

688164 12/12/2005 01:32P B1754 P34 M ALSDORF
1 of 3 R 16.00 D 0.00 GARFIELD COUNTY CO

PRODUCERS 88-PAID UP VIII
Rev. 5-60, No. 2-Spt.
Spec. CO

For Lessor's Use Only:

Lease #:

Prospect #:

OIL AND GAS LEASE

AGREEMENT, Made and entered into the **21st** day of **November, 2005** by and between **Margo L. Johnson**, whose post office address is **296 Nikolao Place, Hilo, HI 96720**, hereinafter called Lessor (whether one or more) and:

Williams Production RMT Company
1515 Arapahoe Street, Tower 3, Suite 1000
Denver CO 80202

hereinafter called Lessee:

WITNESSETH, That the Lessor, for and in consideration of Ten and more 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 Garfield, State of Colorado**, described as follows, to-wit:

Township 7 South, Range 95 West, 6th P.M.

Section 6: three parcels of land lying in the NE $\frac{1}{4}$ SW $\frac{1}{4}$, more particularly described as follows:

Parcel One: Beginning at a point on the east line of the NE $\frac{1}{4}$ SW $\frac{1}{4}$, of Sec. 6, T7S, R95W, 6th P.M., from which the South quarter corner of Sec. 6 bears South 0°37'30" East, a distance of 1,923.8 feet; thence South 0°37'30" East, along said east line a distance of 559.2 feet; thence South 53°40' West a distance of 129.4 feet to the south line of said NE $\frac{1}{4}$ of the SW $\frac{1}{4}$; thence North 89°20' West, along the said south line a distance of 904.3 feet; thence North 57°32'30" East a distance of 357.6 feet; thence North 60°54' East a distance of 153.1 feet; thence North 57°39'30" a distance of 670.9 feet, more or less, to the point of beginning;

Being the same parcel described as No. 731 Rev. of the State Department of Highways, Division of Highways, State of Colorado, Project No. I 70-1(45), in that deed filed of record at Book 571, Page 462, Reception Number 314789, in the office of the Clerk and Recorder in and for Garfield County, Colorado, containing 7.26 acres, more or less.

Parcel Two: That portion of the following described parcel of land lying within the NE $\frac{1}{4}$ SW $\frac{1}{4}$: All bearings contained herein being Colorado Grid Bearings (Central Zone). True bearings are obtained by rotating all bearings herein counterclockwise 01°35'12".

Commencing at the southwest corner of Section 6, from whence the West quarter corner of Section 6 bears North 00°44'51" East a distance of 2,664.98 feet; thence North 26°43'39" East, a distance of 2,901.93 feet to the northeast corner of Lot 6, said corner being the true Point of Beginning; thence North 03°25'39" East along the west boundary line of said SE $\frac{1}{4}$ NE $\frac{1}{4}$ a distance of 26.62 feet; thence South 79°28'10" East a distance of 673.45 feet; thence South 10°31'50" West a distance of 455.50 feet; thence South 67°34'00" West a distance of 181.04 feet; thence North 79°28'10" West a distance of 641.24 feet to a point on the centerline of the Wilcox Canal; thence North 32°46'50" East along the centerline of said canal a distance of 153.90 feet; thence North 18°43'05" East along the centerline of said canal a distance of 377.55 feet to a point on the north boundary line of said Lot 6; thence South 87°00'39" East along the north boundary line of said Lot 6, a distance of 11.03 feet to the true Point of Beginning;

Being the same parcel described in that Deed recorded at Book 658, Page 720, Reception Number 355662, in the office of the Clerk and Recorder in and for Garfield County, Colorado, containing 7.34 acres, more or less.

Parcel Three: Section 6: NE $\frac{1}{4}$ SW $\frac{1}{4}$, LESS AND EXCEPT Parcels One & Two above, containing 24.53 acres, more or less.

Gross: 39.13

Township 7 South, Range 95 West, 6th P.M.

Section 7: a tract in Lot 6 described by metes and bounds as follows, to-wit: beginning at a point on the south line of said Lot 6 at its intersection with the easterly line of the right of way of the Battlement Mesa county road, said point also identified as being west 630 feet from the Southeast corner of said lot 6; thence North 22° 02' West 114.2 feet along the easterly line of said right of way; thence North 55° 40' West 145.6 feet along the northerly line of said right of way; thence South 51° 43' West 323.2 feet; thence West 360 feet to the easterly line of said right of way, being the point of beginning, containing 1.75 acres, more or less; and

Section 7: Lot 7, less and except two tracts of land described as follows, to-wit:

Tract One: Beginning at the Northwest corner of said Lot 7, thence South 260.6 feet; thence North 51° 43' East 420.4 feet to its intersection with the north line of said Lot 7; thence West 330 feet along said north line to the point of beginning, containing 1.50 acres, more or less; and

Tract Two: Beginning at the Northeast corner of said Lot 7, thence West 630 feet along the north line of said Lot 7 to the easterly line of the county road right of way; thence South 3° 14' West 249.8 feet along the easterly line of said right of way; thence South 38° 20' East 146 feet along the easterly line of said right of way; thence South 79° 38' East 605 feet along the northerly line of said right of way to its intersection with the east line of said Lot 7; thence North 463.2 feet along the east line of said Lot 7 to the point of beginning, containing 5.90 acres, more or less.

Containing 32.35 acres more or less

Lessor intends to lease any right, title and interest Lessor may have in and to any mineral rights lying in or under any and all streets, county roads, highways, railroad strips and / or rights of way, canals, ditches and other waterways lying across and / or

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(3)

adjacent and / or in any way appertaining to the lands hereinabove described together with and including any meander lands, lands derived from rights of accretion, or otherwise contiguous to the above described lands as the same may be owned or claimed by Lessor.

and containing **71.48** acres, more or less. This lease shall specifically include coal bed gas and occluded gas from coal seams.

1. It is agreed that this lease shall remain in force for a **term of five (5) 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. In the event a well or wells is drilled and completed on the lands, or on the lands pooled therewith, for the purpose of developing coalbed gas, the word "operations" shall mean, in addition to those matters covered in the preceding paragraph. (1) operations of said wells to remove water or other substances from the coalbed, or to dispose of such water or other substances, even though such operations do not result in the production of hydrocarbons in paying quantities, or (2) shutting-in or otherwise discontinuing production from said wells to allow for surface or underground mining affecting the drillsite or wellbore.
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. In consideration of the premises the said Lessee covenants and agrees:
 - a. To deliver to the credit of Lessor, free of cost, in the pipe line to which Lessee may connect wells on said land, the equal one-sixth (1/6) part of all oil produced and saved from the leased premises.
 - b. To pay lessor on gas and casinghead gas produced from said land (1) when sold by lessee, one-sixth of the net proceeds derived from such sale or (2) when used by lessee off said land or in the manufacture of gasoline or other products, the market value, at the mouth of the well, of one-sixth of such gas and casinghead gas, lessor's interest, in either case, to bear one-sixth of the cost of transporting such gas and casinghead gas, from the mouth of the well to the point of sale or use, **to the extent such transport is provided by a third-party.**
 - c. To pay Lessor for gas produced from any oil well and used off the premises or in the manufacture of gasoline or any other product a royalty of one-sixth (1/6) of the proceeds, at the mouth of the well, payable monthly at the prevailing market rate.
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 **Fifty Dollars per year as shut-in royalty** 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 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. Lessor shall have the right to gas free of cost from any well on the lands covered herein for use in the principal dwelling house on said lands at the date of this lease. Lessor shall be fully responsible for conditioning the gas for domestic use and the safety and maintenance of connecting lines.
7. When requested by Lessor, Lessee shall bury Lessee's pipe line below plow depth.
8. No well shall be drilled nearer than 200 feet to the house or barn, now on said premises without 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 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 or 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, Lessee shall have the right to unitize, pool, or combine all or any part of the above described lands as to one or more of the formations thereunder with other lands in the same general area by entering into a cooperative or unit plan of development or operation approved by any governmental authority and, from time to time, with like approval, to modify, change or terminate any such plan or agreement and, in such event, the terms, conditions and provisions of this lease shall be deemed modified to conform to the terms, conditions, and provisions of such approved cooperative or unit plan of development or operation and, particularly, all drilling and development requirements of this lease, express or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this lease shall not terminate or expire during the life of such plan or agreement. In the event that said above described lands or any part thereof, shall hereafter be operated under any such cooperative or unit plan of development or operation whereby the production therefrom is allocated to different portions of the land covered by said plan, then the production allocated to any particular tract of land shall, for the purpose of computing the royalties to be paid hereunder to Lessor, be regarded as having been produced from the particular tract of land to which it is allocated and not to any other tract of land; and the royalty payments to be made hereunder to Lessor shall be based upon production only as so allocated. Lessor shall formally express Lessor's consent to any cooperative or unit plan of development or operation adopted by Lessee and approved by any governmental agency by executing the same upon request of Lessee.
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 hereby 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.
15. Should any one or more of the parties hereinabove named as Lessor fail to execute this lease, it shall nevertheless be binding upon all such parties who do execute it as Lessor. 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. If Lessee is rendered unable, wholly or in part by force majeure, to carry out its obligations under this agreement, other than any obligation to make any payments, Lessee shall give to Lessor, prompt written notice of the force majeure, with reasonably full particulars, and thereupon the obligations of Lessee, so far as the same are affected by the event of force majeure, shall be suspended during, but not longer than the continuance of the force majeure event, plus such reasonable further period of time, if any, required to resume the suspended operation. Lessee shall use all reasonable diligence to remove the force majeure situation as quickly as practicable; provided, that it shall not be required to settle strikes, lockouts or other labor difficulties contrary to its wishes, and the manner in which such difficulties are to be handled shall be entirely within the discretion of Lessee. "Force majeure" means an act of God, strike, lock-out or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood or other adverse weather condition, explosion, governmental action, governmental inaction, restraint or delay, unavailability of equipment or any other cause, whether of the kind specifically enumerated above or otherwise, which is not reasonably within the control of Lessee.



688164 12/12/2005 01:32P B1754 P36 M ALSDORF
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IN WITNESS WHEREOF, this instrument is executed as of the date first above written.

Margo L. Johnson
Signature: **Margo L. Johnson**

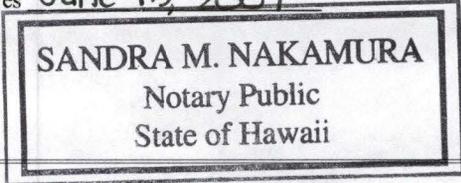
STATE OF **Hawaii**
COUNTY OF **Hawaii**

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BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this 1st day of ~~November~~ ^{December} **2005** personally appeared **Margo L. Johnson**, to me known to be the identical person described in and who executed the within and foregoing instrument of writing and acknowledged to me that she duly executed the same as her free and voluntary act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.

My Commission Expires June 12, 2007



Sandra M. Nakamura
Notary Public

Address: 315 Makaala St #102
Hilo, HI 96720

After recording return to:

Alfson Energy Land Services, Inc.
2629 West Main Street, Suite 190
Littleton CO 80120
303-730-1667