolerance of ten percent (10%), for oil, and not exceeding three hundred twenty (320) acres, plus an acreage tolerance of ten percent (10%), for gas, except that larger units may be created to conform to any spacing or well unit pattern that may be prescribed by state governmental authorities having jurisdiction. Lessee may pool or combine acreage covered by this lease, or any portion thereof, as above provided, as to oil or gas in any one or more strata, and oil units need not conform as to area with gas units. The pooling in one (1) or more instances shall not exhaust the right of the Lessee hereunder to pool this lease or portions thereof into other units. Lessee shall execute in writing and place of record an instrument or instruments identifying and describing the pooled acreage. In order to be effective, Lessee shall promptly furnish to Lessor a copy of the document pooling the acreage. The entire acreage so pooled into a unit shall be treated for all purposes, except the payment of royalties, as if it were included in this lease, and drilling and reworking operations thereon, and production of oil and gas therefrom, or the completion thereon of a well as a shut-in gas well, shall be considered for all purposes, except the payment of royalties, as if such operations were on, or such production were from, or such completion were on the leased premises, whether or not the well or wells be located on the leased premises. In lieu of the royalties elsewhere herein provided, Lessor shall receive from a unit so formed, only such portion of the royalty stipulated herein as the amount of its net mineral acres placed in the unit bears to the total acreage so pooled in the particular unit involved. Should any unit as originally created hereunder contain less than the maximum number of acres hereinabove specified, then Lessee may at any time thereafter, whether before or after production is obtained on the unit, enlarge such unit by adding additional acreage thereto, but the enlarged unit shall in no event exceed the acreage content hereinabove specified. In the event an existing unit is so enlarged, Lessee shall execute and place of record a supplemental declaration of pooling identifying and describing the land added to the existing unit; provided, that if such supplemental declaration of pooling is not filed until after production is obtained on the unit as originally created, then and in such event the supplemental declaration of pooling shall not become effective until the first day of the calendar month next following the filing thereof and the furnishing to Lessor of a copy of such supplemental declaration. In the absence of production, Lessee may terminate the unitized area by filing with Lessor and of record a notice of termination.



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

(10) The rights of Lessor may be assigned in whole or in part. This lease may not be assigned by Lessee in whole or in part, without the prior written consent of Lessor, which consent shall not be unreasonably withheld, taking into account such factors as the credit-worthiness and technical competence of the assignee and/or the proposed number of assignees. Consent shall also be deemed reasonably denied if Lessee refuses to accept responsibility for the performance of any of its successors in interest. Notwithstanding the foregoing, Lessee may pledge this Lease pursuant to a mortgage, credit agreement or other security document, and any pledgee of this Lease may acquire this Lease upon foreclosure or by sale or assignment in lieu of foreclosure, provided, however, that any assignment of this Lease by the pledgee following such acquisition shall be subject to the consent requirement set forth in this Section 10. Lessor shall have ten (10) days from receipt of Lessee's request for consent to assign pursuant hereto to respond. Lessor's failure to respond within such ten (10) days shall be deemed consent to assign as requested by Lessee. Any attempted assignment by Lessee of the rights arising under this lease without such consent shall be void and of no effect. No change in the ownership of the land, or any interest therein, shall be binding on Lessee or any purchaser of production hereunder, until Lessee shall be furnished with a certified copy of all recorded instruments, all court proceedings, and all other necessary evidence of any transfer, inheritance, or sale of said rights. Unless provided otherwise in Lessor's approval of an assignment to be made by Lessee, Lessee shall continue to be responsible to Lessor for all unpaid sums then due to Lessor and obligations under Section 16 below with respect to the assigned portion or portions having to do with activities conducted prior to the date of assignment. In addition, the assignment of this lease, in whole or in part, shall not be valid as to Lessor until Lessor shall have been furnished a true and correct certified copy of such assignment. No change or division in ownership of the land, shut-in payments, or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee.

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

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

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





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

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

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

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



the party to whom the same is directed at the address shown at the top of page 1 of this lease or to such other address as is provided to the other party with proper notice. As to any breach of this lease by Lessee or, except to the extent caused by the negligence of Lessor, any claim or suit of a third party resulting from Lessee's activities hereunder, Lessee shall indemnify and hold Lessor harmless against any expense, including attorneys' fees and costs of court, preparation and investigation, that Lessor would incur in enforcing its rights under this lease or defending said third party claims.

(18) Subject to Section 10, all the provisions of this lease shall inure to the benefit of and be binding upon the parties hereto, their successors and assigns.

(19) This lease is subject to the exceptions and reservations set forth in:

- (a) Quitclaim Deed(s), as applicable, dated as of April 1, 1971, from Union Pacific Railroad Company to Union Pacific Land Resources Corporation, filed for record April 14, 1971, and appearing in Book 644, at Reception No. 1565712 in the office of the County Clerk and Register of Deeds of Weld County, Colorado.

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

(20) Production in Kind: Lessor expressly reserves the right, at any time and from time to time, to take in kind or separately dispose of its proportionate share of all oil, gas, and related hydrocarbons produced from the leased premises, or lands and leases unitized therewith. If Lessor elects, Lessee shall deliver to Lessor in kind Lessor's royalty share of oil and other liquid hydrocarbons saved at the well, into storage tanks on the leased premises; products recovered in a processing plant, into storage tanks or onto storage sites at the plant; and gas, at the tailgate of the plant, if processed, or at the well if the gas is sold at the well. In the event of such election, Lessor shall give to Lessee not less than sixty (60) days notice of its election and shall take said royalty share in kind for a period of not less than six (6) months following the termination of said sixty (60) day period. Any deliveries of production are to be made from Lessee's facilities at times and amounts which equitably adjust deliveries between the parties.

(21) Oil Production: In addition to the rights reserved by Lessor in the immediately preceding paragraph, Lessor and Lessee agree that Lessor shall have the right, at any time and from time to time, upon not less than 30 days' advance written notice to Lessee, to purchase all or any part of the oil (which term as herein used shall include crude oil, distillate, condensate, and other liquid hydrocarbons) produced and saved from or attributable to the leased premises, on Lessor's standard division order terms. The price payable for the oil contained in a delivery pursuant hereto shall not be less than the market price in the field at the time of delivery for oil of like grade and gravity produced in the same field in which the well is located. In the event oil is found on the leased premises or on lands pooled



2614695 05/22/1998 02:51P Weld County CO  
7 of 12 R 61.00 D 0.00 JA Suki Tsukamoto

therewith, Lessee shall immediately notify Lessor in writing at Union Pacific Resources Company, ATTN: Crude Oil Sales, P. O. Box 7, Fort Worth, Texas 76101-0007.

(22) Gas Production: Lessor and Lessee further expressly agree that in the event gas is produced from or attributable to the leased premises, Lessor shall have a right of first refusal to purchase any or all of such gas which is attributable to the leased premises which Lessee is not selling under contracts of a month's duration or less. Under such right of first refusal, Lessee shall notify Lessor in writing of any bona fide offer for the purchase of its gas for a term greater than a month which it is willing to accept, furnishing the terms thereof, and Lessor shall have the right within 30 days of the receipt of such notice and information to elect to purchase the gas on the same terms and conditions as those contained in the bona fide offer. In the event Lessor elects not to exercise its right to purchase under its right of first refusal, then Lessee may, within 60 days thereafter, enter into a contract to sell the gas to such purchaser in accordance with said bona fide offer. If, however, Lessee does not timely enter into such contract with such purchaser (or if, for any reason, a sale of gas pursuant to such contract is discontinued) then this right of first refusal to purchase gas shall be reinstated subject to the terms and conditions set forth herein. For purposes hereof, an offer shall not be considered as a bona fide offer when the offer is made by an affiliated company of Lessee.

In the event that after a reasonable time (not exceeding 30 days) following the completion of a well capable of producing gas there is no bona fide offer to purchase the gas which is to be produced from or attributable to the leased premises, then Lessee shall notify Lessor in writing of that fact, and Lessor shall have the right, but not the obligation, to purchase such gas at the Market Price. As used herein the term "Market Price" shall mean the arithmetic average of the prices reported in the first issue of the month of delivery for the price references included in the Market Price Index applicable to a point of delivery, to be designated by Lessee, less the transportation, compression, gathering and other costs, if applicable, to deliver gas from such point of delivery to the mainline transmission point or points where such Market Price Index is established. As used herein, the term "Market Price Index" for a particular point of delivery shall mean the published price references, to be designated by Lessee, which reflect the price paid for gas sold under spot contracts between unaffiliated third parties into one or more mainline transmission systems which represent a market for the gas purchased by Lessee at such point of delivery. If the parties disagree on which price references should be included in the Market Price Index for a particular point of delivery, then the determination of the proper price references for the Market Price Index shall be submitted to arbitration. If Lessor does not make an offer to purchase the gas, or does not elect to purchase the gas at the Market Price, then Lessor's right of first refusal shall be reinstated with respect to any bona fide offer subsequently received by Lessee. In the event gas is found on the leased premises or on lands pooled therewith, Lessee shall immediately notify Lessor in writing at Union Pacific Resources Company, ATTN: Natural Gas Sales, P. O. Box 7, Fort Worth, Texas 76101-0007.

If either party invokes its right to arbitration, then the parties shall arbitrate the matter by selecting one arbitrator who is acceptable to both parties. However, if the parties are unable to select one arbitrator who is acceptable to both of them, then each party shall select one arbitrator, and the two arbitrators so selected shall select a third arbitrator. If the arbitration is handled by a single arbitrator, the parties shall each pay one-half (1/2) of the fees of the arbitrator, as well as one-half (1/2) of the costs and expenses of the arbitration. If three arbitrators are selected, each party shall bear the expense of the fees of the arbitrator it selects, and the two parties shall each pay one-half (1/2) of the fees of the third arbitrator, as well as one-half (1/2) of the costs and expenses of the arbitration. The jurisdiction of the parties intent that the Market Price Index will reflect the prices paid for gas sold under spot contracts between unaffiliated third parties into mainline transmission systems which represent a market for the gas purchased by Lessor at the point of delivery. Unless otherwise specifically agreed to by both



parties in writing, the rules and procedures set forth in the Arbitration Laws of the State of Colorado shall govern the arbitration proceeding as fully as if all of such laws were set forth in full herein.

(23) If Lessor fails to take its production in kind and Lessee sells such production for the account of Lessor, Lessee shall use its best efforts to pay Lessor within 45 days of its receipt of an executed division order. In the event Lessee does not receive payment within 45 days after Lessee's receipt of the executed division order, Lessor may elect to receive interest on the unpaid proceeds in the amount provided under Colorado Revised Statutes Vol. 14, Sec. 34-60-118.5. Lessor reserves the right, but not the obligation, to collect from the purchaser the proceeds from any sale of production from the leased premises in order to insure the proper division thereof; after deducting the portion of such proceeds to which Lessor and any other party may be entitled, Lessor shall remit to Lessee its portion of the proceeds thus collected.

(24) Lessor reserves the right, but not the obligation, to collect from the purchaser thereof the proceeds of production attributable to Lessor's interest in the leased premises from any sale of production therefrom.

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

(26) All operations on the leased premises shall be conducted so as not to damage any water supply. However, in the event Lessee's operations shall result in damage or destruction of any water supply, Lessee promptly shall repair, restore or replace any well, tank, surface pond or other water facility or any water supply so damaged or destroyed as a result of Lessee's operations. Lessee shall provide to Lessor and/or surface tenant emergency water and water facilities for use in either's operations until such damage or destruction is repaired, restored and replaced. The words "damage" and "destroy" shall also be construed to include contamination. Contamination is defined to mean the addition of substances to any water supply used for human or animal consumption to a degree which renders the water supply unfit for consumption by humans or animals, either during Lessee's operations or after such operations have ceased. Without limitation of the general requirements stated above, Lessee agrees, with reference to each well drilled on the leased premises, either to (a) set and circulate cement around sufficient surface casing to penetrate and adequately protect all fresh water sands; or (b) set and circulate cement around surface casing in a manner and to a depth acceptable to the state agency



and, in the event a second string of casing (either intermediate or production casing) is set in such well, circulate cement around such second string of casing with cement circulated either to the surface or into the surface casing previously set in such well; or (c) utilize such other technique as may be acceptable to the state agency and in conformance with accepted practices in the industry to assure the protection of the fresh water sands by placing cement in the annulus between the fresh water sands and the casing.

(27) In the event a well producing oil or gas in paying quantities is completed on lands in which Lessor does not own all of the oil and gas mineral estate within six hundred and sixty (660) feet of or draining the leased premises, Lessee shall, unless Lessee has already drilled or is drilling a well to the same zone or zones as are producing in the draining well and which a prudent operator would consider to have previously satisfied or to soon satisfy this offset obligation, within ninety (90) days after the commencement of production from such draining well, commence the drilling or recompletion of an offset well on the leased premises and shall make a good faith effort to establish commercial production in the sands or formations from which the draining well is producing. If at the time such offset obligation accrues, Lessee shall be engaged in the drilling of another well on the leased premises, then Lessee shall have not more than thirty (30) days after the date of completion or abandonment of such other well drilled by Lessee within which to commence the actual drilling of such offset well. If Lessee fails to timely drill a required offset well, it shall promptly surrender this lease except as to existing wellbores and reasonable use of the surface for ingress and egress, operations in the immediate vicinity of the surface location of the wells, and necessary telephone, pipeline, and utility easements.

(28) In the event that Lessee, during the term of this lease, should conduct geophysical activities upon the leased premises, Lessee shall promptly furnish Lessor for the entirety of each survey, shot point plats and elevations, observer's notes, surveyor's notes, copies of all field tapes, reproducible copy and one print of each final stacked section for each line and copies of any other processed or unprocessed data made available to Lessee.

(29) Lessee shall carry the following insurance in the indicated amounts:

- (a) Comprehensive General Liability Insurance, including contractual liability, with a combined single limit per occurrence of not less than \$1,000,000.00 for bodily injury and property damage.
- (b) Comprehensive Automobile Insurance, including hired and non-owned vehicles, with a combined single limit per occurrence of not less than \$1,000,000.00 for bodily injury and property damage.
- (c) Liability Umbrella (excess of underlying insurance coverage mentioned above) with a combined limit per occurrence coverage of not less than \$10,000,000.
- (d) Well Control Insurance including underground blowout, seepage and pollution, with a minimum limit of \$5,000,000.

Lessee shall require each independent contractor and subcontractor to carry and maintain insurance at its own expense in amounts deemed necessary to cover the risks inherent to the work or services to be performed by the contractor or subcontractor. Every such insurance policy shall contain a waiver on the part of the insurance carrier of all rights, by subrogation or otherwise, against Lessor. Lessor shall also be named as additional insured in each such policy.



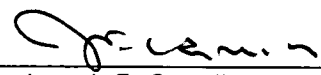
(30) Lessor may, at any time, require Lessee to provide a bond(s) to ensure timely and proper performance of Lessee's obligations hereunder and/or at law for abandonment of well(s) and restoration of the leased premises and/or to provide Lessor letter(s) of credit (which shall allow reduction as work is performed) to ensure payment of contractors performing drilling or other operations hereunder.

(31) If the leased premises are hereafter owned in severalty or in separate tracts, the leased premises, nevertheless, shall be developed and operated as an entirety, and royalties shall be paid to each separate owner in the proportion that the acreage owned by said owner bears to the entire leased premises.

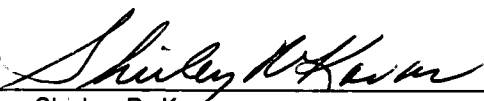
(32) Without the prior written consent of Lessor, Lessee shall not abandon any well or (except when a replacement is made) remove from the wellbore any well casing, tubing, piping, fittings, tanks, pipe lines or other material and equipment which are necessary for the recovery and handling of production capable of being recovered from said well upon the leased premises. If Lessor takes over the well, Lessor shall promptly reimburse Lessee for the salvage value of all material and equipment in the well or used or acquired in connection with the well which Lessor elects to retain for its operations, less the estimated costs of salvaging and less the estimated costs of plugging and abandoning the well, and Lessee shall promptly deliver a bill of sale to Lessor for such material and equipment. If Lessor takes over the well, then Lessee shall be deemed to have relinquished and transferred back to Lessor, free of any burdens created by Lessee, all of the right, title and interest of Lessee in the wellbore, such material and equipment and the production therefrom. If the well taken over by Lessor is the only well serving to perpetuate this lease, Lessee shall release this lease to Lessor.

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

UNION PACIFIC RESOURCES COMPANY

By:   
Joseph F. Carroll  
Its: Attorney-in-Fact

UNITED STATES EXPLORATION, INC.

By:   
Shirley R. Kovar  
Its: Attorney-in-Fact



2614693 05/22/1998 02:51P Weld County CO  
10 of 12 R 61.00 D 0.00 JA Suki Tsukamoto





2614693 05/22/1998 02:51P Weld County CO  
11 of 12 R 61.00 D 0.00 JA Suki Tsukamoto

STATE OF TEXAS

§

COUNTY OF TARRANT

§

§

The foregoing instrument was acknowledged before me this 15th day of May, 1998, Joseph F. Carroll, Attorney-in-Fact of **UNION PACIFIC RESOURCES COMPANY**, a Delaware corporation, on behalf of the corporation.

Witness my hand and official seal.



*Karen G. Williams*

Signature

Karen G. Williams

Name (Print)

My commission expires

October 6, 2001

STATE OF TEXAS

§

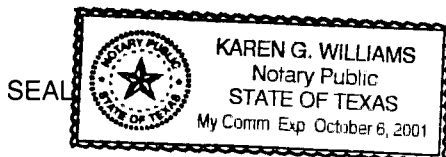
COUNTY OF TARRANT

§

§

The foregoing instrument was acknowledged before me this 15th day of May, 1998, by Shirley R. Kovar, Attorney-in-Fact of **UNITED STATES EXPLORATION, INC.**, a Colorado corporation, on behalf of the corporation.

Witness my hand and official seal.



*Karen G. Williams*

Signature

Karen G. Williams

Name (Print)

My commission expires

October 6, 2001




EXHIBIT "A"

ATTACHED TO AND A MADE A PART OF THAT CERTAIN OIL AND GAS LEASE DATED MAY 15, 1998 BETWEEN UNION PACIFIC RESOURCES COMPANY, AS LESSOR, AND UNITED STATES EXPLORATION, INC., AS LESSEE.

STATE: COLORADO  
COUNTY: WELD  
ACRES: 160.00  
INTEREST: 100%

DESCRIPTION: TOWNSHIP 2 NORTH, RANGE 66 WEST, 6TH P.M.  
SECTION 13: NE

  
2614693 05/22/1998 02:51P Weld County CO  
12 of 12 R 61.00 D 0.00 JA Suki Tsukamoto

UPRR 38 PAN AM W-1 NE HSR 50% J N/2 511390  
UPRR 38 PAN AM W-2 SWNW HSR 50% J N/2 511400