

PRODUCERS 88-PAID UP  
Rev. 5-60, No.-2 - 10pt.-Amended

## OIL AND GAS LEASE

(Paid-Up)

THIS AGREEMENT is made and entered into the 16 day of February, 2010, by and between Heritage Mineral Interests, LLC, a Nevada limited partnership, whose address is 6180 West 10<sup>th</sup> Street,, Greeley, Colorado, 80634, hereinafter called Lessor (whether one or more); and Synergy Resources Corporation, a Colorado corporation, 20203 Highway 60, Platteville, CO 80651, hereinafter called Lessee.

WITNESSETH, That the Lessor, for and in consideration of **Ten and more (\$10.00+)** DOLLARS cash in hand paid, the receipt of which is hereby acknowledged, and the covenants and agreements hereinafter contained, has granted, demised, leased and let, and by these presents does grant, demise, lease and let exclusively unto the said Lessee, the land hereinafter described, with the exclusive right for the purpose of mining, exploring by geophysical and other methods, and operating for and producing therefrom oil and all gas of whatsoever nature or kind, with rights of way and easements for laying pipe lines, and erection of structures thereon to produce, save and take care of said products, all that certain tract of land situated in the County of Weld, State of Colorado, described as follows, to-wit:

**TOWNSHIP 6 NORTH, RANGE 66 WEST, of the 6<sup>th</sup> P.M.**

Section 1; Part of the NE/4, Part of the SE/4, Part of the NW/4  
Identified herein by Attached Exhibit "A"

Parcels Identified by Weld County Assessor Parcel # 080501100029 & 080501100030  
and containing **166.49** acres, more or less.

1. It is agreed that this lease shall remain in force for a term of **three (3) years** from this date and as long thereafter as oil or gas of whatsoever nature or kind is produced from said leased premises or on acreage pooled therewith, or drilling operations are continued as hereinafter provided. If, at the expiration of the primary term of this lease, oil or gas is not being produced on the leased premises or on acreage pooled therewith but Lessee is then engaged in drilling or reworking operations thereon, then this lease shall continue in force so long as operations are being continuously prosecuted on the leased premises or on acreage pooled therewith; and operations shall be considered to be continuously prosecuted if not more than ninety (90) days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well. If after discovery of oil or gas on said land or on acreage pooled therewith, the production thereof should cease from any cause after the primary term, this lease shall not terminate if Lessee commences additional drilling or reworking operations within ninety (90) days from date of cessation of production or from date of completion of dry hole. If oil or gas shall be discovered and produced as a result of such operations at or after the expiration of the primary term of this lease, this lease shall continue in force so long as oil or gas is produced from the leased premises or on acreage pooled therewith.

2. **This is a PAID-UP LEASE.** In consideration of the down cash payment, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term. Lessee may at any time or times during or after the primary term surrender this lease as to all or any portion of said land and as to any strata or stratum by delivering to Lessor or by filing for record a release or releases, and be relieved of all obligation thereafter accruing as to the acreage surrendered.

3. The lessee shall deliver to the credit of the lessor as royalty, free of cost, in the pipeline to which lessee may connect its wells the eighteen (18%) part of all oil produced and saved from the leased premises, or lessee may from time to time at its option purchase any royalty oil in its possession, paying the market price thereof prevailing for oil of like grade and gravity in the field where produced on the date of purchase. To pay the lessor, as royalty, eighteen (18%) of the market value for gas of whatsoever nature or kind, liquid hydrocarbons and their respective constituent elements, casinghead gas or other gaseous substances, produced from the leased premises. The term "market value" shall be deemed to mean the net value realized at the wellhead for gas after deducting any gas used on the leased premises and any actual off-lease transportation costs, with said transportation cost to be

allocated between Lessor and Lessee as follows: 18% to be allocated to the Lessor and 82% to be allocated to the Lessee. The Lessee shall incur any and all costs to compress, dehydrate, gather, process, condition or to otherwise bring gas into a marketable condition.

4. Where gas from a well capable of producing gas is not sold or used, Lessee may pay or tender as royalty to the royalty owners One Dollar per year per net royalty acre retained hereunder, such payment or tender to be made on or before the anniversary date of this lease next ensuing after the expiration of 90 days from the date such well is shut in and thereafter on or before the anniversary date of this lease during the period such well is shut in. If such payment or tender is made, it will be considered that gas is being produced within the meaning of this lease.

5. If said Lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties (including any shut-in gas royalty) herein provided for shall be paid the Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee.

6. Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for Lessee's operation thereon, except water from the wells of Lessor.

7. Lessee shall bury all pipeline a minimum of thirty-six (36") below depth.

8. No well shall be drilled nearer than 200 feet to the house or barn now on said premises without the written consent of Lessor.

9. Lessee shall pay for damages caused by Lessee's operations to growing crops on said land.

10. 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.

11. The rights of Lessor and Lessee hereunder may be assigned in whole or in part. No change in ownership of Lessor's interest (by assignment or otherwise) shall be binding on Lessee until Lessee has been furnished with notice, consisting of certified copies of all recorded instruments or documents and other information necessary to establish a complete chain of record title from Lessor, and then only with respect to payments thereafter made. No other kind of notice, whether actual or constructive, shall be binding on Lessee. No present or future division of Lessor's ownership as to different portions or parcels of said land shall operate to enlarge the obligations or diminish the rights of Lessee, and all Lessee's operations may be conducted without regard to any such division. If all or any part of this lease is assigned, no leasehold owner shall be liable for any act or omission of any other leasehold owner.

12. 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 theretofore 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 a 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,

13. 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.

14. Lessor agrees that the Lessee shall have the right at any time to redeem for Lessor, by payment, any mortgages, taxes or other liens on the above described lands, in the event of default of payment by Lessor and be subrogated to the rights of the holder thereof, and the undersigned Lessors, for themselves and their heirs, successors and assigns, hereby surrender and release all right of dower and homestead in the premises described herein, insofar as said right of dower and homestead may in any way affect the purposes for which this lease is made, as recited herein. Lessor agrees to execute such further assurances as may be requisite for the full and complete enjoyment of the rights herein granted.

15. The word "Lessor," as used in this lease, shall mean any one or more or all of the parties who execute this lease as Lessor. All the provisions of this lease shall be binding on the heirs, successors and assigns of Lessor and Lessee.

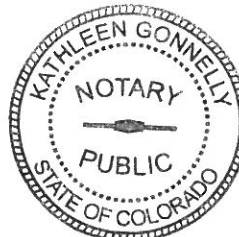
16. Anything to the contrary herein notwithstanding, if Lessor owns a greater interest in the lands described than is purported to be leased hereby or hereafter acquires any additional interest or title in the lands described, then this lease shall cover such greater or additional after-acquired interest or title, and Lessor agrees to give Lessee written notice of any such acquisition as soon as the same is made, in which event the royalties payable to Lessor shall be increased proportionately.

17. Wells will be drilled in the extreme South-east corner of the above referenced parcel. Wells will be spaced 15" apart and drilled directionally to their respective bottom hole location(s). All production equipment will also be located in the south-east corner, south of well heads, of said parcel. Well(s) must be 160' west of WCR 37 and 160' north of the East-west power lines to the south of the property.

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

**Heritage Mineral Interests, LLC**

By: Scott W. Renfro  
Scott W. Renfro



**ACKNOWLEDGMENT**  
Commission Expires May 26, 2013

STATE OF COLORADO     )  
                                      ) ss.  
COUNTY OF WELD         )

The foregoing instrument was acknowledged before me this 16 day of Feb, 2010, by Scott W. Renfro, as representative for Heritage Mineral Interests, LLC, to me known to be the identical person described herein, and who executed the within and foregoing instrument of writing and acknowledgment to me that he duly executed the same as his free and voluntary act and deed for the uses and purposes therein set forth.

Witness my hand and official seal.

My commission expires:

May 26, 2013

Kathleen Connelly  
Notary Public



Exhibit "A"

Attached to Paid Up Oil and Gas Lease Dated: February 16, 2010

Between Synergy Resources Corporation and  
Heritage Mineral Interests, LLC

Containing 166.49 Acres More or Less

Lot B of Recorded Exemption No. 0805-01-1-RE1892, being a portion of the E1/2 of Section 1, Township 6 North, Range 66 West of the 6th P.M., County of Weld, State of Colorado, recorded July 11, 1996 in Book 1555 as Reception No. 2500430; and a parcel of land situate in Section 1, Township 6 North, Range 66 West of the 6th P.M., County of Weld, State of Colorado being more particularly described as follows:

Considering the East line of the NE1/4 as assumed to bear North 00 degrees 02 minutes 08 seconds West and with all bearings contained herein relative thereto;

Beginning at the Southeast corner of said NE1/4 thence North 88 degrees 33 minutes 22 seconds West 1328.94 feet to the True Point of Beginning; thence continuing North 88 degrees 33 minutes 22 seconds West 728.04 feet;

thence South 01 degrees 13 minutes 54 seconds East 178.60 feet;

thence South 55 degrees 45 minutes 13 seconds West 404.49 feet;

thence North 29 degrees 28 minutes 22 seconds West 468.66 feet;

thence North 41 degrees 53 minutes 22 seconds West 396.00 feet;

\*thence North 24 degrees 28 minutes 22 seconds West 396.00 feet;

Thence North 01 degrees 36 minutes 38 seconds East 1902.38 feet; more or less, to a point on the North line of the NW1/4 of said Section 1; thence along said North line North 89 degrees 16 minutes 33 seconds East 111.00 feet to the Northwest corner of the NE1/4 of said Section 1;

thence along the North line of said NE1/4 North 89 degrees 16 minutes 28 seconds East 1551.42 feet;

thence along the West line of said Lot B of Recorded Exemption No. 0805-01-1-RE1892 South 00 degrees 02 minutes 08 seconds East 2598.06 feet to the True Point of Beginning.