

## PAD SITE AGREEMENT

COPY

**THIS PAD SITE AGREEMENT** is made and entered into as of July 14, 2008 and is by and between **Jim Ells**, whose address is 2435 71<sup>st</sup> Avenue, Greeley, Colorado 80634 ("Land Owner"), on the one hand, and **Mineral Resources, Inc.**, a Colorado corporation with an address of P.O. Box 328, Greeley, Colorado 80632 ("Mineral Resources").

### RECITALS

1. Land Owner is the sole owner in and to the parcels of land located in the Section 32, Township 6 North, Range 65 West, Weld County, Colorado that are within the area outlined on Exhibit A attached hereto and made a part hereof (the "Property"). Grantor and Mineral Resources agree that the Property contains 13.78 acres, more or less.
2. Grantor's ownership includes the surface estate in and to the Property and the mineral estate in and the Property, specifically including the oil, gas and associated hydrocarbons.
3. As an inducement to Mineral Resources entering into this Pad Site Agreement (the "Agreement"), Grantor represents and warrants to Mineral Resources that the Land Owner owns the Property in fee simple, there are no other owners of the Property, and that the Property is free and clear of liens and claims that are or could be senior and prior to this Agreement.
4. Mineral Resources and Grantor have agreed upon the terms of this Agreement pursuant to which Mineral Resources may drill up to 30 oil and gas wells on the surface of the Property with bottom hole locations as described in this Agreement.
5. In addition to this Agreement, Grantor and Mineral Resources will enter into an oil and gas lease covering the Property which lease shall be in the form of Exhibit B attached hereto and made a part hereof (the "Lease").

NOW, THEREFORE, in consideration of the premises, the payments made and to be made hereunder and under the Lease, the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Land Owner and Mineral Resources agree as follows:

1. The Recitals set forth above are incorporated in this Agreement as though fully restated in this Paragraph 1.
2. Upon the execution hereof, Mineral Resources may use the surface of the Property to drill, complete, operate, and maintain up to 30 oil and gas wells that have bottom hole locations under the Property and within 4,000 feet from the outer boundaries of the Property. The parties specifically agree that the wells drilled on the Property

pursuant to this Agreement may have bottom hole locations under lands other than the Property.

3. The wellheads, production facilities, water vaults and separators to be utilized by Mineral Resources in connection with the oil and gas wells that it may drill on the Property pursuant to this Agreement ("Equipment") will be located generally as depicted on Exhibit C attached hereto and made a part hereof.

a. Land Owner and Mineral Resources recognize and agree that in order to construct the Equipment at the general location set forth on Exhibit C, Mineral Resources must comply with the following rules and regulations of the Colorado Oil and Gas Conservation Commission ("COGCC") or obtain waivers and/or releases from the rules and regulation where waivers and/or releases are available:

Rule 603 a. (2) stating "A well shall be a minimum of one hundred fifty (150) feet from a surface property line. An exception may be granted by the Director if it is not feasible for the operator to meet this minimum distance requirement and a waiver is obtained from the offset surface owner(s). An exception request letter stating the reasons for the exception shall be submitted to the Director and accompanied by a signed waiver(s) from the offset surface owner(s). Such waiver shall be written and filed in the county clerk and recorder's office and with the Director.

Rule 604 a. (2) stating "Tanks shall be located at least two (2) diameters or three hundred fifty (350) feet, whichever is smaller, from the boundary of the property on which it is built. Where the property line is a public way the tanks shall be two thirds (2/3) of the diameter from the nearest side of the public way or easement."

Rule 603 a. (3) stating "At the time of installation, tanks shall be a minimum of two hundred (200) feet from residences, normally occupied buildings, or well defined normally occupied outside areas."

Rule 603 a. (5) stating "Tanks shall be a minimum of seventy-five (75) feet from a fired vessel or heater-treater."

Rule 603 a. (8) stating "Tanks shall be seventy-five (75) feet from a wellhead.

Other rules that are applicable to the operations contemplated by this Agreement.

b. If Mineral Resources is not able to locate the Equipment at the locations depicted on Exhibit C in compliance with the COGCC rules described above and such other rules as may be applicable, Mineral Resources may utilize the surface of the Property as may be reasonably necessary to accomplish the purposes of this Agreement; being the drilling, completion, operation, and maintenance of up to 30 oil and gas wells that have bottom hole locations under the Property or within 4,000 feet from the outer boundaries of the Property.

4. Land Owner and Mineral Resources agree that the Property may be used by Mineral Resources for the drilling, completion, operation and maintenance of up to 30 oil and gas wells that have bottom hole locations under the Property and within 4,000 feet from the outer boundaries of the Property and that those terms mean all operations that may be reasonably necessary, useful or convenient for the production of oil and gas from the surface of the Property including and not being limited to fracing and refracing the wells, working and reworking the wells and the redrilling of the wells, the recompletion of the wells and the deepening of the wells.

5. In consideration of this Agreement, Mineral Resources agrees to pay Land Owner the following payments:

a. A one time payment of \_\_\_\_\_ per well that is drilled on the Property has been agreed to by the parties. The payment will be made by Mineral Resources to Land Owner, who represents that there are no other persons or entities who are entitled to any portion of the payments to be made on a well by well basis to Land Owner, prior to the commencement of the wells on a well-by-well basis.

b. An overriding royalty of \_\_\_\_\_ of the net proceeds realized from the sale of oil, gas and associated hydrocarbons produced from those of the wells that are completed on the Property and that have bottom hole locations outside of the boundaries of the lands above described. The parties specifically agree that the overriding royalty will not be payable with respect to any production from any lands for which Land Owner is being paid a landowner royalty pursuant to the terms of the Lease; it being the agreement of Land Owner and Mineral Resources that Land Owner will be paid either a landowner's royalty or an overriding royalty in connection with production from the Property.

c. The payments provided for in this paragraph 5 are separate and in addition to the payments provided for in the Lease.

6. This Agreement shall remain in full force and effect for a term of five (5) years from the date of execution hereof and so long as any of the wells drilled on the Property is producing oil and/or gas and associated hydrocarbons in "paying quantities." For the purposes of this Agreement, "paying quantities" means on a well-by-well basis, proceeds from production exceed the lease operating expenses on a month to month basis and that no well shall be considered not to be producing in paying quantities unless and until lease operating expenses exceed revenues for a period of six consecutive months of actual production. The parties recognize and agree that the term of this Agreement is separate and distinct from the term of the Lease.

7. Mineral Resources covenants and agrees to pay all of the costs and expenses attributable to the oil and gas wells that are drilled on the Property pursuant to the terms of this Agreement to include and not being limited to the design, construction, surveying, leveling, demolition and construction, topsoil removal storage and restoration, road construction and maintenance, fencing, weed control and any other costs and expenses related or incurred in connection with the development, construction, operation

and maintenance of the Property for the purposes of this Agreement and the wells to be drilled pursuant to this Agreement.

a. With respect to fencing, Mineral Resources agrees at its expense to segregate those portions of the Property that are actually used in the oil and gas operations contemplated by this Agreement from the remainder of the Property and the neighboring properties. Mineral Resources will comply with the fencing requirements, if any, of the City of Greeley, Colorado or any other governmental agency with jurisdiction of the Mineral Resources oil and gas operations on the Property.

b. Mineral Resources covenants and agrees to keep the Property free and clear of mechanics liens and other liens in the favor of vendors to Mineral Resources except for statutory liens that are customary in the oil and gas industry and that Mineral Resources deems necessary or convenient for its oil and gas operations at the Property.

8. Mineral Resources may assign all or any portion of this Agreement at any time and from time to time provided that no such assignment shall enlarge, amend or modify the obligations or duties of the parties to this Agreement. If Mineral Resources makes any such partial or complete assignment of this Agreement, it shall notify Land Owner in writing of the name and address of the assignee; whereupon, Mineral Resources will be relieved of any further obligation(s) under this Agreement as to that portion of this Agreement and the Property covered by the assignment.

9. Mineral Resources will conduct its operations on the Property, including the plugging and abandonment of the wells drilled on the Property pursuant to this Agreement in compliance with the applicable rules and regulations of the COGCC and the City of Greeley, Colorado, provided however this covenant of Mineral Resources shall not create a private right of action in Land Owner or Land Owner's successors and assigns to enforce privately the rules and regulations of the COGCC and the City of Greeley, Colorado.

10. With the prior written consent of Mineral Resources, which consent may be withheld by Mineral Resources in the exercise of its reasonable discretion, Land Owner may install and maintain, at its own expense and expense, ground cover, landscaping and watering systems ("Landscaping") within the Property provided that the Landscaping will not interfere with Mineral Resource's operations. Land Owner acknowledges that Mineral Resource's normal operations may from time to time disturb or destroy any installed Landscaping. Land Owner's hereby agrees to install and maintain said Landscaping in such a way as not to violate COGCC regulations or impede Surface Owner's access and/or its operations on the Property. Land Owner hereby accepts all responsibility for cost of installation, repair and/or replacement of said Landscaping within the Property, and Mineral Resources shall not be responsible for damage to said Landscaping resulting from its future access or operations. Prior to commencing installation of the Landscaping, Land Owner shall consult with and obtain written approval from Mineral Resources to ensure that there are no adverse impacts upon Mineral Resource's ability to perform future operations. Mineral Resource's

approval to the installation of such Landscaping shall not constitute nor be construed as a waiver of Mineral Resource's rights pursuant to this paragraph 10. Any landscaping installed and maintained by Land Owner shall be done at Land Owner's sole discretion and the terms and conditions provided for in this Agreement shall not obligate Land Owner, its successors, heirs or assigns to install and maintain landscaping on the Property except at its own and sole discretion.

11. This Agreement constitutes written consent of Land Owner for Mineral Resources to conduct the oil and gas operations contemplated by this Agreement on the Property, as it deems necessary or convenient to the development of the oil and gas wells contemplated by this Agreement pursuant to the terms and conditions contained herein. This Agreement also constitutes Land Owner's written acknowledgment that Mineral Resources has provided an appropriate Notice of Drilling in accordance with Rules 305.b (1) and 305.c of the COGCC and has properly engaged in Drilling Consultation with Land Owner in accordance with COGCC Rule 306.a (1). This Agreement also constitutes Land Owner's acknowledgment that Mineral Resources has complied with the well location requirements of COGCC Rule 318 A or that Land Owner has waived any provisions of such rule that is inconsistent with or conflicts with the well locations selected by Mineral Resources pursuant to this Agreement.

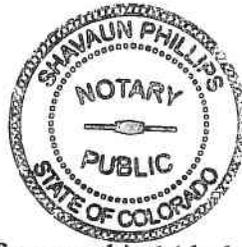
12. All notices, requests, demands and other communications required or permitted hereunder shall be in writing and shall be deemed to have been fully given, made and received only when personally delivered, received via facsimile that has been confirmed electronically, delivered by Federal Express or other nationally recognized courier service, or three (3) days after having been deposited in the United States mail, postage prepaid, return receipt requested. All notices requests, demands and other communications required or permitted hereunder shall be addressed as set forth below:

IF TO LAND OWNER:  
Jim Ells  
2435 71<sup>st</sup> Avenue  
Greeley, CO 80634  
TELEPHONE: 970-339-5782  
MOBILE: 970-534-0280  
FAX: 970-339-5782  
EMAIL: jimells05@aol.com

IF TO MINERAL RESOURCES  
Mineral Resources, Inc.  
P.O. Box 328  
Greeley, CO 80632  
ATTN: Logan Richardson  
TELEPHONE: 970-352-9446  
FAX: 800-850-9334



STATE OF COLORADO )  
 ) ss.  
COUNTY OF WELD )



The foregoing instrument was acknowledged before me this 14th day of July 2008, by Jim Ells as his free and voluntary act.

[SEAL]

My commission expires: July 7, 2011

*Shaunaun Phillips*  
Notary Public

Exhibit "A"

All of the NW/4SW/4, lying and being West of Highway No. 85 and East of North 11th Avenue, City of Greeley, County of Weld, State of Colorado. Excepting therefrom the following tracts of land:

A tract of land conveyed to the City of Greeley by deed dated December 23, 2002 recorded in Weld County as Reception No. 3018283.

A tract of land conveyed to Monfort, Inc. by deed dated October 19, 1995 recorded in Weld County as Reception No. 2460479.

Also described as:

All that part of the Northwest Quarter of the Southwest Quarter (NW/4 SW/4) of Section 32, Township 6 North, Range 65 West of the 6th P.M. described as follows: Beginning at a point on the South line of the Northwest Quarter of the Southwest Quarter (NW/4 SW/4) of said Section 32, 1,000 feet East of the Southwest corner on the East bank of a slough; thence North 29°08' West 527.5 feet along the East bank of said slough; thence North 89°05' East 546.5 feet to the East line of the Northwest Quarter of the Southwest Quarter of said Section 32; thence South along the East line of said Northwest Quarter of the Southwest Quarter (NW/4 SW/4) to the Southeast corner of said Northwest Quarter of the Southwest Quarter (NW/4 SW/4) of said Section 32; thence West to the point of beginning, excepting therefrom:

A parcel of land as conveyed by Deed recorded in Book 1228 at Page 295 of the Weld County records;

A parcel of land as conveyed by Deed recorded in Book 1228 at page 298 of the Weld County records.

Also known by street and number as 722 North 11th Avenue, Greeley, Colorado

# EXHIBIT "B"

## OIL AND GAS LEASE

This Oil and Gas Lease ("Lease") is made this 14<sup>th</sup> day of July, 2008 by and between JIM ELLS, whose address is 2435 71<sup>ST</sup> AVENUE, GREELEY, COLORADO 80634, ("Lessor", whether one or more) and MINERAL RESOURCES, INC., A COLORADO CORPORATION, whose address is P.O. BOX 328, GREELEY, COLORADO 80632 ("Lessee").

WITNESSETH, For and in Consideration of TEN DOLLARS, the covenants and agreements contained herein, and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, Lessor does hereby grant, demise, lease and let exclusively unto said Lessee, with the exclusive rights for the purposes of mining, exploring by geophysical and other methods and operating for and producing therefrom oil and all gas of whatsoever nature or kind (including coalbed gas), and laying pipelines, telephone and telegraph lines, building tanks, plants, power stations, roadways and structures thereon to produce, save and take care of said products (including dewatering of coalbed gas wells), and the exclusive surface or subsurface rights and privileges related in any manner to any and all such operations, and any and all other rights and privileges necessary, incident to, or convenient for the operation alone or conjointly with neighboring land for such purposes, all that certain tract or tracts of land situated in Weld County, Colorado, described to wit:

TOWNSHIP 6 NORTH, RANGE 65 WEST, 6TH P.M.  
SECTION 32: PART OF THE NW/4SW/4, BEING MORE PARTICULARLY DESCRIBED IN THE  
ATTACHED EXHIBIT "A":  
CONTAINING 17.78 ACRES, MORE OR LESS (the "Premises")

1. It is agreed that this Lease shall remain in full force for a term of four (5) years from this date ("Primary Term") and as long thereafter as oil or gas of whatsoever nature or kind is produced from the Premises or on acreage pooled or unitized therewith, or operations are continued as hereinafter provided. If, at the expiration of the Primary Term, oil or gas is not being produced from the Premises or on acreage pooled or unitized therewith but Lessee is then engaged in drilling, reworking or dewatering operations thereon, then this Lease shall continue in force so long as such operations are being continuously prosecuted. 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 the Premises or on acreage pooled or unitized therewith, the production thereof should cease from any cause after the primary term, this Lease shall not terminate if Lessee commences additional drilling, reworking or dewatering operations within ninety (90) days from date of cessation of production or from date of completion of a 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, this Lease shall continue in force so long as oil or gas is produced from the Premises or on acreage pooled or unitized therewith.

2. This is a PAID-UP LEASE. In consideration of the payment made herewith, 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 the Premises 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 obligations thereafter accruing as to the acreage surrendered.

3. The royalties to be paid by Lessee are: (a) on oil and other liquid hydrocarbons, 20% of that produced and saved from said land, the same to be delivered at the wells, or to the credit of Lessor into the pipeline to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefore prevailing for the field where produced on the date of purchase; (b) on gas and the constituents thereof produced from said land and sold or used off the premises or in the manufacture of products therefrom, the market value at the well of 20% of the product sold or used. On product sold at the well, the royalty shall be 20% of the net proceeds realized from such sale. All royalties paid on gas sold or used off the premises or in the manufacture of products therefrom will be paid after deducting from such royalty Lessor's proportionate amount of all post-production costs, including but not limited to gross production and severance taxes, gathering and transportation costs from the wellhead to the point of sale, treating, compression, and processing. On product sold at the well, the royalty shall be 20% of the net proceeds realized from such sale, after deducting from such royalty Lessor's proportionate amount of all of the above post-production costs and expenses, if any.

4. Where gas from a well capable of producing gas (or from a well in which dewatering operations have commenced), is not sold or used after the expiration of the Primary Term, Lessee shall pay or tender as royalty to Lessor at the address set forth above One Dollar (\$1.00) per year per net mineral acre, such payment or tender to be made on or before the anniversary date of this Lease next ensuing after the expiration of ninety (90) days from the date such well is shut in or dewatering operations are commenced and thereafter on or before the anniversary date of this Lease during the period such well is shut in or dewatering operations are being conducted.

5. If Lessor owns a lesser interest in the Premises than the entire and undivided fee simple estate therein, then the royalties (including any shut-in gas royalty) herein provided for shall be paid 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 the Premises for Lessee's operations thereon, except water from the wells of Lessor.

7. When requested by Lessor, Lessee shall bury Lessee's pipeline below plow depth.

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

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

10. Lessee shall have the right at any time to remove all machinery and fixtures (including casing) Lessee has placed on the Premises.

11. The rights of the Lessor and Lessee hereunder may be assigned in whole or 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 the Premises 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 Premises and as to any one or more of the formations thereunder, 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, reworking or dewatering 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, reworking or dewatering 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 royalties on production from such unit only on the portion of such production allocated to this Lease; such allocation shall be that proportion of the unit production that the total number of surface acres covered by this Lease and included in the Unit bears to the total number of surface acres in such Unit. In addition to the foregoing, Lessee shall have the right to unitize, pool, or combine all or any part of the Premises as to one or more of the formations thereunder with other lands in the same general area by entering into a cooperative or unit plan of development or operation approved by any governmental authority and, from time to time, with like approval, to modify, change or terminate any such plan or agreement and, in such event, the terms, conditions and provisions of this Lease shall be deemed modified to conform to the terms, conditions, and provisions of such approved cooperative or unit plan of development or operation and, particularly, all drilling and development requirements of this Lease, express or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this Lease shall not terminate or expire during the life of such plan or agreement. In the event that the Premises or any part thereof, shall hereafter be operated under any such cooperative or unit plan of development or operation whereby the production therefrom is allocated to different portions of the land covered by said plan, then the production allocated to any particular tract of land shall, for the purpose of computing the royalties to be paid hereunder to Lessor, be regarded as having been produced from the particular tract of land to which it is allocated and not to any other tract of land; and royalty payments to be made hereunder to Lessor shall be based upon production only as so allocated. Lessor shall formally express Lessor's consent to any cooperative or unit plan of development or operation adopted by Lessee and approved by any governmental agency by executing the same upon request of Lessee.

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. Any delay or interruption caused by storm, flood, act of God or other event of force majeure shall not be counted against Lessee. If, due to the above causes or any cause whatsoever beyond the control of Lessee, Lessee is prevented from conducting operations hereunder, such time shall not be counted against Lessee, and this Lease shall be extended for a period of time equal to the time Lessee was so prevented, anything in this Lease to the contrary notwithstanding.



**EXHIBIT "A"**

All of the NW/4SW/4, lying and being West of Highway No. 85 and East of North 11th Avenue, City of Greeley, County of Weld, State of Colorado. Excepting therefrom the following tracts of land:  
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Also described as:

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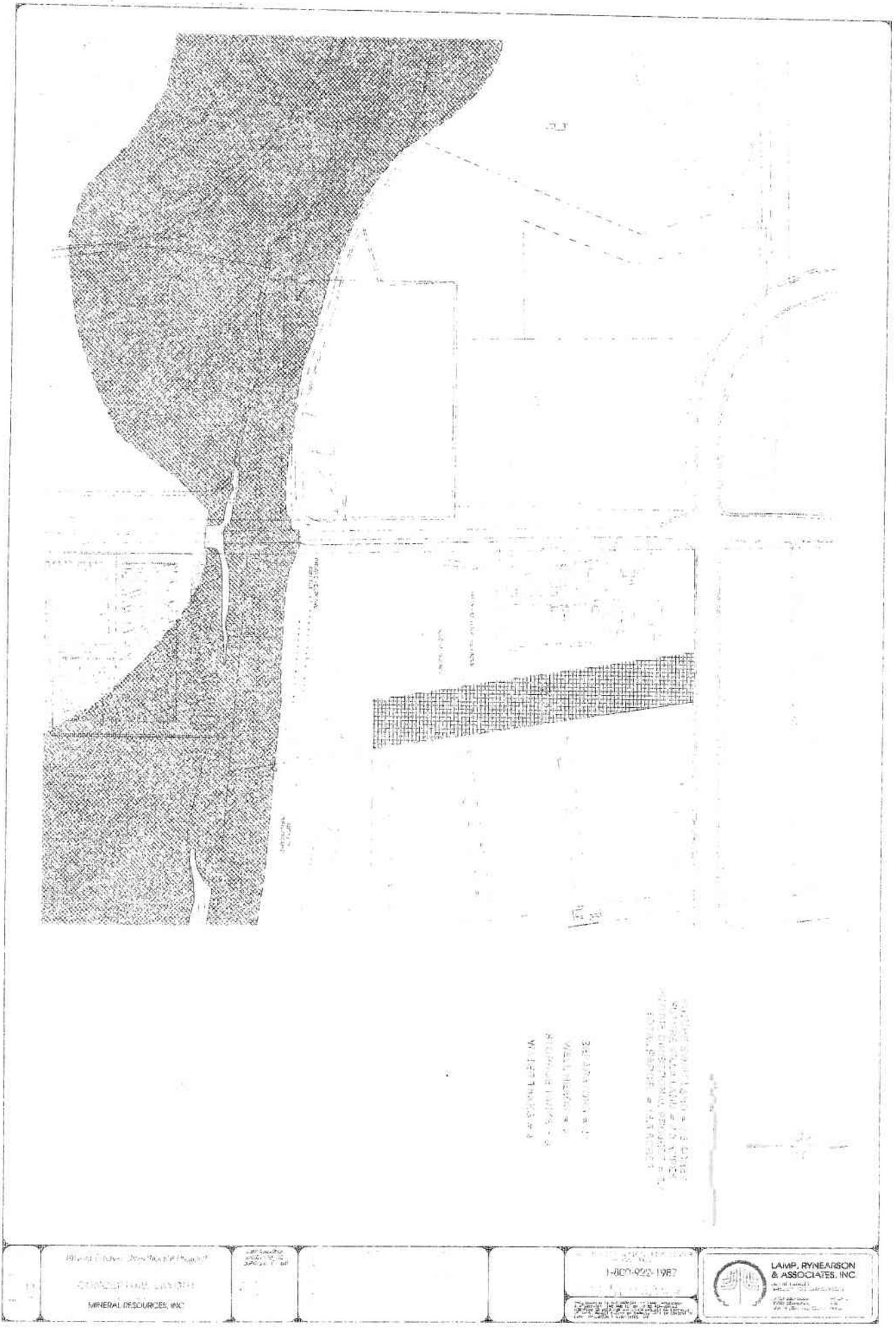
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A parcel of land as conveyed by Deed recorded in Book 1228 at page 298 of the Weld County records.

Also known by street and number as 722 North 11th Avenue, Greeley, Colorado

Including any rights of way, easements, lots, out lots, parcels or strips of land located in said Section 32, Township 6 North, Range 65 West, 6<sup>th</sup> P.M.

# EXHIBIT "C"



Blount County, Georgia  
 CONCEPTUAL LAYOUT  
 MINERAL RESOURCES, INC.

DATE: 10/1/87  
 DRAWN BY: J. C. SPANGLER, JR.  
 CHECKED BY: J. C. SPANGLER, JR.

1-800-922-1987

**LAMP, RYNEASON & ASSOCIATES, INC.**  
 1000 W. 10th Street  
 Oklahoma City, Oklahoma 73106  
 Phone: (405) 233-1111